

# MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

2018

2005 SENATE APPROPRIATIONS

SB 2018

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date January 10, 2005

Tape Number	Side A	Side B	Meter #
1	A	B	3,014
Committee Clerk Signature <i>Janet Poles</i>			

Minutes:

**Chairman Holmberg** called the session to order and made a few announcements. The subcommittee on Corrections budgets includes Senator Kringstad, Senator Christmann, and Senator Krauter. Appropriations has a full schedule on Friday and this will be changed so that all members may attend Evan Lips funeral. The Friday morning hearings will be the Mill and Elevator 8:00 am and the Bank of North Dakota at 8:45 am. The State Fair hearing will be moved to another day. As was done last year the chairs of the subcommittees will chair hearings on a particular bill. The gavel was turned over to

**Vice Chairman Grindberg** Several people will be presenting for the Department of Commerce and will have two presentations regarding the Red River Valley Research Corridor.

**Lee Peterson**, Commissioner, ND Department of Commerce, presented testimony in support of SB 2018. Before beginning Lee Peterson introduced division directors that would be testifying today. A packet of testimony handouts was distributed. Refer to Appendix A for Lee Peterson's

testimony. The three continuing appropriations are related to Ethanol Production Incentive, Jobs Opportunities Internet Web Site and North Dakota Development fund.

**Richard Gray**, Program Manager, Division of Community Services, testified in support of SB 2018. Refer to Appendix B for a transcript of the testimony. Accountability and an overview of four different program areas were discussed, Community Development, Energy Efficiency/Renewable Energy, Self-sufficiency and Technical Assistance.

**Don Longmuir**, Economic Development Planner for Souris Region Basin Planning Council, Member of the American Planning Association, qualified with the American Institute of Certified Planners and a Certified Economic Development Finance Professional by the National Development Council, distributed a written copy of his supporting testimony for SB 2018. He discussed the Community Development Block Grant Program (CDBG) and some of its projects and the Community Development Loan Fund (CDLF).

**Richard Gray** continued with his presentation on accountability. The executive budget request is for \$52,061,580. Refer to Appendix B for specific testimony and graphs. (Meter #1640) Questions and discussion took place regarding homeless people, measures on the programs serving these people (Meter #1799), federal funding for programs.(Meter #2100). The public hearing was opened after a brief description of the reasons for this.

The public hearing for the Community Block Grant is required by the federal government in order to receive funds for the fund. The proposed use of the block grant funds was distributed.

**Richard Gray**, briefly reviewed the summary of the proposed plan for 2006-2007 together with a history of the development of the community action agencies as well as the funding in the programs they are undertaking to address the needs of low income people. It is estimated that

North Dakota will receive approximately \$3,140,000 each year with no state funds required to match these funds. Under law, 90 percent of the funding is required to pass through the Community agencies, North Dakota will pass through 91 percent of that funding.

**It was moved by Senator Tallackson , seconded by Senator Andrist and carried that the information, including summaries, minutes, testimony received during the community services block grant hearing, be approved to the legislative leadership and members of the House Appropriations Committee and upon request to other interested persons to help them analyze the portion of the Department of Commerce budget request involving the community services block grant revenues and that copies of such information be kept in the senate Appropriations Committee files for future reference.**

**Linda Butts**, Director, Division of Economic Development and Finance, distributed printed testimony in support of SB 2018, testifying on strategy and strategic initiatives to grow the economy of North Dakota. (Meter #2880) with emphasis on the ND Trade Office, the Research Corridor, media relation efforts, the ambassador program (meter 3678), and other projects. (See Appendix C) A complete listing of all existing programs and their current status is also found in Appendix C.

**Brian Walters** spoke on behalf of the Department of Commerce in support of SB 2018, (Meter 4840) elaborating on lead generations, promotions and the partnership project.

Questions and discussion took place regarding quality of workers, wage differential.

**Martin White**, President, CEO of MDU Resources, Chairman, ND Economic Development Foundation, distributed a copy of his supporting documentation for SB 2018 (Appendix F). He

presented his testimony through a power point demonstration highlighting the Strategic Plan for Growth and Prosperity in North Dakota. (Tape 1 Side B Meter 135)

**Sara Otte Coleman**, Director , Division of Tourism, distributed supporting testimony for SB 2018 (Appendix D). She reviewed the mission of the Tourism division in North Dakota and discussed the Legendary Campaign, program areas (meter 810), marketing, public relations efforts and results of the various programs. A video presentation including advertising campaigns took place.

**Bill Shalob** representing the ND Hospitality Association, appeared in support of SB 2018. Written testimony requesting continuing support of marketing efforts an increase in general fund support was distributed .

**Jim Fuglie**, Chairman Tourism Alliance Partnership in North Dakota and Director, Board of Directors of the International Peace Gardens, distributed written testimony indicating his support of SB 2018. He identified an additional need of more advertising dollars and requested an increase in the budget.

**Al Lukes**, Senior Vice President, CEO, Dakota Gasification Company and Chairperson, ND Workforce Development Council and State Commission on National and Community Service, distributed testimony supporting SB 2018. (Meter 3085) He showed a video that summarized the mission, work of the council and the commission. He discussed the three main goals of the Workforce Development Division.

**Jennifer Clark** asked to give an overview of the Centers of Excellence. Supporting documentation for SB 2018 was distributed highlighting the Current Centers of Excellence Program and the proposed changes presented for SB 2032.

• Page 5  
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**Mark Nisbet**, Principal Manager, Xcel Energy, Chairman Centers of Excellence, distributed a handout (Appendix G) in support of SB 2108, highlighting the key benefits and next steps in the economic development of the centers of excellence. (Tape 2, Meter 680)

**Robert Potts**, Chancellor, ND University System, distributed a handout of his testimony in support of SB 2018. (Meter 1289) He strongly supports the economic development but believes the bill can be improved through the addition of some amendments which are discussed in the written testimony.

**LT. Governor Jack Dalrymple** spoke on the mechanics of SB 2018. He discussed the terms as to how the SB 2018 works and the language used in SB 2032. The funding for the bill would be used as a draw from the Bank of North Dakota. The repayment of these funds would be made eventually through the legislature by appropriations committees; it will not rely on the risk or lack of risk of the project itself. Using borrowed funds is appropriate, if needed, because it will return money to the general fund. As you work on this bill we have decided you should look at a long-term identified source of support for the Centers of Excellence. The options in that regard, we suggest you look at one area in particular; that of the Student Loan Trust Fund (meter 2650) interest income.

Questions were raised and some discussion took place about this ongoing funding concept and evolution of the Centers for Excellence.

**Lee Peterson**, The department of Commerce also supports SB 2032 and urges the support of SB 2018.

Delore Zimmerman, to provide a brief overview of the Red River Valley Research Corridor and Brian Walker to give a brief overview of the biotech institute.

**Delore Zimmerman**, Director Red River Valley Corridor Center discussed the purpose and achievements, and projections of the Center which can be seen in the handout which was distributed. The Corridor is anchored by UND and NDSU, both do research not done anywhere else in the world. He Supported SB 2018.

There were questions and responses regarding the research and Development value and how it relates to a benefit for North Dakota.

Brian Walters, presented supporting testimony of SB 2018. (Tape 1 side B meter #560) He discussed the strategy of the Research Corridor and funding. He is supportive of SB 2018.

Curly Haugland, Concerned Citizen and Bismarck Businessman, spoke in opposition to SB 2018.

He expressed his concerns (meter 908) about the state funding economic development and free enterprise. His concern is job creation is not a part of government and monies for a program should be appropriated every two years as needs arise. Loans to an entity should not be repaid through the general fund.

Questions and responses were made regarding dependency on grants for business.

Several individuals submitted testimony in support of SB 2018. Handouts are included with total printed testimony.



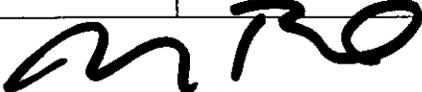
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2018.

Senate Appropriations Committee

Conference Committee

Hearing Date 01/20/05

Tape Number	Side A	Side B	Meter #
3	x		end
Committee Clerk Signature 			

Minutes: **Chairman Holmberg** called meeting to order on Subcommittee work of SB 2018.

**Sen. Thane:** Community development is important.

**Sen. Andrist:** Small town funding to boost tourism in there area.

**Sen. Christmann:** Is tourism and important part of ND's economy? Are we making new money, or are we just moving money from town to town. Are there a lot of people from out of state coming to ND?

**Sen. Andrist:** Money spent on commercials, is that the best way to spend the money?

**Sen. Tallackson:** Rural communities are neglected when we talk about tourism.

**Chairman Holmberg** Could we uses advertising agency's on a retainer?

Chairman Holmberg closed discussion of SB 2018.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date February 15, 2005

Tape Number	Side A	Side B	Meter #
3	a		284-4675
Committee Clerk Signature 			

Minutes:

**Chairman Holmberg opened the hearing on SB 2018.**

**Senator Grindberg** distributed amendments and testified in support of those amendments. He gave a brief background report of SB 2018. He then reviewed and highlighted areas of the proposed amendments.

**Senator Mathern** asked how these relate to accountability measures.

**Senator Grindberg-** I have not reviewed Rep. Kaiser's bill that addresses accountability. I know that there are some accountability measures in the budget. They are a result of a strategic plan that put third party benchmarks on the state's growth and measurement. The accountability measures you are referencing is more on individual incentives such as a loan pool.

**Senator Tallackson-** The ERC in Grand Forks is designated as the national center for hydrogen research. There was talk of giving some money to Minnesota.

**Senator Grindberg-** There are many other applications of hydrogen that will be coming in the future. The one in Grand Forks is a refueling station that would service hydrogen vehicles.

**Senator Andrist-** On Section 13, page 3, I thought there was money for scab research at the Fargo station?

**Senator Grindberg-** NDSU has gathered research along the traditional route through the use of technology.

**Senator Krauter-** Who is the company that we will be doing the contract with?

**Senator Grindberg-** Pedigree Technology based out of Fargo.

**Senator Krauter-** I see we are adding 460,000 to a total of \$1.5 million in discretionary funding. Is that similar to what we did in the last biennium?

**Senator Grindberg-** The funding is typical on where it comes from a variety of areas.

**Senator Christmann-** On APOC, why don't we give them \$100,000 less? Where does the money come from? Also, we passed legislation to recruit more dairies to the state, are we removing the individual who recruits.

**Senator Grindberg-** The \$50,000 on the dairy section was removed from this bill.

**Senator Bowman-** What and where is Dakota Manufacturing?

**Senator Grindberg-** Its an expansion of the current manufacturing initiative by the Department of Commerce. It would look at and enhance the needs of manufacturers especially to rural markets.

**Senator Krauter-** On section 13, were they denied funding from APOC?

**Senator Grindberg-** I don't believe they were denied funding.

**Senator Grindberg** explained the Centers of Excellence proposal on Section 21. He explained the changes to the committee that were made by the Industry, Business, and Labor committee.

**Senator Grindberg moved a Do Pass recommendation on the amendments, which was followed by a second. Discussion followed:**

**Senator Lindaas-** Is the Board of Higher Education left out on some of this? Is the Chancellor aware of this?

**Senator Grindberg-** On the issue on who has constitutional authority, the amendments are what the Board of Higher Education requested. There were additional amendments offered by the Board of Higher Education office, that did not make it into this bill. Those amendments would have removed all of subsection 5. As a subcommittee, we did not review that request.

**Senator Mathern-** I am concerned about Section 10 and the bonding authority. Is the bonding authority only eliminated by Centers of Excellence?

**Senator Grindberg-** The bonding authority does not exist, the bonding and loan for \$50 million needs more work. We once proposed a ten year plan that would be a pay as you go type of plan, that would place \$50 million into a program. It could take some time through conference committee to address the funding issues on this bill.

**Senator Robinson-** Is there anything proposed that would bring all the institutions on board, who are interested in participating?

**Senator Grindberg-** There are varied opinions on the wording of the current law. Before the session started we agreed to work on the constitutionality to make sure all of the institutions were eligible. On page 4 and 5, there is some sensitivity for the Research and Development institutions taking complete control of the program, and not allowing other institutions to

participate. There are several programs through the different institutions that would qualify today for Centers of Excellence. We can't control the interpretation of the information that goes out.

**Senator Robinson-** If there is not absolute clarity that they are included, we are likely to run into problems on the Senate floor. Several of our colleagues have vested interest in this issue. There is talk about bringing the private institutions and the tribal colleges into this mix. There was an effort to get the Attorney General's opinion on the issue.

**Senator Grindberg-** I have not heard from the Attorney General about the constitutionality.

**Chairman Holmberg-** Committee members were quite passionate on the IBL committee about certain companies form a partnership with a private college can put together a package creating private sector jobs in that area.

**Senator Lindaas-** My concern with the private colleges is they are not under the State Board of Higher Education, would that be a good fit in this situation?

**Senator Mathern-** Why is there no bonding in this bill?

**Senator Grindberg-** The word loan is the same to some people as a bond in language. Perhaps a certain amount will be put in the Bank of North Dakota reserve funds for this purpose. There is funding for the Centers of Excellence in the governor's budget, \$5 million.

**Senator Lindaas-** What are the issues of the matching amount with the Centers of Excellence? Is there some flexibility with this?

**Senator Grindberg-** The current law has a 2:1 match, the amendments that came from SB 2032 had flexibility granted to the commission to make exceptions. These amendments don't have that flexibility, its a 2:1 match for an eligible project.

**Senator Lindaas-** There might be a Center of Excellence that does not have the capital to fit within this proposal.

**Senator Grindberg-** It could then exist without state funding.

**Senator Christmann-** We hear about the equity problems with the Board of Higher Education on a regular basis, I was under the assumption that when a program is put together it would need approval by legislative council or an interim committee.

**Senator Grindberg-** We accepted the amendments that the IBL committee delivered to us.

**Action taken-** The amendments (.0103) passed with a voice vote.

**Grindberg moved a Do Pass as Amended recommendation for SB 2018. Seconded by Senator Fischer. The bill as amended passed unanimously. Senator Grindberg is the carrier of the bill.**

**The meeting was declared closed by Chairman Holmberg.**

**FISCAL NOTE**  
 Requested by Legislative Council  
 04/05/2005

Amendment to:           Engrossed  
                                   SB 2018

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0		\$0		\$0	
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

This fiscal note only addresses the removal of the sections of the bill dealing with the seed capital investment tax credit.

The House Amendments to Engrossed SB 2018 have removed the provisions relating to the seed capital investment tax credit program and placed them in SB 2032.

With the removal of these provisions there is no longer a negative fiscal impact on state revenues associated with SB 2018

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.*

No Impact on State Revenues

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.*

<b>Name:</b>	Paul T. Govig	<b>Agency:</b>	ND Dept. of Commerce
<b>Phone Number:</b>	329-4499	<b>Date Prepared:</b>	04/06/2005

**FISCAL NOTE**  
**Requested by Legislative Council**  
02/17/2005

Amendment to: SB 2018

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	(\$250,000)		(\$3,000,000)			
<b>Expenditures</b>						
<b>Appropriations</b>						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 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.*

Sections 27 through 32 of Engrossed SB 2018 have provisions relating to the seed capital investment tax credit program. Section 41 requires the tax commissioner to study corporate income tax. This fiscal note addresses these sections only.

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.*

The provisions of Engrossed SB 2018 are expected to decrease state general fund revenues by \$250,000 in FY 05, and \$3,000,000 in the 2005-07 biennium. This assumes the caps on the seed capital investment tax credit are reached. If the caps on the credit are not reached, the fiscal impact will be less.

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.*

Section 41 of Engrossed SB 2018 requires the Tax Commissioner to study corporate income taxes and authorizes the Department to contract with a third party to conduct the study. This will involve additional expenditures, the amount of which is currently unknown.

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	02/18/2005



**FISCAL NOTE**  
**Requested by Legislative Council**  
12/27/2004

Bill/Resolution No.: SB 2018

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.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

The NDUS will incur direct and indirect costs, beyond the general funds appropriated in the bill, related to the following activities in support of an Economic Development Centers of Excellence (COE) program, as mandated in the legislation:

- Establishment of COE program by SBHE
- Provide staff support to the new commission
- Coordinate the preparation of applications from the campuses
- Review of applications by the SBHE
- Preparation of reports to be presented to the Budget Section
- Preparation of annual reports to be presented to the Governor and foundation
- Generating significant local match requirements, now 2:1, totaling \$100 million
- Campus administrative costs for managing center(s)

The costs to complete these activities, although significant both individually and collectively, will be absorbed by the campus and System within current or other externally generated resources. We will not be able to provide a good estimate of the total fiscal impact, until the number and types of projects have been identified.

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.*

<b>Name:</b>	Laura Glatt	<b>Agency:</b>	NDUS
<b>Phone Number:</b>	328-4116	<b>Date Prepared:</b>	01/07/2005

Date 2-15-05  
 Roll Call Vote #: 1

**2005 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2018**

Senate SENATE APPROPRIATIONS Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do pass as amended SS018-0103

Motion Made By G Seconded By Fisch

Senators	Yes	No	Senators	Yes	No
CHAIRMAN HOLMBERG	/		SENATOR KRAUTER	/	
VICE CHAIRMAN BOWMAN	/		SENATOR LINDAAS	/	
VICE CHAIRMAN GRINDBERG	/		SENATOR MATHERN	/	
SENATOR ANDRIST	/		SENATOR ROBINSON	/	
SENATOR CHRISTMANN	/		SEN. TALLACKSON	/	
SENATOR FISCHER	/				
SENATOR KILZER	/				
SENATOR KRINGSTAD	/				
SENATOR SCHOBINGER	/				
SENATOR THANE	/				

Total (Yes) 15 No 0

Absent 0

Floor Assignment Grindberg

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

**REPORT OF STANDING COMMITTEE**

**SB 2018: Appropriations Committee (Sen. Holmberg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2018 was placed on the Sixth order on the calendar.

Page 1, line 2, replace "exemption; to provide a continuing appropriation for the centers of" with "appropriation to the office of management and budget; to provide exemptions; to create and enact a new section to chapter 54-34.3, a new section to chapter 54-44.4, three new sections to chapter 54-60, and a new section to chapter 57-38.5 of the North Dakota Century Code, relating to a division of economic development and finance local economic developer certification program, an office of management and budget procurement information program, department of commerce target industry requirements, a department of commerce state employee image training program, a department of commerce business hotline program, and seed capital investment tax credit treatment of investments in excess of caps on credits; to amend and reenact sections 15-10-41, 57-38.5-01, 57-38.5-02, 57-38.5-03, 57-38.5-04, and 57-38.5-05 of the North Dakota Century Code, relating to the centers of excellence program and the seed capital investment tax credit; to repeal section 15-10-41 of the North Dakota Century Code, relating to the centers of excellence program; to provide for state agency studies, reports to the legislative council, and legislative council studies; to provide an appropriation; to provide an effective date; and to provide an expiration date."

Page 1, remove lines 3 and 4

Page 1, line 23, replace "455,981" with "426,658"

Page 2, line 3, replace "5,000,000" with "2,500,000"

Page 2, line 5, replace "(191,055)" with "(191,929)"

Page 2, line 6, replace "(7,000)" with "453,000"

Page 2, line 7, replace "81,301" with "80,858"

Page 2, line 8, replace "7,193,830" with "5,123,190"

Page 2, line 9, replace "3,079,389" with "3,069,937"

Page 2, line 10, replace "4,114,441" with "2,053,253"

Page 2, line 17, replace "7,169,321" with "7,139,998"

Page 2, line 21, replace "5,000,000" with "2,500,000"

Page 2, line 22, replace "2,792,124" with "2,791,250"

Page 2, line 23, replace "1,440,127" with "1,900,127"

Page 2, line 24, replace "3,933,212" with "3,932,769"

Page 2, line 25, replace "78,561,660" with "76,491,020"

Page 2, line 26, replace "55,432,496" with "55,423,044"

Page 2, line 27, replace "23,129,164" with "21,067,976"

Page 2, after line 27, insert:

**"SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 3, line 6, replace "\$5,000,000" with "\$2,500,000"

Page 3, line 7, remove "cash investments or debt service payments for"

Page 3, replace lines 11 through 19 with:

**"SECTION 8. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009."

Page 3, line 22, replace "debt service" with "expenditure"

Page 3, replace lines 24 through 30 with:

**"SECTION 10. ECONOMIC DEVELOPMENT INITIATIVES - DISCRETIONARY FUNDS.** The discretionary funds line item in section 3 of this Act includes \$385,000 from the general fund for the following economic development initiatives for the biennium beginning July 1, 2005, and ending June 30, 2007:

Target industry identification and report	\$25,000
Image information program	50,000
Business hotline program	30,000
Local economic developer certification and training program	50,000
Dakota manufacturing initiative	100,000
Intellectual property rights study and report	50,000
Economic development incentives study and report	30,000
Business climate initiative study	<u>50,000</u>
Total	\$385,000

**SECTION 11. LIFE SCIENCES SECTOR DEVELOPMENT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act to an economic development corporation in the Red River Valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 12. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$25,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 13. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** The agricultural products utilization

commission shall provide a grant of \$100,000 from its funding available for the 2005-07 biennium to a private company within the state doing research on sensor technology for the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 4, remove lines 1 through 31

Page 5, remove lines 1 through 30

Page 6, remove lines 1 through 31

Page 7, remove lines 1 through 30

Page 8, remove lines 1 and 2

Page 8, remove lines 26 through 29

Page 9, after line 3, insert:

**"SECTION 21. AMENDMENT.** Section 15-10-41 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-41. Centers of excellence - Centers of excellence commission - Report to budget section.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development ~~consistent with the purpose under subsection 2~~ through which the commission makes center funding award recommendations for institutions of higher education under control of the board, tribal colleges located in the state, private baccalaureate-granting institutions of higher education located in the state, and university-related or college-related foundations of public or private institutions of higher education located in the state.
2. In this section, unless the context otherwise requires:
  - a. "Board" means the state board of higher education.
  - b. "Center" means a center of excellence relating to economic development.
  - c. "Commission" means the centers of excellence commission.
  - d. "Foundation" means the North Dakota economic development foundation.
  - e. "Industry cluster" means one of the following industries:
    - (1) Advanced manufacturing;
    - (2) Energy;
    - (3) Information and technology;
    - (4) Tourism;

- (5) Value-added agriculture; or
  - (6) An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
3. The centers of excellence commission consists of six members. The foundation shall appoint three members of the commission and the board shall appoint three members of the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first of each odd-numbered year; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. Terms of initial commission board members must be staggered. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The commission shall meet as necessary to review all complete applications; approve, disapprove, or approve conditionally the applications; and make center funding award recommendations. The board shall provide the commission with appropriate staff services as may be requested by the commission.
4. The board shall provide application forms, accept applications, review applications for completeness and compliance with board policy, and forward complete applications to the commission according to guidelines established by the commission. The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.
- ~~Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests. The legislative assembly may designate a center.~~
2. The purpose of the program is to develop
5. Before the commission may consider an application for center funding, the applicant shall establish in the application how the center will:
- a. Develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion, utilization to assist the growth and expansion of knowledge-based industries, and other activities in the state to develop innovative approaches that expand the gross state product; to assist.

- b. Create private sector employment opportunities for residents of this state.
  - c. Assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth.
  - d. Assist efforts to commercialize and expand industry clusters most likely to increase the gross state product; to increase.
  - e. Increase collaboration among state, federal, and private science and technology research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value added agriculture.
6. In considering an application, the commission shall:
- a. Make a determination that the requirements of subsection 5 have been established by the applicant.
  - b. Consider whether the center will:
    - (1) Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;
    - (2) Create high-value private sector employment opportunities in this state;
    - (3) Provide for public-private sector involvement and partnerships;
    - (4) Leverage other funding;
    - (5) Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
    - (6) Foster and practice entrepreneurship;
    - (7) Link to targeted industry clusters; and
    - (8) Include provisions for becoming self-sustaining.
7. Following approval by the board, foundation, and commission, the board and commission shall report the details of a proposed designated center to the budget section. An approved award determination reported to the budget section must include details regarding the terms under which the board will distribute allocated funds.



- ~~3. The state board of higher education shall allocate funds from appropriations for undesigned centers of excellence relating to economic development based on the criteria established and The board, in partnership with the commission and foundation, shall report to the budget section annually on such the status of allocations, in partnership with the North Dakota economic development foundation, to the budget section and actual fund distributions.~~
8. A recipient of funds awarded under this section shall use the funds to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. ~~Funds~~ A recipient of funds awarded under this section may not be used use the funds to supplant funding for current operations or academic instruction or to pay indirect costs. ~~The board may award funds under this section to research universities, university related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is~~
9. Before funds awarded under this section are distributed to an institution of higher education under the control of the board of higher education or which is to a nonprofit university-related or college-related foundation of an institution of higher education under control of the board, the recipient shall:
- a: ~~Provide~~ provide the board of higher education with detailed documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and.
- b: ~~Provide~~ An institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under control of the board which receives funds under this section shall provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

**SECTION 22.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

Local economic developer certification program. The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 23.** A new section to chapter 54-44.4 of the North Dakota Century Code is created and enacted as follows:

Procurement information - Web site.

1. The office of management and budget shall establish and maintain a procurement information web site on the internet. This procurement information web site must provide current information regarding North Dakota government procurement opportunities in order to inform potential

vendors of the commodities and services sought by state agencies and institutions. Notwithstanding section 54-44.4-09, for each purchase of services or commodities over the amount established for small purchases, the office of management and budget and every purchasing agency shall provide procurement information on the web site. The time period and manner of providing procurement information on the web site must be in accordance with rules adopted by the office of management and budget. The office of management and budget may contract with a third party to assist in providing or maintaining the procurement information web site.

2. A state agency or institution may elect to use the procurement information web site for the purchase of services and commodities that are not subject to the procurement requirements of this chapter, including:
  - a. Commodities and services exempted under section 54-44.4-02;
  - b. Public improvements under title 48;
  - c. Architect, engineer, construction management, and land surveying services under chapter 54-44.7; and
  - d. Concessions under chapter 48-09.

**SECTION 24.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Target industries - Report to legislative council. The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 25.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

North Dakota image information program. The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 26.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Business hotline. The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the

state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 27. AMENDMENT.** Section 57-38.5-01 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-01. Definitions.** As used in this chapter, unless the context otherwise requires:

1. "Director" means the director of the department of commerce division of economic development and finance.
2. "New wealth" means revenues to a North Dakota business which are generated by sales of products or services to customers outside of the state. "New wealth" also includes revenues to a qualified business the customers of which previously were unable to acquire, or had limited availability of, the product or service from a North Dakota provider.
3. "Passthrough entity" means a corporation that for the applicable tax year is treated as an S corporation or a general partnership, limited partnership, limited liability partnership, trust, or limited liability company and which for the applicable tax year is not taxed as a corporation under chapter 57-38.
4. "Primary sector business" means a qualified business that through the employment of knowledge or labor adds value to a product, process, or service and which results in the creation of new wealth but does not include an ethanol production facility.
4. 5. "Qualified business" means a business other than a real estate investment trust which is:
  - a. A primary sector business that:
    - (1) Is incorporated or its satellite operation is incorporated as a for-profit corporation or is a partnership, limited partnership, limited liability company, limited liability partnership, or joint venture;
    - (2) Is in compliance with the requirements for filings with the securities commissioner under the securities laws of this state;
    - (3) Has North Dakota residents as a majority of its employees in the North Dakota principal office or the North Dakota satellite operation; and
    - (4) Has its principal office in this state and has the majority of its business activity performed in this state, except sales activity, or has a significant operation in North Dakota that has or is projected to have more than ten employees or one hundred fifty thousand dollars of sales annually; or
  - b. An organization that:

- (1) ~~Is in compliance with the requirements for filings with the securities commissioner under the securities laws of this state; and~~
- (2) ~~Attracts investments to build and own a value added agricultural processing facility that it leases with an option to purchase to a primary sector business that qualifies under subdivision a~~ is a primary sector business as described in subdivision a which is operated in partnership with a research university, university-related foundation, or public institution eligible to receive funding under section 15-10-41.

~~5.~~ 6. "Taxpayer" means an individual, estate, or trust or a corporation or passthrough entity but does not include a real estate investment trust.

**SECTION 28. AMENDMENT.** Section 57-38.5-02 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-02. Certification - Investment reporting by qualified businesses -** Maximum investments in qualified businesses. The director shall certify whether a business that has requested to become a qualified business meets the requirements of subsection 4 of section 57-38.5-01 and the certification must include the period of time the certification covers. The director shall establish the necessary forms and procedures for certifying qualified businesses. For investments made after December 31, 2004, the maximum aggregate amount of qualified investments a qualified business may receive is limited to five hundred thousand dollars under this chapter. The limitation on investments under this section may not be interpreted to limit additional investment by a taxpayer for which that taxpayer is not applying for a credit.

**SECTION 29. 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, 57-38-30, or 57-38-30.3. The amount of the credit to which a taxpayer is entitled is forty-five percent of the amount invested by the taxpayer in qualified businesses during the taxable year, subject to the following:

1. The aggregate annual investment for which a taxpayer may obtain a tax credit under this section is ~~not less than five thousand dollars and not more than two hundred fifty 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 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~~ passthrough entity 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~~ passthrough entity's investment in a qualified business must

be determined at the ~~partnership~~ passthrough entity level. The amount of the total credit determined at the ~~partnership~~ passthrough entity level must be allowed to the ~~partners, limited to individuals, estates, and trusts,~~ members in proportion to their respective interests in the ~~partnership~~ passthrough entity.

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. Investments placed in escrow do not qualify for the credit.
6. 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.
7. 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.
8. 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 30. AMENDMENT.** Section 57-38.5-04 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-04. Taxable year for seed capital investment tax credit.** The tax credit under section 57-38.5-03 must be credited against the taxpayer's income tax liability for the taxable year in which ~~full consideration for~~ the investment in the qualified business was received by the qualified business.

**SECTION 31. AMENDMENT.** Section 57-38.5-05 of the North Dakota Century Code is amended and reenacted as follows:

**57-38.5-05. Seed capital investment tax credit limits.** The aggregate amount of seed capital investment tax credit allowed for investments under this chapter ~~through calendar year 2002 is limited to one million dollars and after calendar year 2002~~ is limited to two million five hundred thousand dollars for each calendar year. If investments in qualified businesses reported to the commissioner under section 57-38.5-07 exceed the limits on tax credits for investments imposed by this section, the credit must be allowed to taxpayers in the chronological order of their investments in qualified businesses as determined from the forms filed under section 57-38.5-07.

**SECTION 32.** A new section to chapter 57-38.5 of the North Dakota Century Code is created and enacted as follows:

Credit for investments made before 2005. An investment made before January 1, 2005, which did not qualify for the tax credit under this chapter because of the two million five hundred thousand dollar credit limitation in effect before the effective date of this Act is entitled to a credit against state income tax liability under section 57-38-29 or 57-38-30.3 in the amount of forty-five percent of the amount invested by the taxpayer in a qualified business subject to the following:

1. The aggregate investment for which a taxpayer may obtain a credit under this section is not less than five thousand dollars and not more than two hundred fifty thousand dollars.
2. In any taxable year, a taxpayer may claim no more than one-fourth of the credit under this section which is attributable to investments made before January 1, 2005.
3. Any amount of credit under this section not allowed because of the limitations in this section may be carried forward for up to five taxable years after the taxable year in which the investment was made.
4. This section does not apply to investments made in an ethanol production facility.

**SECTION 33. REPEAL.** Section 15-10-41 of the North Dakota Century Code is repealed.

**SECTION 34. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 35. NORTH DAKOTA BUSINESS CLIMATE INITIATIVE - LEGISLATIVE COUNCIL STUDY.** During the 2005-06 and 2007-08 interims, the legislative council shall study the state's business climate through a business climate initiative. The business climate initiative must include receipt of agency reports regarding economic development legislation introduced by the legislative council during previous legislative sessions, active participation in business climate focus groups across the state, and active participation in biennial business congresses. The focus groups shall discuss ways to enhance the state's business climate to stimulate job growth and enhance economic prosperity by encouraging the growth of existing businesses in the state, creating new businesses in the state, and encouraging expansion or relocation of businesses to this state. Each business congress must receive a report on the activities of the focus group discussions, shall identify methods to enhance the state's business climate to stimulate job growth and enhance economic prosperity, and shall evaluate the impact of existing state economic development programs. The department of commerce shall organize the business climate focus groups and the business congresses. Before each business congress, which must be held before June 1, 2006, and before June 1, 2008, the department shall hold a minimum of six focus group discussions, two of which specifically focus on local economic developers and four of which specifically focus on private business needs.

The department shall consult with the legislative council in compiling focus group and business congress participant invitation lists and drafting and distributing invitations, establishing focus group and business congress dates and locations, and preparing agendas for focus groups and business congresses. The legislative council shall contract with a third party to provide professional services to plan, facilitate, report on, and coordinate followup for the focus groups and business congresses. The legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth and sixty-first legislative assemblies.

**SECTION 36. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program under section 15-10-41. The report must include information regarding funding, private sector participation, and accomplishments of each center of excellence and whether there are potential changes that could be made to improve the centers of excellence program.

**SECTION 37. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers under section 22 of this Act. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 38. PROCUREMENT ASSISTANCE STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the director of the office of management and budget shall report to the legislative council on the status of providing procurement information through the internet under section 23 of this Act; perform a study on the most effective manner in which to provide for a procurement assistance center; and report to the legislative council on the outcome of the procurement assistance center study, including what services might be provided by such a center, how services might be provided by such a center, and what legislative changes would be required to implement such a center.

**SECTION 39. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program under section 25 of this Act. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 40. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program under section 26 of this Act. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether

there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 41. TAX STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the tax commissioner shall conduct a study of the corporate taxing system and tax incentives to stimulate business. The study must include consideration of gaps in tax incentives, include consideration of successful actions taken by other states to improve their tax environment for doing business, and focus on approaches that are specifically tailored to the state's unique circumstances. The tax commissioner may contract with a third party to conduct the study. Before July 1, 2006, the tax commissioner shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to stimulate the state's business climate.

**SECTION 42. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative provided for under section 34 of this Act. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 43. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 44. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:



- a. Academic research and development expenditures as percentage of gross state product.
- b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those

employed, and the average increase in earnings twelve months after completion of training.

**SECTION 45. EFFECTIVE DATE - EXPIRATION DATE.** Sections 27 through 31 of this Act are effective for taxable years beginning after December 31, 2004. Section 32 of this Act is effective for taxable year 2004 and is thereafter ineffective, except any unused credit may be carried forward as provided in section 31 of this Act. Section 33 of this Act becomes effective August 1, 2009.

**SECTION 46. EXPIRATION DATE.** Section 26 of this Act is effective through July 31, 2007, and after that date is ineffective. Section 25 of this Act is effective through July 31, 2009, and after that date is ineffective."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of Senate Action**

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Office of Management and Budget			
Total all funds	\$0	\$50,000	\$50,000
Less estimated income			
General fund	\$0	\$50,000	\$50,000
Department of Commerce			
Total all funds	\$128,561,660	(\$52,070,640)	\$76,491,020
Less estimated income	105,432,496	(50,009,452)	55,423,044
General fund	\$23,129,164	(\$2,061,188)	\$21,067,976
Bill Total			
Total all funds	\$128,561,660	(\$52,020,640)	\$76,541,020
Less estimated income	105,432,496	(50,009,452)	55,423,044
General fund	\$23,129,164	(\$2,011,188)	\$21,117,976

**Senate Bill No. 2018 - Office of Management and Budget - Senate Action**

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Operating expenses		\$50,000	\$50,000
Total all funds		\$50,000	\$50,000
Less estimated income			
General fund	\$0	\$50,000	\$50,000
FTE	0.00	0.00	0.00

**Dept. 110 - Office of Management and Budget - Detail of Senate Changes**

	FUNDING FOR WEB SITE <sup>1</sup>	TOTAL SENATE CHANGES
Operating expenses	\$50,000	\$50,000
Total all funds	\$50,000	\$50,000
Less estimated income		
General fund	\$50,000	\$50,000
FTE	0.00	0.00

<sup>1</sup> A \$50,000 general fund appropriation is provided to the Office of Management and Budget for establishing and maintaining a state procurement web site.

Senate Bill No. 2018 - Department of Commerce - Senate Action

	EXECUTIVE BUDGET	SENATE CHANGES	SENATE VERSION
Salaries and wages	\$7,169,321	(\$29,323)	\$7,139,998
Operating expenses	8,722,128		8,722,128
Capital assets	25,000		25,000
Grants	49,479,748		49,479,748
Centers of excellence	5,000,000	(2,500,000)	2,500,000
Agricultural products utilization	2,792,124	(874)	2,791,250
Discretionary funds	1,440,127	460,000	1,900,127
Lewis and Clark Bicentennial	3,933,212	(443)	3,932,769
Centers of excellence - Borrowing	50,000,000	(50,000,000)	
Total all funds	\$128,561,660	(\$52,070,640)	\$76,491,020
Less estimated income	<u>105,432,496</u>	<u>(50,009,452)</u>	<u>55,423,044</u>
General fund	\$23,129,164	(\$2,061,188)	\$21,067,976
FTE	59.00	0.00	59.00

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

	REDUCES COMPENSATION PACKAGE TO 3/4	ADJUSTS CENTERS OF EXCELLENCE FUNDING 1	ADDS DISCRETIONARY FUNDS 2	TOTAL SENATE CHANGES
Salaries and wages	(\$29,323)			(\$29,323)
Operating expenses				
Capital assets				
Grants				
Centers of excellence		(\$2,500,000)		(2,500,000)
Agricultural products utilization	(874)			(874)
Discretionary funds			\$460,000	460,000
Lewis and Clark Bicentennial	(443)			(443)
Centers of excellence - Borrowing		(50,000,000)		(50,000,000)
Total all funds	(\$30,640)	(\$52,500,000)	\$460,000	(\$52,070,640)
Less estimated income	<u>(9,452)</u>	<u>(50,000,000)</u>		<u>(50,009,452)</u>
General fund	(\$21,188)	(\$2,500,000)	\$460,000	(\$2,061,188)
FTE	0.00	0.00	0.00	0.00

<sup>1</sup> Funding for centers of excellence is changed by removing the \$50 million of borrowing authority from the Bank of North Dakota and reducing the \$5 million appropriation from the general fund to \$2.5 million.

<sup>2</sup> The following adjustments are made to the discretionary funds line item:

Adjustment	Amount
Removes dairy recruitment and retention funding	(\$50,000)
Adds funding for the following initiatives, programs, and studies:	
Life science sector development	100,000
Wind to hydrogen demonstration project	25,000
Target industry identification and report	25,000
Image information program	50,000
Business hotline program	30,000
Local economic developer certification and training program	50,000
Dakota manufacturing initiative	100,000
Intellectual property rights study and report	50,000
Economic development incentives study and report	30,000
Business climate initiative study	<u>50,000</u>
Total	\$460,000

In addition to the funding changes, this amendment also:

- Allows the department to continue the appropriation authority included in the discretionary funds line item beyond the 2005-07 biennium.
- Changes the Governor's proposed centers of excellence program.

- Provides for a state procurement web site.
- Implements a local economic developer certification program, a North Dakota image information program, and a business hotline program.
- Changes the seed capital investment tax credit.
- Provides for a Dakota Manufacturing Initiative.
- Requires reports to the Legislative Council and a Legislative Council study.
- Provides for performance and accountability reporting by the department.

2005 HOUSE APPROPRIATIONS

SB 2018

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2018

House Government Performance Division

Conference Committee

Hearing Date March 1, 2005

Tape Number	Side A	Side B	Meter #
1	X		1-End
		X	1-End
2	X	X	1-End/1-4225
Committee Clerk Signature <i>Stephanie J. Thomas</i>			

Minutes: **Chair Carlson** opened hearing on SB2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide and exemption; to provide a continuing appropriation for the centers of excellence.

**Lee Peterson, Commissioner ND Department of Commerce: (SEE WRITTEN TESTIMONY)**

**Martin White, President & CEO of MDU Resources Group, Incorporated: (SEE WRITTEN TESTIMONY)**

**Chair Carlson:** When you talk about resources, and how this will not proceed without the proper resources, how do you see the private public partnership on resources here?

**Martin:** I believe the industry will step up as we go on, just as we have so far. We raised 161,000 dollars just to conduct our business and to help the Department of Commerce hold these meetings outside the state of ND. Everytime there's a business opportunity, private industry is going to step up to the plate, and we've seen that.

**Rep. Skarphol:** Are you telling us by your statement that you believe that the additional duties that are put into this bill will require more personnel resources, FTE's?

**Martin:** the additional duties will require at least one additional person, and it's going to require some additional budget.

**Rep. Glassheim:** You know 4 years ago we began a big change in the way commerce does business, and you talked about if we invest in this, we'll get a rate of return. What is this that the foundation is in charge of? What is being done?

**Martin:** First of all, one of the initial charges as I said earlier was to get everybody in ND working together, because you can't accomplish anything unless you get people working together. They're working together to develop the state of ND. What's being done is the Department of Commerce is going out finding people who are willing to invest in ND, people who are willing to bring jobs here. There finding entrepreneurs who have good ideas, and trying to help those people grow their businesses. They're trying to help businesses that are here to grow, they're trying to encourage businesses from other states to come here, and they're doing that through a lot of different means. They're going out to different areas, they're having their ambassador program, where they bring people who are from ND together and they say, look for businesses that might come here. We've got leads from that, then they contact those leads, and convince them to come here. Everyone that can help while they're here does. That process is working quite fantastic.

**Lee Peterson: (CONTINUE WRITTEN TESTIMONY)**

**Sara Otte Coleman, Director of the Division of Tourism: (SEE WRITTEN TESTIMONY)**

Video Presentation.

**Chair Carlson:** Remind me of the years of that again?

**Sara:** The next signature event will be in New Town in 2006.

**Chair Carlson:** When does it end?

**Sara:** They actually make it all the way back in 06.

**Chair Carlson:** So 2006 will be the end of the promotion for that, or not?

**Sara:** Well, it will be the end of the bicentennial commemorative activities. We don't ever think it's going to be ending the promotion, because Lewis and Clark is continually going to be an intricate part of our marketing, and the history and culture is continuing.

**Chair Carlson:** Remind me again how long that tax was on for.

**Sara:** It will end at the end of this biennium, 07.

**Chair Carlson:** Where is that revenue at per date? Didn't we originally project 2.9 million for the biennium?

**Sara:** Originally we projected 2.9. I don't have the January figures in yet, but through December we have collected 1.84 million. We're projecting about a 480,000 dollar shortfall on that, not because the business wasn't there, and we actually increased hotel spending, all the CVB's, most of the CVB's across the state were up significantly in their lodging tax collections. My understanding in talking to the Tax Department is that there was some non room revenue that was included mistakenly in that original estimate.

**Chair Carlson:** How did you budget then? Did you budget at 2.9? Are you going to be short on that side of it then?

**Sara:** We budgeted 2.9, and we're working really hard to cut about 400,000 dollars out of our budget right now without sacrificing our 2005 media by.



**Chair Carlson:** So your going to be ahead or behind when you are done?

**Sara:** We're going to be right there.

**Rep. Glasheim:** Are these real figures? The million dollar investment you can really show led to these things, it's not just hypothetical? A million dollar invested brings 3.2 million back into the state, that can be demonstrated to?

**Sara:** Yes, our researcher can show you, and his methods have been proven and tested by legislative and Governor appointed economists and groups. They can show the direct correlation between those advertising buys and the spending.

**Rep. Glasheim:** So if we had a fiscal note or something on a million dollars given to your department extra, would that be likely to show a positive fiscal result to the state?

**Sara:** I believe based on the 3 years now that we have, and those numbers have varied in 3 years, we use those numbers to kind of fine tune our marketing and our strategy. But yes, based on the 3 years we've had now, we have shown a significant return every year on those dollars, and we could show the payback.

**Rep. Skarphol:** The film industry in ND, I'm just curious as to the follow up with regard to a film that we did finance, and I'm wondering what the net result has been? I'm talking about Woolly Boys, of course.

**Sara:** I don't have good records, or good history on that. Obviously, there was some time frame in there. I think many people are pleased with the exposure that it got, although it didn't receive the success that it has, and honestly I think that's why we have not focused our efforts on the film commission. We feel that we're better off focusing on the leisure tourism marketing area, and that's why we don't devote a lot of resources that direction right now.

**Chair Carlson:** Did you have any adjustments to your budget in the Senate?

**Sara:** Yes, I think they cut 422 dollars.

**Rep. Monson:** You said according to your study by NDSU, tourism is the 2nd largest industry in ND, only slightly behind agriculture. When they do a study like that, how do they determine that tourism is doing all of this? Do they go to the motels and say how many motel rooms were occupied by out of state people, and consider them as tourists, or take all the people that stay in hotels?

**Sara:** NDSU uses a model that uses tax revenue, and kind of breaks it down, and across several SIC codes. They're including revenue by expenditures of out of state visitors. In some ways it doesn't incorporate all of tourism, because it isn't including you when you come to Bismarck, and pay tax in Bismarck. It's not including instate travel at all, but it is including some cross border shopping, or cross border spending activities.

**Rep. Monson:** So they have a formula. They obviously can't track every single person that comes to the state that says, well this was on business, and this was tourism. I don't know how they can accurately separate what's tourism, what's business, and what's just travel.

**Sara:** That's exactly right. The NDSU 3 billion dollar figure is not including any instate tourism, which we know makes up a big portion, but it is including those other activities, remembering tourism is business travel. Leisure tourism is what we work on in the tourism division, but many of our partners in the convention and visitors bureaus industry, they work specifically on cooperate travel and conventions.

**Chair Carlson:** Do we know statewide what's spent on tourism, if we were to ask all the local CBB's? Do you have totals of numbers from all of the communities, including what's funded in yours?

**Sara:** I do not, but I could get that number pretty easily.

**Bill Shalhoob, ND Hospitality Association: (SEE WRITTEN TESTIMONY)**

**Rep. Skarphol:** You talk about a 3 tiered system for investing in marketing. Give me some idea what you think the percentage of each of those tiers is to the total contribution, like if you had to divide those 3 tiers into 100%. Would 20% of it be coming from the individual companies, 20% from the cities, and 60% from the state? How would you break it down?

**Bill:** It would seem to me that the majority of it is probably coming from the properties and the individual places today. If we take the number of hotels and restaurants, and take a marketing budget as a recommendation, if we take 3% of the total sales of hospitality 3 billion dollars in ND, I say the vast majority of it is probably coming from the individual operators today. The largest percentage is probably coming from the individual operators if we consider all their marketing dollars.

**Rep. Skarphol:** If you considered just the out of state marketing, what percentage of your dollars as a business go to out of state marketing as compared to instate marketing?

**Bill:** As philosophically personally on the marketing thing, almost all of my dollars go out of state, because that's where your instate travel is fairly fixed, and we're going to get our share of it based on just being here and all that other kind of stuff. If I'm going to generate new business, I have to generate new business from new business.

**Rep. Monson:** Your estimating roughly 100 dollars a night for a hotel room, is that correct?

**Bill:** I think out statewide room average is about \$53.50.

**Rep. Monson:** You had 14,524 rooms, produced 14 million 437,800 dollars in room sales.

**Bill:** New room sales. That's the combination of the new people staying, and at the rate they stayed. Total room sales for the state is a much bigger figure than that. That's just the new dollars created in 2004 in room sales, which was 14 million dollars.

**Rep. Monson:** You said you feel that every tourist spends about 5 times as much as what this produced.

**Bill:** I think that 1/5 of the tourist expenditure 20% of it goes toward the room, and 4/5 of it goes for other things, food, beverage, entertainment. Part of the problem is in the multipliers, when you look at 14,524 rooms, that breaks down to 5 million 301,000 million room nights. So 1% becomes part of that 5 million 301,000.

**Rep. Monson:** Dealing with that room tax that we put on for the tourism marketing here awhile back, do you think that has hurt your business at all, as far as visitors coming or people complaining about that tax?

**Bill:** It would be hard to make that argument based on the fact that our real growth last year was 7%. I did not participate in the last session, so I was not fully aware of all the arguments. I'm not sure that our association has ever been in favor of spending less money. I think what we argued about was the source of the funds, that the source of funds should come from the general fund and not from the room tax. But, obviously based on the production, more marketing dollars have been effective.

**Julie Rygg, ND Association of Convention & Visitors Bureaus President and Greater Grand Forks Convention & Visitors Bureau Executive Director: (SEE WRITTEN TESTIMONY)**

**Jim Fuglie, Chairman of the ND Tourism Alliance Partnership: (SEE WRITTEN TESTIMONY)**

**Rep. Glassheim:** Is 7.9, does that include the 1 cent tax?

**Jim:** I believe it does. We'd like to see a couple million dollars more, frankly.

**Rep. Glassheim:** Is that scheduled to go through 07? Is that 2 million in the 7.9?

**Jim:** It is.

**Rep. Skarphol:** Curious about this organization, Tourism Alliance Partnership. When Mr. Shalhoob talked about the 3 tiers, I understand that each of these probably fit in the 2nd tier that he's talking about. As an organization do you invest anything in marketing ND?

**Jim:** We are not a marketing organization. We are an organization that works on legislation, business issues such as liability insurance for the industry. All of the members however, the CVB's who are members of our association, for example, contribute to the marketing of ND. We are not a marketing organization, we are a business organization working on business issues that affect the industry.

**Linda Butts, Director of the Economic Development & Finance Division of the ND Department of Commerce: (SEE WRITTEN TESTIMONY)**

**Chair Carlson:** Do you do any cost benefit analysis on most of your programs?

**Linda:** We try to. What we do, unlike tourism where there's is one body of programs, I have so many different programs. So what MEP does is there is actually a third party verification that comes behind and tells you exactly what your impact has been on your program.

**Chair Carlson:** In one point in time there was discussion about the Department of commerce being the one stop shop. Is that still in place where you can come and get all your questions answered about doing business in ND?

**Linda:** We believe so. We take a lot of questions on a daily basis. The small business development center, who used to be housed at UND, is now housed in our office. The ND Trade Office, I am the link to that board.

**Chair Carlson:** I thought that was one of your policies, that you were the one stop shop. As we set up the Department of Commerce, that people would be able to go in and get all their questions answered on everything from tax issues to loans available.

**Linda:** Yes, we are doing that. There actually exists several documents that will tell you all of the tax incentive. There are several documents that talk about all the lending programs, we have a one stop capital center, which our development fund is a partner as is the CDBG, so that if a project wants to get funding they can go to one source one meeting.

**Rep. Glassheim:** It seems to me we put some measurements in last session. Do you have those? Do we have results on those?

**Linda:** We actually have a strategic plan report that will talk about all of those. In addition, some of the things that we think are positive about the work is we have been moving the numbers in a positive direction. Poverty level has dropped 2.1%, we've increased both wages and per capita income, the number of births are greater than deaths for the first time I many years

indicating young people are staying in the state. We've also reversed that out migration number, instead of losing people last year for the first time, we turned that corner and we kept almost 1,000 people.

**Rep. Glassheim:** Do you have population out migration? Is there a number that we're aiming for per capita income in the next two years, or four years? Are we aiming for anything in population or wages or earnings?

**Linda:** When we bring the strategic benchmark, you will find that we have a 10 year plan, so that we'd like population to be x, per capita y, gross domestic product I think is exports.

**Rep. Skarphol:** You talked a little bit about energy. I'm just curious, "working with a university," that's kind of a vague reference. I'm just curious what that means? Coming up with a strategic initiative for the energy industry, I'm curious who "a university" is, and who the other players are?

**Linda:** We have tried on a couple of occasions to try to figure out how we can, we know that we've just about maxed out on our ability export energy, and so the logical thought then is how can we get businesses to come into the state that will use more of that energy. In conjunction with the city of Beulah, Hazen, and that whole coal patch area, we asked them to conduct a study for us looking globally at companies that could locate, use a byproduct. Then once we have that list, our job as a development organization would be to reach out to those companies, and tell them about the benefits of doing business in ND.

**Rep. Skarphol:** So your concentrating that effort primarily on the coal, and the electrical generation aspect of it?

**Linda:** To date that is correct.

**Rep. Skarphol:** You talk about preparing a strategic plan for value added agriculture. I'm curious there as to who the participants are in that strategic plans preparation?

**Linda:** That is under construction. That particular initiative was actually mandated or placed in statute when the Department of Commerce was created in 2001. We just haven't been able to get to that piece of it, but we have had success with our own strategic plan in the sense that we have identified the players, and benchmarks.

**Rep. Glasheim:** In the House a bill on alternative agriculture and energy production failed. I'd like to see that back, I think it was a mistake in this state not to invest, producing energy from crops. Would your department be in the position with work you've already done and contacts you already have to assist in that, administer it, and to suggest ways in which it could go forward.

**Linda:** I believe your referring to the piece of legislation that would have placed the responsibility for monitoring funds into the Ag Product Utilization Commission. We actually met in our office with APUC, and then we have energy people in the Division of Community Services, and sat down at the table and played a what if. It could be manageable for the existing commission to monitor those dollars, to the extent that we could incorporate and embody it in existing commission. That we can do. The feeling was if we truly took on that task, it would be really helpful to have somebody on that energy side to monitor the projects and to be that liaison.

**Al Lukes, Chairman of the Workforce Development Council: (SEE WRITTEN TESTIMONY)**

**Chair Carlson:** Is there and expansion this time of the internship and apprenticeship programs within the budget, or not/

**Bill:** I believe it's the very same.



**Chair Carlson:** Are there a lot of repeat users of the workforce training programs?

**Al:** Absolutely. We're finding that the programs that we foster and support are being very well accepted by ND residents, and we think it's being very helpful to have our involvement bringing North Dakotans back to ND.

**Richard Gray, Program Manager within the Division of Community Services:** (SEE WRITTEN TESTIMONY)

**Chair Carlson:** Is that up or down from last time?

**Richard:** It's about the same as last time.

**Chair Carlson:** Are your salaries funded with general funds or federal funds?

**Lavonne Stair, Office Manager for the Department of Commerce:** The Division of Community Services salaries are a mixture of all funding sources. The majority of their salary line is federal funds, probably about 60% of it. 33% is probably general, and the remainder is special.

**Rep. Skarphol:** There are 3 words here that intrigue me. It says right after the dollar amount from general funds it says "most of which are required for a match." What does that mean, "most of which."

**Richard:** The majority of our funds for the general fund are used to match the programs we have.

**Rep. Skarphol:** You've got 1 million 118,986 dollars, how much of it is required match?

**Lavonne:** It's probably near 96% to 97% of it.

**Rep. Monson:** What is the source of your special funds?

**Lavonne:** The special funds for the Division of Community Services come in from the oil overcharge money.

**Richard:** We receive because of lawsuits that have occurred, oil overcharge money. That money is coming to an end, and that money is used for various programs to supplement primarily are energy programs.

**Lee Peterson:** Discussion on Centers of Excellence. (SEE WRITTEN TESTIMONY)

**Rep. Rick Berg:** (See Legislative Council's Review for Centers of Excellence)

**Mark Nisbet, Principal Manager for Excel Energy:** Discussion on Centers of Excellence.  
(SEE WRITTEN TESTIMONY)

**Rep. Glasheim:** The 150 million dollars, if the state had 50 million, then your thinking of raising an extra 100 million through private investment?

**Mark:** Private investment, and matches of that sort. So the state comes in with the 50 million, and that is part of the process, and that will help determine whether that project will get the state funding. State money seems like a gift, but if you match it with the private sectors own dollars, we've had good success with that.

**Rep. Glasheim:** I thought these were to be projects where the private sector is investing money in a profit making venture. Having 33% of a profit making venture be state funded, seems to me to be high.

**Mark:** The difference might be to get it off the ground, and what it takes to get it going as the process continues. It won't be ongoing funding.

**Rep. Glasheim:** These are not conceived as research funds. The research would have been done previously?

**Mark:** This is taking commercializing those efforts. The idea that both sides benefit, the fact that you take some of those research efforts and again you commercialize it, you have the intellectual properties put back in it.

**Rep. Glassheim:** As you conceive of this, should a venture make a profit, would the state have equity investment? Would the state participate in profit roughly to the amount invested, or to some formula?

**Mark:** That hasn't been the initial conceptualization of it. The initial idea of it is to attract these people here that have a number of choices where they can locate these facilities, that it's an inducement to bring them here.

**Rep. Glassheim:** When it was proposed as a Bank of ND loan, is the state money to be loans, or would they be likely to be grants, or lost and not recovered?

**Mark:** Likely to be grants with the repayment through the Department of Commerce's budget.

**Rep. Monson:** This 50 million that we're being asked to put forth. Is this going to be some kind of pool of money that will somehow recycle and come back and fill up again that we can keep using over and over, or is this just money that we're supposed to throw in here and then another biennium we're going to come up with another 50 million?

**Mark:** We envision that 50 million lasting for more than one biennium. Truly it is C dollars to attract these businesses that will employ people at very good wages, and will infuse the economy with new growth. 50 million is meant to be that big bold idea that puts that out there, that catches the attention of business, catches the attention of other entrepreneurs saying this is a state that gets it. There are resources here, and they understand what can happen if we partner on efforts like this.

**Rep. Monson:** How much are you going to put into each business? What kind of plans are you looking at here?

**Mark:** The plans are that we'll look for the best projects, the communities that get going, get involved with it.

**Rep. Monson:** Have you developed some specific plans for this, or are you still kind of in the planning stage?

**Mark:** Actually, the last sessions legislation had some criteria that we have to look at.

**Robert Potts, Chancellor of the ND University System:** (SEE WRITTEN TESTIMONY)

**Chair Carlson:** What's the original funding mechanism in the bill before the Senate amended it out?

**Robert:** There was one funding mechanism that first came in one of the earlier drafts that would have allowed bonding, or at least that was discussed. Then there was a section that would have permitted a type of advance by the Bank of ND after a certain process was followed. Some other ideas have been to fund it with perhaps the money from trust funds or whatever, as you go.

**Rep. Glasheim:** Under matching fund requirements, you say it's major barriers failing to meet the funding match requirement. The legislation will require colleges and universities to provide 2 dollars a matching fund for each dollar of state funds awarded. My original understanding is that this is an economic development project requiring private sector businesses to provide the match, but you say quite clearly that your thinking that the colleges and universities would have to provide the match.

**Robert:** The way I understand it is that in making a proposal, we have to submit to the commission a plan for raising or getting the 2 to 1 match under the existing legislation for it to

even be considered. So, what would happen is we would have to go out and raise it. It might very well come from the private sector, or it could come from federal contracts, or whatever. It would be up to the institution when they submit the proposal to raise that money.

**Chair Carlson:** Doesn't that kind of dilute what we're trying to do when we go into the arena of using federal funds to tap this money. Wasn't it originally meant to be businesses working with universities to turn it into jobs not government working with government, and maybe getting a job?

**Robert:** I think that's so, but I think you'll find in various things such as the energy center, for example, there's a mixture. What we really have to do out there in higher education is really scramble to get whatever money we can, so there maybe a private gift that is given. It's supplemented with some federal funds that matches the state money. I believe what we would like to ask you to do is give us flexibility, and then these entities I've mentioned will have a chance to look at that before the funding is ever released. We feel that working through it as we're doing now, we can come out with some good legislation that will be a good investment for ND.

**Chair Carlson:** My original understanding of this was we were trying to convince businesses to do business here to get involved in our research, and to locate their business here instead of us just being the brain drain where we think of it and somebody else does it. When you go into the federal dollars, it's kind of a missing link for the business bringing it's ideas in, because they haven't participated in the process.

**Robert:** Again, it depends on the particular proposal. I think you'll get proposals modeled just like your anticipating. I think you'll get some proposals that are more creative in different ways.

Give us some flexibility, give some trust to this process that's set up, and let us show you what we can do.

**Rep. Skarphol:** I think the whole idea behind the Beef Center of Excellence was that if we cannot get a private company, then it probably should not go forward. So we don't want to put ourselves in a situation of putting a lot of government money into something that the private sector is not going to support either.

**Robert:** Absolutely. There will be ideas even that get funded, that don't work out. We can't guarantee you a 100% success rate. That's the actual idea behind venture capital.

**Lt. Governor Jack Delryple:** The original request from the Governor was that you put 5 million dollars in cash into Centers of Excellence in the Department of Commerce budget. That actually is not much of an increase at all over our current spending level. We are committing between 4 and 5 million dollars right now to Centers of Excellence. It is an increase in this budget bill. Secondly, the Governor is asking that the legislator give us an opportunity to draw more funds during the biennium, if projects come forward that are compelling and that should be funded as needed. We have been through a long process in ND in economic development. Starting in 1992 with Vision 2000, which we created in this legislature, we have been changing our approach and our strategy in economic development on a regular basis. This is the new model that is working for people nationwide. We are discovering that we can put in some public dollars, and we can leverage them significantly with private money, with private enterprise, and get some very dynamic job creation opportunities. This is what's happening nationwide, and we think this is where we need to go now with economic development. The opportunities can be very large, and that is why we want to have access to funds during the biennium. If we have an

opportunity to invest 7 or 8 million dollars and get 25 million dollars of additional economic activity, and if that activity can last virtually internally in our region. We think we should seize on that opportunity.

**Chair Carlson:** Can you be a little more specific about the draw? Right now the bill is at 2 ½ million dollars. How do you envision that to be?

**Lt. Governor:** The Senate in the closing hours before crossover, I think was really at a loss in how to deal with the funding mechanism. For whatever reason, they thought they would get some credit for reducing this budget overall, and so they chose to take down the Centers of Excellence funding by 2 ½ million dollars. I believe that was a fairly random act. I don't think there is any real message in that, and then the Majority Leader got up on the floor of the Senate and said the Senate was committed to Centers of Excellence, and he went on record as saying that eventually the commitment could rise to as much as 50 million dollars. The Senate Appropriations committee, we believe, is very supportive of Centers of Excellence, but for whatever reason, the Senate Appropriations, and the Senate as a whole chose to defer to the House, and the House Appropriations committee on the funding question. It is now in your hands, and it gives you a unique opportunity to decide how to structure this. We originally asked that the Bank of ND be made available as a source of funds on an interim basis, if a compelling project is approved by the commission, goes through all the hoops, approved by the budget section, we would have funds available. Since that time we've talked to the Senate about a funding source. They were concerned about not knowing how exactly these funds would be repaid over time to the Bank of ND. So we suggested that they look to the interest income on the student loan trust fund, which is going to generate on a continuing basis between 7 and 8 million

dollars per biennium. We suggested that they legislatively pledge that income stream to the payment or the repayment of notes in regard to Centers of Excellence.

**Chair Carlson:** Would that stop us from using the 9 million that we're going to use out of there this time for expenditures?

**Lt. Governor:** No, because you are being asked to appropriate general fund dollars for the 05/07 biennium. That will not impact on the first biennium. In the end, the Senate shows not to include that language, which we worked on very hard with the Bank of ND, and it was very well crafted, but in the end they did not attach it to the bill. The question is can we pay 5 million for 05/07? Can we identify a source of funds over time that can be looked to even in 05/07 for additional investments? The point is that the Governor is asking that we have access to additional funds if we have great opportunities.

**Rep. Skarphol:** We're talking about a potential 50 million dollar investment over this next biennium. You have to have some idea in your mind what the recurring cost of this is going to be?

**Lt. Governor:** I think if I had to estimate in the coming biennium, we are probably looking at least at 12 million dollars. If you want to go on a kind of pay as you go basis, I'm going to be asking you for 20 million.

**Rep. Skarphol:** What I'm suggesting is that there must be recurring costs from doing this, from creating Centers of Excellence. Unless I'm missing some aspect of this.

**Lt. Governor:** Absolutely. What we are asking you is to recognize, perhaps in a statement of intent, that this is an ongoing program for economic development. It will last longer than 2 years, and we will continue to look for opportunities to leverage our resources and get



tremendous paybacks. I think in that regard, that's why the Governor continues to want to refer to a number like 50 million dollars, because he does not want any doubt, or any confusion on the part of legislators. We intend for this to be a major approach to economic development over an extended period of time.

**Rep. Skarphol:** So you envision multiple Centers of Excellence in our research universities, probably single ones that are smaller community colleges?

**Lt. Governor:** My view of that is that in a competitive process, there is no question that are research universities will be at a tremendous advantage, in terms of the proposals that they are going to be able to put on the table. At the same time, I think it's very important to tell all of our campuses that this program is open to all of them.

**Rep. Glassheim:** Could you help me visualize, what is our money to be used for? Is it likely to build buildings, or it is not for research, where would our money be useful? How would it be used?

**Lt. Governor:** I think there are almost as many different deals out there, and projects, as you could ever want to imagine. I think there is no set model.

Recessed until after Floor Session.

Reconvened hearing on SB 2018.

**Linda Bar:** Reading testimony for Sherry Neas of the Office of Management and Budget, State Procurement office. (SEE WRITTEN TESTIMONY) (Tape didn't record testimony)

**Ray Ann Klein, Owner of Innovative Environmental consultants, Inc. Of Dickinson:** (SEE WRITTEN TESTIMONY) (Tape didn't record testimony)

Closed Hearing on SB 2018.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

*Govt  
Performance  
2018*

Date March 3, 2005			
Tape Number	Side A	B Side	Meter #
1	X		5725-End
2	X		1-3820
Committee Clerk Signature <i>Stephanie N. Thomas</i>			

Minutes: **Chair Carlson** opened general discussion on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide and exemption; to provide a continuing appropriation for the centers of excellence.

**Sara Otto Coleman, Tourism Department:** (SEE HANDOUT)

**Chair Carlson:** So your going to collect about 2.4 the way it looks, instead of the 2.9 we anticipated?

**Sara:** Yes.

**Chair Carlson:** I see your running 3.0 for the next biennium. Isn't that a little aggressive?

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**Sara:** It might be a little bit aggressive, but what we anticipated was a slight growth. If you look across the board cumulative lodging tax across the state was up 10%, so there's no reason the state one should mirror those local taxes that are collected. Those dollars were based on the projections when we put the budget together for growth within the 1%.

**Chair Carlson:** I'm a little confused on how you put this together, because you lumped that revenue in with your expenses, the lodging tax.

**Sara:** That's just because it's a dedicated line item. It's Lewis and Clark marketing basically.

**Rep. Monson:** Your saying that the hotel lodging is up, but is it maybe not up as much as you had projected?

**Sara:** In our annual report you'll see in the middle there that there will be two figures in there.

We measure it two ways. We measure the 1% that we're collecting at the state level, but also we take the numbers that all the individual cities and communities collect. So the cumulative lodging tax across the state, once you balance all of that out, was up 10%. My thought was that there might be some compliance issues, but the Tax Department has looked into that and don't feel it's a compliance issue, they feel that it was just a bad estimate that we're comparing it to.

**Rep. Glasheim:** Does your 1% track with the locals? Are they raising 2.4 million, or is that not apples and apples? Cities that have a 1% lodging tax, how much did they collect in the same period?

**Sara:** We don't see the effects mirror. When we see an increase in that, are 1% has not mirrored that.

**Rep. Glasheim:** So that's 18 months, right? Over that time period, shouldn't 1% state lodging tax be about the same as the total of all the 1% local CVB taxes?

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**Sara:** CVB's all have different percentages. Most of them collect 2%, some 1%, and some 3%.

So it varies, and some of them have different funds earmarked for marketing and infrastructure.

**Rep. Skarphol:** If the projection for 03/05 was nearly 500,000 high, are you comfortable with the projection for 05/07 being accurate?

**Sara:** I am comfortable with it, because I feel that it's been a learning time frame, and I feel there are some other issues out there and I think it's going to catch up. We can't spend it if we don't earn it.

**Chair Carlson:** The decrease in 2003/05 would have been because of the shortage in the lodging tax?

**Sara:** Yes.

**Chair Carlson:** So the only real changes to your budget are a little bit in group travel, your administration operating line went down a little bit. Your salaries went up according to the 3 and 4. Marketing went for tourism. Do you keep that separate from the Lewis and Clark marketing, or do you roll those two together?

**Sara:** We keep them separate. We actually have that separate Lewis and Clark line item before as well, but it's a hard thing to manage because both campaigns work together. Especially since we started our new branding campaign, and the Lewis and Clark bicentennial promotions all started at the same time. It's a difficult thing to separate.

**Chair Carlson:** The Lewis and Clark bicentennial funding this time is up about 80,000. Over last time it goes from 3.851 to 3.932 from what I can see.

**Sara:** Yes, and that's the growth in the 1%.

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**Chair Carlson:** How do you do your contracts for that? You're obviously going to go out and you're going to buy advertising or you're going to book advertising. Do you book it subject to having the money?

**Sara:** What we did this past year is we figured out what portion of it we wanted to put into the media buy, and then if we need to alter it, we alter it. At this point we know that we can measure the return on investment for those advertising dollars, so we're cutting everything else. We're not cutting our media buy, even with trimming 488,000 dollars this late in the game. We want to keep those dollars going out to the media, and we're cutting everything else in order to make that happen.

**Chair Carlson:** Your special revenue is your clothing sales and your promotional stuff for Lewis and Clark, or for the tourism of ND?

**Sara:** That's correct.

**Chair Carlson:** So am I reading this right, that about 4.8 million dollars is general fund, the rest is the lodging tax.

**Al Knudson, Legislative Council:** The lodging tax goes to the general fund. They can only spend up to what they collect.

**Chair Carlson:** So, from general fund perspective, where are we at from last time? If they hold projections, are we going to be up or down?

**Al:** 100,000 dollars up on general funds.

**Chair Carlson:** Still kind of curious how you keep all these funds separate?

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**Lavonne Stair, Office Manager for the Department of Commerce:** When we put our budget online into the bars system, it goes in at the program level, so we put it in at group travel, tourism marketing. It rolled it up into the budget that you have before you.

**Chair Carlson:** So there's no cross travel numbers that can get mixed with ED&F?

**Lavonne:** No, it's line by line by line. When we're done we have 60 some categories that we've input separate budgets for.

**Rep. Glassheim:** Starting 2 or 4 years ago, I conceived an interest in learning based vacations, and using Internet to design vacations. The thought was to have all kinds of things one could do, ride a horse, rope a horse, eat a good dinner, go to a play, learn French, etc., organized by the Tourism Department and put on an International website for people to design vacations. Any thoughts on this?

**Sara:** We have worked in that in the interim. We've got portions of it up and going. One of the new things that we showed at the tourism conference this past week was we now have packages available for the first time on the website. Learning based vacations is one of the big segments of those packages, so we're making it easy for people to package, like you said. We've been working with the University system in trying to determine if their database is going to be useable for us, so that we don't have to reinvent the wheel. To have a system like you described would be wonderful, I think state of the art, but we could never do it with the resources we have now.

**Rep. Glassheim:** What would it take to cover 200,000 dollars, in terms of people using?

**Sara:** I don't know if there's any research available to make that correlation. I do know that we would have to remember that the 55 to 1 payback is just on our paid advertising.

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**Chair Carlson:** What is our contract status on advertising? What is our advertising policy for getting advertisers?

**Sara:** We are currently under a contract with Odney advertising which will expire June 30. We are in the process of evaluating putting together the RFP to take proposals.

**Chair Carlson:** Who's writing the RFP?

**Sara:** I'm working on it right now with input from a strategic planner and some other states looking at some other models. I'm also looking at the federal model, what DOT uses when they bid things out. I've gathered a lot of information, and we're going to put it together at that point. I do have some supplemental information to pass out. (SEE ADVERTISING HANDOUT)

**Chair Carlson:** There's an RFP going out to everybody that has an interest by June 30, and it's due back by when?

**Sara:** Actually we'll need to get the contractor in place by June 30, so we'll be getting that out here in March, and doing the agency review and collecting the written. From there we normally will have a ranking sheet where we'll go through the written proposals.

**Chair Carlson:** Who does that?

**Sara:** We included an independent tourism strategic consultant.

**Chair Carlson:** Does that biased the decision in any way?

**Sara:** No. I honestly feel that he would have absolutely no biased whatsoever, in terms of which agency.

**Chair Carlson:** Do you have anybody on a retainer?

**Sara:** We do. We didn't designate whether there would be a retainer or per hourly fee.

**Chair Carlson:** Are we in a renewal option now, or are we in a brand new contract period?

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**Sara:** We're going to start a brand new contract period, on June 30.

**Chair Carlson:** Why would you do a renewal option?

**Sara:** The reason it's worded that way is we did the 1% contract fee very quickly after last session, in order to get a program going right away so that we could show a return on investment. We used the whole review process to renew the Odney contract at that time. So that's why it's worded that way.

**Rep. Skarphol:** I'm just curious, it says PR included in the last two biennium's. Does that include PR work that's done?

**Sara:** Yes. We have the public relations component included in that fee.

**Rep. Skarphol:** What would we anticipate the cost would have been in the 99/01 session? Do you have any idea?

**Sara:** I could guess. At one point I believe there was a separate contract that the agency had gone into when they were an individual department. I believe they were paying 75,000 dollars a year for a public relations contract.

**Chair Carlson:** Does it include making the ads for Legendary?

**Sara:** It includes all the creative, all the public relations, all the writing, all the scripting and the production of the TV ads, all of that kind of work.

**Rep. Carlson:** When does this RFP go out?

**Sara:** My goal is to have it out the end of March.

**Rep. Skarphol:** The Canadian campaign, there's no TV advertising with it. You don't do TV in Canada?



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**Sara:** We don't do TV in Canada. It's very expensive, and so we use radio in Canada in the past. We are going to be cutting and producing a new radio spot for this year.

Closed General Discussion Hearing.

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2018*

### General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 4, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-5000
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

Overview of Red Rover Valley Research Corridor. (SEE HANDOUT)

**Rep. Monson:** I still don't really know what the Red River Valley Research Corridor is, who they are or where they are?

**Lee Peterson:** The Red River Valley Research Corridor is a entity that is encompassed from, at this point, UND down to NDSU in Fargo. I think Mayville State has recently joined the group, Valley City is hooking up with the entity, and before the research corridor was begun, what we were trying to do was increase research funding for the University systems. As that began to

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happen, we began to see things like RFID, and a variety of other things that have the ability to actually become operating businesses. So, it is to try and draw some attention from our perspective, and the marketing effort here, to try to draw some national perspective on the research that is occurring at NDSU, UND, and the other institutions that may in fact hook up.

**Rep. Monson:** The funding that you talk about in paragraph 2, you had originally 200,000 dollars, and it was leveraged with a 3 year EDA grant of 155,000 a year. How did that work?

**Lee:** Previous biennium, we provided 100,000 dollars a year to market the research corridor. There had been no one trying to gain attention to the research, so we provided I think a couple hundred thousand dollars out of the discretionary fund. As we proceeded with that, we applied for an EDA grant, which we gathered up 155,000 a year for the next 2 years, and we needed to match that with 200,000. So, we went to our discretionary fund. We think this is a very important initiative, trying to draw national attention to the 2 research universities, and whoever else may join them, so that companies will in fact look at the research being conducted in the State of ND.

**Rep. Monson:** What's the match then? You've got 200,000 of your money that had to go in to get 155,000 of EDA money?

**Lee:** What we did was wrote a grant talking about what we were going to do in funding marketing for the research corridor, and asking them to assist us in doing that. So, it's not a 1 for 1 match, it's about a 75 cent to \$1.00 match.

**Chair Carlson:** Where does that show up in your budget, which line item, operating expenses?

**Cory Fong:** Discretionary grants.

Overview of amendment. (SEE AMENDMENT 58018.0217)

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**Chair Carlson:** How is the Ethanol Production Incentive Fund derived again?

**Al Knudson, Legislative Council:** That is pretty much the income that is anticipated to go into that fund during next biennium. It's 40% of the farm/truck registration fees, and then a penny on gas tax refund reductions.

**Chair Carlson:** Who do you raise that from?

**Lee:** What we had originally asked for was the ability to raise the money from local economic development professionals who were involved with our training program.

Overview of amendment. (SEE AMENDMENT 50180.0411)

Closed General Discussion Hearing.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2018

House Government Performance Division

Conference Committee

Hearing Date March 9, 2005

Tape Number	Side A	Side B	Meter #
1		X	138-End
2	X		1-3880
Committee Clerk Signature <i>Stephanie Thomas</i>			

Minutes: **Chair Carlson** opened the hearing on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

**Linda Butts, Director of Economic Development & Finance:** Discussion of Handout. (SEE HANDOUT)

**Chair Carlson:** I need to understand the terminology, operating means what?

**Linda:** It's still in existence, and it's up and running today.

**Chair Carlson:** That means the loan is still in place?

**Linda:** Correct.

**Chair Carlson:** It doesn't mean that was for operating line of credit.

**Linda:** No, it does not.

**Rep. Glasheim:** Not operating means out of business?

**Linda:** Out of business, for the purpose of this document.

**Chair Carlson:** Does that mean the amount that we wrote off, or that all the participating banks in total wrote off?

**Linda:** That would be the amount that we the development fund wrote off.

**Rep. Glassheim:** I'm guessing then it's just the total of charged off investments that is so low, and I'm guessing the amounts listed here are the original loan amount, rather than what we lost.

**Dean Reese:** That is correct.

**Rep. Monson:** Your saying that this amount of money is just what our fund here lost, but we might of had other state money that went south on us to, say through this Bank of ND?

**Dean:** That is correct.

**Rep. Glassheim:** Are you being to cautious? How much risks are we willing to take?

**Dean:** The funds as it's beginning, the loss rate is 19.62%. I think we need to be in the range of 15 to 25%.

**Rep. Monson:** What's the difference between paid out operating, and just operating?

**Dean:** The paid out is that account is paid out in full, the whole investment that we had. For example, we were invested in company when it was restructured, and we were paid out in full on our investment, but the company is still operating today.

**Chair Carlson:** How do you tie your interest rates in this program? What are your rates based on?

**Dean:** We base them on the risk of each project, based on the information that we've received. We look at all the background, all the companies financial, how they're operating, whether they're startup, have they been in business for 5 years. I base it based on the term, based on the risk, and the of information that we have received.

**Chair Carlson:** Are you lower than the banks?

**Dean:** Yes.

**Chair Carlson:** Would you consider this venture capital or not?

**Dean:** We have the ability to both. If we deal with the equity investment, I guess I don't consider ourselves a true venture capital.

**Rep. Skarphol:** Has is made any profit yet?

**Dean:** The access is very good.

**Rep. Skarphol:** The 13 million that you have out in loans or whatever. What's the ratio of loans to equity?

**Dean:** Ours today is 69 % loans, and 31% equity.

**Chair Carlson:** Other than the 500,000 dollars that is a mandated expense out of your account, is there any other money that's been transferred out of your reserves?

**Dean:** No.

**Chair Carlson:** Do you have a strategic plan for your department?

**Dean:** Yes, we do.

**Chair Carlson:** Therefore your performance measurements have not been developed either?

**Dean:** I guess there's some in there that don't have specific goals in mind.

**Rep. Glassheim:** It looks like you've been loaning it out or investing 13 million over 3 years or 4 years. If you were to continue at that pace, you have 6.1 million available, you'd be drawing down quite heavily.

**Dean:** That's correct.

**Chair Carlson:** You think that's a stable number for you? I mean a 6.1 million, is that workable? Is that the right amount of money to have there to be able to work with?

**Dean:** Back in 1989, I think the original appropriation was about 6.5 million, then in 1993 there was an appropriation of approximately 8.7 million. The amount that's coming from the development fund for the appropriation from the original to date is about 27 million.

**Rep. Skarphol:** Wasn't there a certain amount of money for each of 8 regions in the rural revolving loan fund, and what's the current distribution in utilization of that?

**Dean:** We equally divide it among the 8 different regions, and once we make an investment into that region, those dollars go back into that same region to be used over again.

**Rep. Skarphol:** Of the 51 million, how much of that has been rural?

**Dean:** Roughly about 19 million.

**Rep. Monson:** What's the most that you've ever had in this development fund?

**Dean:** I think the biggest amount that we've had is about 8.5 million.

**Chair Carlson:** If you were going to change direction, what would you do?

**Dean:** I think the philosophy of investment that we make is completely different from the people that ran the fund before I did. If I have to have a reason for the investments that we made, we want to hopefully get it paid back. It is the taxpayers dollars.

**Rep. Glasheim:** What about numbers of turndowns?

**Dean:** You said it pretty accurately. The nice thing more today, is the leverage.

**Rep. Glasheim:** Out of the 89, I saw that only one is from Grand Forks. Do we just have no good projects?

**Dean:** We actually have a lot up there.



**Rep. Glassheim:** If I understood you that your probably investing 6 million bucks a biennium. Your going to be broke than at the end of this biennium, am I reading this right?

**Dean:** We have dollars continually coming back into the fund.

**Rep. Skarphol:** You mentioned the factory in Alabama, the BMW factory in Alabama. Refresh my memory on that. What was the cost per job to get that?

**Lee Peterson:** Close to 50.

**Rep. Skarphol:** Has there needed to be an investment on the part of the state to get those jobs, or has that initial investment generated those jobs?

**Lee:** The original investment of 256 million dollars in the Mercedes Benz plant was the primary of the pump. I think the investment in the remaining plants was about 50% of what the original investment was, but there was still a 15,000 dollar investment in those automotive jobs that are in Alabama.

**Rep. Skarphol:** Has that investment in actuality returned that kind of dollars back to the state in Alabama?

**Lee:** I don't have the numbers to prove it to you today, but more than return the investment back. The whole economy of the state of Alabama has changed, because of those four automotive plants.

**Rep. Skarphol:** Has the policy nationwide between the states changed at all with regard to the competition for jobs?

**Lee:** There is an awfully lot of talk mainly out of the Federal Reserve Bank in Minneapolis about the cost. When you hear talk about that, you hear it from a very industrialized area like Minneapolis talking about North or South Dakota. They do not want us working with their

company, who they help not at all, trying to get them to look at a location somewhere else. There is still talk, there will continue to be talk, but a very underdeveloped area like ND will always need to find incentives to attract companies to this area.

**Rep. Monson:** Tourism says that if we give them a dollar, they'll give us back 55 bucks. If we give you a dollar, what do you give us back?

**Lee:** Economic Development, because of the nature, it is extremely difficult for us to extrapolate all those numbers. The jobs created at the Development Fund, the jobs created at Business Development, the jobs created at APUC, the tax advantages, the tax return, and one of the things that you have approved this biennium is the accountability legislation. That accountability legislation will help us lead into a return on investment for economic development dollars.

**Chair Carlson:** How long has APUC been here?

**Lavonne Stair, Finance Director:** I believe it the 97/99 biennium was the first time it was in ED&F.

**Chair Carlson:** Everything that goes out here is a grant, correct?

**John Schtider, Director of APUC:** Correct.

**Rep. Skarphol:** This 1.28 million dollars that you've delineated here as projects in this biennium, and the dollar amounts in the various 5 categories up above were set by whom?

**John:** The categories are given to us by the legislature. They are in statute, and if you've been tracking, we got three more added to our program.

**Rep. Skarphol:** So has the board set a policy that says we're going to invest so much money in the marketing utilization, so much in the basic and applied research, or is that just done on an annual or biennial basis as the issues come up?

**John:** The board does not look at that. What the board does is they look at good projects, and they fund projects based on merit, and they don't worry about specific giving more money in prototype development or anything like that. They just base it per project.

**Rep. Skarphol:** You say there was three more categories added. Do any ever fall off?

**John:** No. HB 1519 added a technology grant to APUC. SB 2147 added nature based tourism and technical assistant grant categories.

**Rep. Skarphol:** How does the technology tie to the nature based tourism?

**John:** The technical assistant grant is actually, the purpose was for distressed businesses, that APUC would be able to come in and give some dollars towards businesses that are distressed.

**Rep. Monson:** The Senate took out roughly a million dollars?

**John:** The Senate didn't take it out. The only thing that changed from the budget we presented to the Senate was there was some dollars, as far as the salaries, and then they did mandate that we pay 100,000 dollars for a wheat scab project for a private company.

**Chair Carlson:** So you were mandated to spend 350,000 dollars of your 2.7 million on those two projects?

**John:** The wheat scab, that was put into this legislation.

**Rep. Monson:** It looks to me that the Governor's budget had a little bit more than a million dollars less than last year in your line item.

**Lavonne Stair:** The difference between those two numbers is the 839,000 dollars of carry over, and then there is 191,000 of gas tax reduction collection. We asked for 191,000 less in our special fund authority this time, because we anticipate tax collections will be decreasing.

**Chair Carlson:** How do you plan projects when you don't know for sure your revenue stream?

**John:** APUC is a very popular program as you can imagine. It's one of the last granting agencies within the State of ND. We meet quarterly, and we have about 250,000 is what we kind of think, depending how the gas tax is coming in. So, it is very difficult to plan sometimes.

**Rep. Glassheim:** Your saying one of the sources of revenue is continually going down, because it's farm activity funding this, but that kind of farm activity is decreasing. Is there something on the farm that's increasing that we should be taxing, or getting payback, or getting additional money into this program? Suppose you have some very successful things that three or four years after you give the money, they're making nice money. Should there be some other way to get income into this from farm sources to keep it vibrant?

**Chair Carlson:** That's been discussed before when we had the budget, because the gasoline usage on the farm has really shrunk. Everything is diesel, and we're putting a significant amount of money into biodeisel, but don't seem to be rerouting it back to here.

**Chair Carlson:** So, basically our Higher Ed Institutions can come and ask for a grant?

**John:** We do have a category of basic research. Since I've kind of taken over, the board has gotten a different philosophy on the basic and applied research, and you'll notice it has decreased significantly over the years. One of the things that we have required the universities to do, is tie the research to a private company, and that research be public.

**Chair Carlson:** The 75,000 dollars for establishing the Trade Office, was that in your budget last time?

**John:** That was for a Trade Mission, which they had organized.

**Rep. Skarphol:** The 3.8 million dollars for the 03/05 biennium included 800,000 dollars carryover. Are you going to have any carryover left at the end of this biennium? If so, is it included in the 2.7 million dollars that you're being appropriated?

**Lavonne:** There will be carryover at the end of the biennium, and it's not included in the 2.7. What we do when the biennium ends, and we figure out what are actual carryover is, then we submit a request to OMB, and then they increase our authority by the amount of the carryover.

**Linda Butts:** Discussion of ND Trade Office. (SEE HANDOUT)

**Chair Carlson:** I'm trying to understand, and those of us that fund government always have concerns when government money is turned over to private entities. My understanding is that you will not have the Trade Office, but you will contract for Trade Office services, and you have chosen that as your option. Explain to me your process.

**Lee:** I believe that the current Trade Office legislation is in SB 2032, which is in fact the Business Congress legislation. In the Business Congress legislation, it gives us the ability to do either trade as a new division in house, or contract the trade promotion authority. The amount of money that is going to be available, whether it's 500,000 or 750,000, pretty much precludes us from doing all the work inside. Our desire will be to contract this, with specific requirements in the contract as we were told to do by the legislature the last time. We will do that very carefully, we will be responsible for the accountability.

**Chair Carlson:** Which board are we talking about?

**Linda:** The board that I'm talking about now is the board that we created again to oversee the activity of the Trade Office. We did not feel it was appropriate to give state dollars with no oversight, accountability, and direction.

**Rep. Skarphol:** Is that board mandated?

**Linda:** It was not.

**Chair Carlson:** What is the tie to the Trade Office?

**Linda:** The Economic Development & Finance invests in several programs. It is closest to the MEP program. We are one of the investors in their program, which then allows them to access federal funds. The board felt, at these early stages, that the best way to get the buy in and the support of the private sector, was to keep it out of government. Their concern from a fundraising standpoint was that if it was funded by government, then government should fund it totally.

**Chair Carlson:** So what's is the tie to the 501C6 to this board?

**Cherie Harms, ND Trade Office:** The Trade Office is a 501C6 organization, by the Board of Directors.

**Rep. Skarphol:** Does being a C6 require a board?

**Cherie:** Yes, and we have it in our article of incorporation and our bylaws.

**Rep. Skarphol:** When you gave your presentation to budget section, you held up a document and said this is the business plan that we have. I'm wondering if the intent of the legislation was to attempt to create in our state, an entity that does do export work, because we didn't have one. Do you think I'm correct in that kind of an analysis of the situation?

**Linda:** That has been my theory all along, that if we go back and look at legislation very carefully, all that you asked was that we give you a report. It really wasn't to create an organization.

**Susan Geib, ND Trade Office:** Our conclusion, based on the 400 exporters that we discovered and we surveyed, said that they believe we should have a Trade organization in the State of ND.

They said if in fact you can serve us in the manner that we asked you to, which was this model that we have talked about, if you can do this we'll step up to the plate with financial support, and we will then work with the Trade Office to expand our international business.

**Rep. Skarphol:** Is it your sense at this point in time, that their potential may exist to have this a private business that does this?

**Susan:** I think there is potential after a couple of years, assuming that we can account for our work and assuming that we can become successful with exporters, that we can then become a self funding entity.

**Chair Carlson:** You said a million dollars. Are you saying from the state, or total between state and your pledges?

**Susan:** Currently today, if we take the 500,000 dollars that is currently in the legislation, the 250,000 that's in the Industrial Commission, and the 300,000 dollars that I currently have on the table, we've got about 1 million dollars sitting there.

**Rep. Skarphol:** You say 1 million will not fund what the exporters would like to see, is that what I heard?

**Susan:** Yes, basically when you look at this strategy, this is what exporters stepped up to the plate to fund.

**Rep. Skarphol:** You talk about needing 2.4 million. If you were able to get the 1.2 in state dollars, do you realistically think you can get the 1.2 in private dollars to match it?

**Susan:** Realistically, I do not believe that I could get 1.2 million dollars in private dollars at this time. I would tell you that we need to work every possible angle, which would include private dollars, but also other areas. I believe that we have gone out to identify 400 viable customers that

have stepped up to the plate and said I'm willing to increase my international business, if in fact you can deliver on this strategy, then I'm willing to give you some financial support. I think it's a tremendous opportunity for us to take advantage of that particular set of customers. I think we've got a model that is proven, and I think that we've got a wonderful opportunity right now, in that exports are growing in the State of ND.

Closed Hearing for SB 2018.



## General Discussion

*Govt Performance  
2018*

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 10, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-End
		X	1-3620
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

**Lee Peterson:** Economic Development, Centers of Excellence are partnerships between Higher Education, the state, and private business to create engines of economic development on and around our university and college campuses. Economic engines that will be the fuel to ignite our states economy into the future, and result in more career opportunities for our young people and for ourselves. The Centers of Excellence represent a significant force for future economic growth in ND, and they lay the foundation for the kind of business climate that will move our state and our people toward an even brighter future. I ask each of you to help us achieve the goal

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of improving the quality of life for the people of ND, by committing to Centers of Excellence. We need to have the resources in place, so that the great research and great ideas can realize their true potential, and become great initiatives, great businesses, and great industries right here in ND no matter where they originate across the state. Today we'd like to specifically address the fundamental changes that were made to Centers of Excellence portion of the budget, by the Senate. We are asking that these areas be repaired by the House. They include restoring the 5 million for Centers of Excellence in the 2005/07 biennium, along with restoring the long term funding mechanism for Centers of Excellence at 50 million that will leverage up to 100 million in funding from private and other resources. Ensuring that all of our states institutions of Higher Education will have the opportunity to compete for Centers of Excellence funding. Preserve the Centers of Excellence approval process, as outlined in the engrossed version of SB 2032 that ensures that Centers of Excellence commission, the Economic Development Foundation, the State Board of Higher Education, and the budget section all play a role in the process of improving Centers of Excellence.

**Chair Carlson:** Tell me how it started out in the Senate, and how it ended up in a nutshell.

**Lee:** The funding started out with 5 million dollars in our budget to use as the repayment mechanism for the 50 million dollar ability to attract 50 million dollars to Centers of Excellence. It ended up with 2 ½ million, and no possibility to find the larger portion of the 50 million dollars in funding.

**Chair Carlson:** So, that would have been an ongoing expense for funding those. It would be bonded at 50 million?

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**Lee:** I would not propose a direction, although there have been varieties of directions proposed in how this is accomplished.

**Lt. Governor Jack Dalrymple:** Discussion of proposed amendment. (SEE PROPOSED AMENDMENT TO SB 2018)

**Rep. Monson:** You don't have a timeline here for this 45 million. You've got 5 million this biennium, and then you've got 45 million kind of as a draw down if you would against the Permanent Oil Trust Fund. What's your timeline that you are expecting?

**Lt. Governor:** The controller is simply the fact that you have four groups that are going to review this, and the last one being the budget section itself. It's just hard to imagine that anything would be going through this chute that wasn't a pretty darn good idea. For sure we need 5 million, we might easily get to 12 in the upcoming biennium. If you want to put a controller on there, that would certainly be traditional around here.

**Rep. Monson:** Are you expecting to use this in the next 5 biennium's, or are you expecting this in the next 4 years. How long do you think it will be till you've gone through your 50 million in this fund? Your expecting this will pay itself back, or is this just money that your giving out in grants?

**Lt. Governor:** It's hard to answer that, because it's peer speculation on whether these opportunities will appear, or not.

**Chair Carlson:** Should there be caps on individual projects, or not? I think that you set the bar that ever college should have a Center of Excellence.

**Lt. Governor:** We have said that they should be allowed to try for one.

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**Rep. Skarphol:** Do you think the 50 million is going to be enough to create that critical mass, or do you think next time or the time after we're going to be back saying that the 50 did us a pretty good job. Are we going to want another 50, realistically?

**Lt. Governor:** My biggest concern is that the process we've set up here is possibly too stringent. That the commission, and all these various boards, including you guys will be too conservative about what is approved.

**Chair Carlson:** Is this venture capital, basically?

**Lt. Governor:** I don't think so. A venture capital proposition normally would say that we need mostly, if not entirely equity here, because it's got too much risk in it even for a debt. In this situation we may have some rock solid companies involved. We may have money that is guaranteed. The key is that it's state, private, and other grants. It's the combining of all the sources of revenue that makes it a Center of Excellence.

Discussion of Section 21. (SEE SB 2018, SECTION 21)

**Chair Carlson:** So your going from 12 to 6, is that the plan? Do you have 12 people set up now?

**Lee:** We have 12 currently that have been working for about a 1 1/2 years to come up with the criteria that is listed in the bill currently for what qualifies as the Center for Excellence. The Senate cut it down to 6, which probably is a more manageable number. Currently, they are the university presidents.

**Rep. Glasheim:** Shouldn't the Chancellor be involved in this, on the Commission?

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**Lt. Governor:** The Chancellor only has one boss, and that's the board. It would be a strong possibility that the board would send him, but that is something that frankly has not really been talked through at length along the way, that I know of.

**Chair Carlson:** There's 22 members on that board?

**Lee:** There are 22 members currently, with the ability to go to 30.

**Rep. Glassheim:** How were they chosen?

**Lee:** The foundation members are appointed by the Governor, and their terms come up every 2 years, and they can only be on the board for 2 terms.

**Chair Carlson:** Is the bill that I see before me the work of those 12, to set the guidelines for the Centers of Excellence? Where did this language all come from?

**Lee:** The bill not necessarily, but areas of the bill, such as section 2 that's talking about the targeted industries. The part of the bill that talks about the requirements for becoming a Center of excellence is all work that was done by the commission.

**Chair Carlson:** So the bill was a combination of work by the Governor's office, and this commission?

**Lt. Governor:** No, we had actually a working group put together that spent time on it. It was a mix of the Governor's office, campus, and foundation board.

**Rep. Monson:** Why did they put those in there, and why do you want them out?

**Lt. Governor:** The Senate IB&L committee had a couple of members who I think are very loyal to the private institutions. They also had a large number of Indians come to the hearing, and express their desire to be included.

**Chair Carlson:** Were you involved in that, or was that in the Senate?

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**Lt. Governor:** This is more or less unchanged from the Senate. I think it's pretty much as introduced.

**Rep. Glasheim:** Can you speak to why you can't amend anything, but it has to be like base closing commissions, and you always say yes or no.

**Lt. Governor:** That is a decision regarding process. We feel there is a lot of review and a lot of study that will go into this at the commission level. We feel that basically the recommendation of the commission is going to be the main decision. The only reason the Board of Higher Ed is asking to have a final review is on a constitutional issue that they really govern their own funds.

**Rep. Glasheim:** I'm unclear who is giving 2, and who is giving 1, and what is the private sector giving if anything? Does every state dollar have to have 2 dollars of the university match?

**Lt. Governor:** No, every state dollar has to have 2 dollars of either private funds, or funds brought to the project by the private participant.

**Rep. Skarphol:** The Biohazard Research Center is not built. What your saying is that they couldn't get money to build it, and once it's built it could become a Center of Excellence, because the private sector would be involved in it. Isn't that true?

**Lt. Governor:** I think what your getting at is correct. If the commission can see that the private enterprises are going to become part of the eventual activity, they can make a judgment call as to whether that is enough to be a Center of Excellence. It will be up to them.

**Rep. Monson:** Are you envisioning that this money could be used for bricks and mortar in some cases. It could be used for virtually anything?

**Lt. Governor:** Yes. It is a contribution to the financial structure of the project.

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**Rep. Skarphol:** I'm wondering if it is are intent with this particular piece of legislation to develop what's currently existing, when we have ongoing research at our universities that is probably underutilized. Is it our intention with this to try to make use of the currently existing research, or are we trying to build new research?

**Lt. Governor:** I think these funding packages have been envisioned as being commingled funds. In a particular project, if you wanted to say our money isn't going into the building, it's going into the research equipment, or paying the researchers, or whatever, that might make you feel better, but you wind up in the same place. Your contributing to the project is all.

**Mike Neisbeth:** Theoretically, it would make the most sense if the university already has that area of expertise, and businesses are saying that this is a partnership that will help us speed up the process of what we are trying to commercialize. Because of that university already having that expertise, we'll be able to sustain that effort more easily.

**Chair Carlson:** When I read the old language of the original Centers of Excellence, it talks about the purpose of the program is to develop and engage strategies for science and technology research, and development commercialization, entrepreneurship infrastructure growth, and expansion of knowledge based industries and activities in the state to develop innovative approaches to expand the states growth product. How much of that focus is different in this bill. Are you saying that where the science and technology was added, that it takes away the focus from the original intent?

**Lt. Governor:** I do have a hard time with arguing with any of that old language. If it were up to me, I would interpret it as being still totally appropriate. I think this word science has gotten to

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be an issue that it somehow got more emphasis than anything else. If people are concerned about it, I'd say let's take it out and stop the fuss.

**Chair Carlson:** What we don't need is 11 research institutions in our state. If that is what the perception is of all of our institutions of Higher Education, then I think we've missed the boat completely on this concept.

**Lt. Governor:** We would agree with that entirely. We think that innovation and entrepreneurship can come from a number of different directions. It doesn't always have to be from a laboratory.

**Rep. Glassheim:** My sense is that we are not interested in research by itself at all. We're only interested in research that enhances or leads to job cluster growth and community employment, and stuff like that. We're willing to take it from the university, or take some federal money into it, or take some research. The point is high paying jobs are created and sustained, as I understand it.

**Cory Fong:** It's the outgrowth of that research creating commercialized products or services that we're getting at. That's why I think it's important that these amendments that the Lt. Governor walked you through today, while the old language of Centers of Excellence is currently in the law, it sounds good. It's still valid language.

**Rep. Skarphol:** I want to go back to the matching fund aspect of this, because you like to mention every once in awhile this potential oil Center of Excellence in Williston. If this were to happen, and if we were talking about creating oil field jobs and training people to do these types of jobs and ensure we have an adequate workforce, part of that could involve onsite training.

How does that translate, as far as in kind assets?



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**Lt. Governor:** As I understand it, one of the ideas up there is that they would have a company bring them an actual derrick, and put it on the edge of Williston, and actually do some simulated drilling and training equipment handling exercises on an actual oil derrick. In that case where it is part of their activity, I think it could be considered a donated asset.

**Rep. Monson:** I see that as a big waste of money if your going to take an oil rig and set it out there. That could be actually drilling a real oil well, or doing actual work. Why would you want to tie that up on the outskirts of Williston just to demonstrate?

**Lt. Governor:** This is where we get into trouble. When we start speculating about what's a good idea or not a good idea. I'm just trying to give you some illustration.

**Chair Carlson:** The key here to me is the tie. What comes first, the private money or a grant or the private money and a facility, because the commitment, in my opinion, needs to be the private guy has to be at the table. I don't think we can tell him that a building isn't valuable. There has to be the private involvement first.

**Lt. Governor:** That's absolutely correct.

**Rep. Skarphol:** I'm trying to understand what potential inkind assets may be for a Center of Excellence.

**Lt. Governor:** As I understand it, there are 12 oil and gas drilling companies up in the northwest that already have some affiliation with the college. My idea would be to call those 12 people in and have a meeting, and say what can we do together that is going to help your companies create jobs and be more successful. What are they going to do that's new and different from what they've always done in the past. What ideas have they got on how to do it better.

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**Rep. Glassheim:** Could you run through the Oil Tax Fund again. How much is in it? How much would be out of it? How much refills each year? How that effects are ending balances, assuming in one or two biennia that the whole 45 would be accessed? Would that leave us broke in terms of reserve funds, or not?

**Lt. Governor:** 71 million is the breakpoint.

**Rep. Monson:** Do we have any restrictions on what we can take it out for, or can we shape anything we want?

**Lt. Governor:** You are the authority overall.

**Rep. Skarphol:** Do the provisions in 1203 apply to what is done here?

**Cory:** This question did come up during the hearing of 1203 in front of both Senate and House IB&L. If I recall, the Lt. Governor addressed that there are certain relationships that the universities have that are unrelated to economic development. That's what the exclusion was referring to. This is specifically an economic development program, and would be covered. Those references, those exclusions that were in 1203, were related to other kinds of activities that are not necessarily economic.

**Rep. Glassheim:** What other kinds of economic activity are there?

**Lt. Governor:** If you had a lab that you were putting together with your own foundation and federal funds and it's doing some stuff, the universities just wanted it clear that they don't have to report that stuff. Things that you do in the normal course of university life.

**Rep. Glassheim:** Is there something in here, or should there be something in here that talks about reporting jobs created, that sort of thing?

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**Lt. Governor:** I think just by virtue of the fact that state funds are going into these, that it would be covered by the accountability bill.

**Rep. Monson:** If we used the money from the Permanent Oil Trust Fund, are we looking at getting that money back into here, rejuvenate it?

**Lee:** The direction that we've seen to this point is that the money will go to the Center of Excellence, which is a combination of the university and a private business. At this point, everything we've done on Centers of Excellence has been done in a grant situation. If a project comes from a university with a repayment option, it will get a very high priority by the commission. Also, the repayment through new sales tax, new cooperate income tax, new property tax, all the areas that you look at, and when you look at the surplus funding that you are currently looking at, it's because of those new ventures that has happened. It is a fact of life, that if we create more jobs, you have new taxes.

**Rep. Monson:** So some of the things that we can expect in the accountability report, if it does apply to these, would be these are how many new jobs we created. This is what the return was to the state in property tax, income tax, sales tax, or whatever.

**Lee:** With the new accountability legislation, not only are we going to talk about the incentives that we have provided for companies, but what are the new tax values to the State of ND. So not only will you see that in Centers of Excellence, if it is in the accountability legislation, you will also see it in a variety of projects that got loans from the Development Fund, the Bank of ND, and others.

**Rep. Glassheim:** The same way that Tourism people have a formula, which has been tried and tested, I wonder if you shouldn't be getting someone else, or developing a formula that is without

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revealing total dollars. There ought to be a way to somehow tie some state income to what's created.

**Lee:** We have that currently in front of us, the problem we have with it is we don't think it's real. We are working on that on a consistent basis.

**Rep. Skarphol:** What is your best guesstimate about when we can see a return on this 50 million dollars? Are we going to see it in the next biennium?

**Lt. Governor:** If your looking at an alien deal or a software deal, I think you get your money back real fast. You could be paid off in terms of economic activity within a year or two.

Closed General Discussion Hearing.

## General Discussion

*Govt Performance*

*SB 2018*

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 14, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-End
		X	1-End
2	X		1-3150
Committee Clerk Signature <i>Stephan N. Thomas</i>			

Minutes: **Chair Carlson** opened general discussion hearing on SB2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide and exemption; to provide a continuing appropriation for the centers of excellence.

**Lee Peterson:** Overview of sections in SB 2018. (SEE WRITTEN TESTIMONY #1, AND SB 2018)

**Rep. Skarphol:** What special funds were you referencing from the local economic development?

**Lee:** The special funds that we would charge the developers to take our course. They took the special fund authority away from us.

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**Chair Carlson:** Where did that happen?

**Lee:** When it went from 2232 to 2018.

**Chair Carlson:** What is the overlap here? How do they tie together?

**Lee:** I don't think at this point there is any overlap. Anything that had a funding authority came out of 2032 and went into 2018. The only thing that remains in 2032 from our perspective, is a Native American position to work with the tribe.

**Chair Carlson:** Why wouldn't we run everything into this bill, instead of having two of them?

**Lee:** My thought process led me to believe that what they left in 2032 were things that were not as important as the ones that they put in 2018. Maybe, they just didn't want to fund them, maybe they wanted those to die.

**Rep. Skarphol:** Wasn't that the bill that come out of the economic development interim committee?

**Lee:** Correct. What happened is 2032 and 2018 got to the Senate Appropriations committee at about the same time. What they did was move the things that I'm currently discussing out of 2032, and into 2018.

**Chair Carlson:** Where is the 100,000 dollar intent that you talked about? You said that they put in 50,000 dollars, but there was some other money that I don't know where that's at.

**Lee:** In original 2032, before it was amended.

**Chair Carlson:** So there is no extra 100 laying out there somewhere for this particular issue?

**Lee:** It was not our intention to ever have 100. Our intention was to be able to charge people. We will come up with a funding formula that allows communities of 200 to pay 50 dollars to

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come to our 3 year certification program, but we wanted the ability for them to put some of their money into this, so that it was worthwhile for them to come.

**Rep. Monson:** So you had 100,000 dollars in special funds, and the Senate took that out and made it 50,000 of general funds?

**Lee:** We had both. We had 50,000 in general fund dollars, and we had 100,000 in special fund dollars. The special fund there is no money, it is only the authority to be able to spend the money if in fact we charge tuition.

**Chair Carlson:** So how many total dollars do you have in discretionary funds?

**Lee:** The Directors Discretionary Fund shows approximately 1 million 927,000. The actual discretionary dollars are about 180,000.

**Chair Carlson:** I find the bill confusing the way it's written, because they list it one place, and then they start highlighting them in another place. It doesn't really tell me what the guidelines for the discretionary fund are. Is that somewhere else in statute?

**Al Knudson, Legislative Council:** What the bill is saying is the money in appropriated up to 1.9 million. Then the other sections in the bill say that you must use it for this purpose.

**Chair Carlson:** What does life sciences mean?

**Lee:** The PRACS people in Fargo, the PRACS Institute is a drug testing laboratory. They do consulting work with drug companies to make sure if you are a part of a drug test, that you in fact take the drugs in the manner and at the time that you are supposed to, so the test is in fact credible. There are a wide variety of life sciences people to do with all kinds of medical things that are occurring in the State of ND. It is the largest growth industry in the nation over the next number of years.

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**Rep. Skarphol:** Is it at both of our major universities in the Red River Valley?

**Lee:** It is at both universities. As a matter of fact, UND has a unit for studying a variety of things. The concentration of companies is more in the Fargo area.

**Rep. Skarphol:** The list of dollar appropriations in section 10-13, were they all part of 2032?

**Lee:** The life sciences portion, section 11, was not part of 2032. Section 12 is not part of 2032, and section 13 is something that bothers us, because this company has never come before APUC.

**Rep. Skarphol:** Was there a dollar amount appropriation in section 32 that was done away with, then moved out of here and taken out of your discretionary fund? Was that what transpired?

**Lee:** The items in section 10 were part of 2032 along with funding from the general fund, which is greater than most of them here. Section 11, 12, and 13 were additions that were not part of 2032.

**Rep. Glassheim:** When you say that you don't need to be legislated on life sciences, what would that change if this were taken out?

**Lee:** We don't even have a plan for how we're going to approach biotechnology and life sciences. We are working with the research corridor, with the two universities, and with the two economic development organizations. To simply say out of a budget as stressed as ours, we're going to spend 100,000 dollars in this initiative, doesn't make sense. Allow us the ability to work with those people, and decide what the spending amount should be from the State of ND. I'm asking for the ability to manage, rather than the ability to legislate.

**Rep. Monson:** What did you have in mind with these discretionary funds, before the Senate started making them not discretionary?



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**Lee:** The discretionary fund was being spent for a wide variety of things. One of the issues that we had to face was funding of the small business development centers, which we believe is a poor competency of economic development in ND. Small business administration will provide 2 dollars for every dollar we put into small business development centers, and so it was our decision rather than to do away with small business development centers which was wrong, we funded that through our discretionary fund. Our direction for the discretionary fund is to have an amount of money, that if a project comes to the end and there is still some kind of a need in order to make that project happen, is to have that money in place to do that. Our desire with the discretionary fund is actually to have some discretion in project funding that create primary sector jobs.

**Chair Carlson:** How many of these would you do, if it was at your discretion?

**Lee:** I would do everyone that stumbled along the way, that required a small amount of funding, to make it happen.

**Rep. Skarphol:** How often is it that you look at a project and say that one isn't going to make it? Do we fund all projects that ask for additional funds? What is your percentage of distribution, good versus bad?

**Lee:** My direction with the discretionary fund is always very financially sound projects. We don't use the discretionary fund in risk fields. We probably look at 10 of those kind of projects that there is a switch that is involved in doing the communications business, and that switch costs 1 million dollars, and the company is willing to fund a portion. We don't have the ability to step in, because we've already done the financial package, the development fund, the Bank of ND, and the local community.

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**Rep. Skarphol:** How many times do situations like that arise? What is your percentage of saying yes or no?

**Lee:** It is not something we're very often asked to do. The discretionary fund is not something that is widely known. In the last biennium, we've probably looked at 10 specific projects that we've tried to help.

**Rep. Skarphol:** So you do say no once in awhile?

**Lee:** We say no continuously.

**Chair Carlson:** Your budget is up 460,000 on the discretionary fund line.

**Lee:** It is the new pieces that have been put in the discretionary fund.

**Chair Carlson:** Where's the ethanol money at?

**Sandy, OMB:** It's in a continuing appropriation.

**Chair Carlson:** If there was a cost benefit analysis of the 200 that we spent, what could you show me?

**Lee:** We could show you a complete organization of the Red River Trade Corridor, significant work between both universities, an entire organization, newspaper and magazine articles talking about the research corridor, and show you continued involvement by both state and federal people in trying to build that into an actual research entity at both UND and NDSU.

**Chair Carlson:** Why wouldn't we just move that to the Higher Ed budget, and say that you're responsible for this, because you're the guys doing it?

**Lee:** The reason is they need the entrepreneurial thought process of economic development folks to make sure that we actually continue to move down the road and grow our ability to attract people to the universities, the research corridor, or to the State of ND.

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**Chair Carlson:** Is there an FTE assigned to this?

**Lee:** With the local developers, the universities, the Department of Commerce, we are all working together to move this forward. When you talk about an FTE being assigned to this, I believe that the desire of Grand Forks and Fargo economic development, and the 100,000 dollars for life sciences that we discussed, maybe for one of those entities or two of them together to actually hire an FTE to work in the research corridor with biotechnology and life sciences. It will not be an FTE for the Department of Commerce, but an FTE for the corridor with Grand Forks, Fargo, and the state participating in it.

**Chair Carlson:** So this is pass through money to the colleges?

**Lee:** It doesn't go to the colleges, it goes to try and market the corridor, which means what we're trying to do is get information about the corridor out so the people understand that we actually have large research capabilities.

**Rep. Skarphol:** What kind of a grant did you get over this biennium to match the 200 we put in last time, any?

**Lee:** I think the grant is to match this biennium. It's a three year grant.

**Rep. Skarphol:** So there has not been federal match dollars utilized in the past?

**Lee:** We used part of it, we're going to use the remainder of it this biennium.

**Rep. Skarphol:** Is it a required dollar amount that we have to match?

**Lee:** Yes, that's my understanding.

**Rep. Glassheim:** Where does the money go to? The Red River Valley research Corridor, give us the history of what happens, how they match those grants, and where it goes to when it's matched.

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**Linda Butts:** I believe it was asked of us rather than given to Higher Education, in that we had history of marketing the states economic climate. When we got the dollars, we used the company that we had used to market ND's economic climate, and asked them to help us build a blueprint. The money stayed in the hands of ED&F, and when we find appropriate activities, then we spend it. For the EDA grant, we have to track our progress, and we've had to give two reports to the federal government on what we have done, what we have accomplished, and what the future looks like.

**Rep. Skarphol:** You brought up marketing energy intensive industries to locate near our energy generation plant, what kind of resources are you investing in that?

**Lee:** I'm not certain what it will cost, but I would assume somewhere in the vicinity of 100,000 dollars invested in that effort by the time we're finished with it.

**Chair Carlson:** Why do we want your operating so high if you can find all that money in there to do other projects?

**Lee:** We have not found any money in there to do other projects, it always comes out of the discretionary fund, and we turn very little back in operating. We are using almost everything we have.

**Rep. Skarphol:** From your offices perspective, how many of the local rural development areas are having difficulty funding these positions any longer?

**Lee:** I don't know that I can give you a number of local development positions that are having a difficulty funding. There are times when the priorities of a community change, and when they change sometimes development is not the most important. I don't know of more than one or two instances where there have been issues with funding local development cooperation's.

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**Rep. Skarphol:** Why is ND unique?

**Lee:** The State of Michigan has over 300 people involved in their economic development office, many of them at the local level with state funding. Almost every state that you go to has a portion of their budget that goes to fund local economic development work in some manner.

Whether or not it is to fund a specific person in the community, or to fund one person who stays out in the region to help those people work economic development in that area, almost all states provide some funding to local communities.

**Rep. Skarphol:** If they're funding it, are they under the direction of the state commissioner, or whatever?

**Lee:** The answer to that is yes.

**Rep. Monson:** When you talk about a community that prioritizes it and decides to fund this, what source of funds do most of these communities use?

**Lee:** Every possible funding source that you may look at is done. They are funded in all different manners.

**Rep. Monson:** Your funds that we're appropriating to you here don't directly go back? They can apply to you for grants, or help businesses apply to use the grants.

**Lee:** We do very few grants at the ND Department of Commerce, and I have noticed in this legislative session there's an awfully lot of talk about grants. Most of the funding that we do, APUC provides some small grants for companies to start up, but the majority of our funding comes from the ND development fund.

**Linda Belisle, Director of Central Services Division of OMB:** We were asked by the interim economic development committee for input for initiatives that would make state procurement

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opportunities more visible and acceptable by ND vendors. OMB's part in SB 2018, is sections 4, 23, and 38. Section 4 is the appropriation, section 23 is the website, and section 38 is the procurement assistance center study. The two initiatives, the website and the study, is what we responded when we were asked for those initiatives last summer. At the time we made those recommendations, we said we can't do it without an FTE. In that 100,000 that was removed from the original appropriation, basically it removed our ability to get the FTE, and get these initiatives accomplished.

**Chair Carlson:** Is there any worth to this whole process, is there any value here?

**Linda:** If it would be the wishes of the legislature that we would accomplish these, we would do it the best that we could. I'm here to tell you that we would have difficulty doing that, but we would do the best we could with it. Our preference is to be able to dedicate the accomplishment of these two initiatives to one person, an FTE to do that.

**Rep. Skarphol:** Have you had any conversations with ITD to ask them what they could provide for 50,000 dollars as a contractor, to try to see how far they could get?

**Linda:** We haven't, and ITD is in the process right now. We have an estimate request into them right now.

**Chair Carlson:** Which sections of this bill came out of the other bill?

**Cory Fong:** Sections 24, 25, 26, 22, 34, 43, 35, 4, 23, and 38.

**Rep. Monson:** If you get 25,000, basically your just going to not have quite as complete of a report.

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**Lee:** Again, it doesn't have to do with the report, it has to do with the actual selection of the targeted industries. The amount of money we have will designate how well we're able to select those targets.

**Chair Carlson:** Both of those numbers, I'm assuming, were subjective in saying we think it's going to cost 50,000, them saying it's going to cost 25,000.

**Lee:** We certainly do not know that number for sure, but in our telephone calls and discussions, before we gave the numbers to the economic development committee, the number was somewhere between 50 and 100.

**Chair Carlson:** What was the fiscal note on that other bill?

**Lee:** Almost 1 million dollars.

**Rep. Monson:** Who exactly is the Business Congress?

**Lee:** The Economic Development committee, which is a joint committee of the Senate and the House, had meetings all around the State of ND that they call the Business Congress.

**Rep. Skarphol:** Was the department part of that process?

**Lee:** The Department of Commerce was not involved in the process at all during the meeting stage, other than getting private sector companies to attend the meeting.

**Rep. Skarphol:** Based on the conversations that took place in the analysis of the meetings, did you think that the items addressed in 2032 were the appropriate items?

**Lee:** I believe that as they went about their Business Congress meetings, the most talked about issue was internal image for the state of ND, and the negative image that we work with on a consistent basis. I believe all the initiatives that we're talking about are issues that we need to

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deal with, and they are very important issues. Providing the money and people, we will certainly do those to the very best of our ability.

**Linda Butts:** Overview of sections 27, 28, AND 29. (SEE SB 2018)

**Chair Carlson:** Anything on significant change there from the tax perspective?

**Joe Becker, Tax Department:** Page 13 line 19, in the definitional areas there broadening who can qualify for the credit, and basically broadening it to all entities now. So now they're going to add that a cooperation can come in. As far as past due interviews go, the statute only allowed a partnership to make the investment and pass the credit on to it's owners. This bill is going to broaden it to S cooperation's, LLC's, or any other type of past through entity.

**Chair Carlson:** What's are limit on this?

**Linda:** It's 2 ½ million per year.

**Chair Carlson:** What is our estimated revenue reduction from this?

**Joe:** Approximately 3 million reduction in the general fund.

**Rep. Glassheim:** Do these show up in decreases in cooperate tax collections, or do they show up in decreases in individual tax collections?

**Joe:** The current statute only allowed it to individuals, so it only showed up on the individual. This is now going to allow cooperation's.

**Rep. Monson:** Can these tax credits be sold or traded?

**Joe:** No. They stay with the original taxpayer.

**Rep. Skarphol:** If we were to put provisions in the law, could they be sold?

**Joe:** Certainly.

**Rep. Skarphol:** Are they eligible to be traded, and do they have value on the federal tax?



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**Joe:** I'm aware of the other bill, and those potential amendments. My understanding is they might be backing away from the selling feature, and making it a carry forward feature.

**Joe:** Overview of section 32. (SEE SB 2018)

**Chair Carlson:** What's the cost of that?

**Joe:** Our fiscal note on it reflected about 250,000 dollars.

**Jim Boyd:** (SEE HANDOUT #2)

**Chair Carlson:** If your taking out 2 ½ million dollars, it's going to be about empty after this biennium?

**Jim:** Our guestimate is that by the end of this biennium, we're going to be reaching towards the bottom of the barrel. It may spill over into the next biennium, but not very much.

**Rep. Skarphol:** It's used primarily for what?

**Jim:** Energy efficiency.

**Rep. Skarphol:** On the salary split, you had 64% from federal and 32% from general. Most of your dollars that you have available are federal dollars, I would think, as far as community development for the Division of Community Services.

**Mr. Govig:** We have federal funds of 85%, and special funds 13%. The special funds have a federal origination, and continue to have a federal identity, so 98% of our funds are federal dollars coming in. Many pass through to other entities though, so you're correct as far as the salary is concerned how that breaks down. The general funds of what comes in to our Division of Community Service is 2% of the budget.

**Rep. Skarphol:** What is the logic behind 32% of the salary line being general funds?

**Jim:** Most of our funds go out in grants.

**Jim Hirsch, Director of Workforce Development Division at the Department of Commerce:**

**(SEE WRITTEN TESTIMONY #3)**

**Chair Carlson:** We have nothing for the biennium for internships?

**Jim:** There would be no funding in our budget, and I'm not aware of funding in any other budgets for internships. It's an important piece to Youth Retention, in our opinion.

**Chair Carlson:** Is there grants available if we had money available, could you go out and match money again for internships?

**Jim:** The dollars that we're able to match would come from probably the Presidents High Growth job training initiative, and if we tied that in with our Youth Retention program or a program aimed at getting more young people into the labor pool for specific industries, that might be an opportunity. There's no guarantees on that.

Closed General Discussion Hearing.

*Govt Performance  
2018*

### General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 17, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-End
		Tape Broke	
2	X	X	1-End/1-2900
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide a continuing appropriation for the centers of excellence.

**Lt. Governor Dalrymple:** I'm basically here to respond to your observations. The one thing that I have heard from your Majority Leader and from you is that you would like to focus the Centers of Excellence criteria as much as possible on the goal of job creation. There is also this question of defining a private sector participant. We've talked closely in terms of it being an equity partner, an equity investor. We may need to clarify that, and we also may need to clarify that another way for the private sector to participate would be through contracted services. This has come up since our first meeting that there may be situations like the Bio-Containment Center

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where the private sector will be deeply involved, but as I understand it would be primarily in the form of contracted services. We don't want to trip over our own definition in that regard, so I want to bring that up now. We just want to make sure we don't inadvertently create barriers that turn into problems later.

**Chair Carlson:** How do you fund it? Your amendments dealt with basically having the opportunity to have access to 45 million dollars in the Oil and Gas Trust Fund, and 5 million dollars up front with the option to get to that. Am I understanding that correctly?

**Lt. Governor:** That's true with the idea that the real Governor over that level of investment will be the process itself, which includes the budget section.

**Chair Carlson:** We have to decide if we're going to basically tie it up, because we assume at the end of this biennium there should be about 45,208,226 dollars in the Oil and Gas Trust Fund. There's a concern that takes all of the money out of that fund. Second, is the key to this is the tie to the private sector. Our impression of the Centers of Excellence was that it's not just an enhancement for the budget at the Higher Education Institutions, it's to link together the Higher Ed Institutions with private sector and create jobs. The concerns that I have is that the guidelines need to be just ironclad, the process for which the money is made available should be ironclad, and then the source with which we are willing to commit funds to fund those projects as they come through. The assumption is that we could use it all in this biennium. I'm assuming that your logic is that you actually think there's that many projects out there.

**Lt. Governor:** No, not really. I think this is going to be a pretty stringent process. I think it's going to be difficult to make it through all the hoops, and I said before it's very hard to forecast it.

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**Chair Carlson:** Does that count the one in UND, or not?

**Lt. Governor:** I think so. I think that would be roughly 5, 6, 7 million for UND, and obviously several million at NDSU, and then what happens on the other nine campuses is probably a little bit more difficult to predict.

**Rep. Glasheim:** Is there any way to appropriate 50 million, of which only 20 shall be spent the next session? Can we put a limit on it in the next two years, but say that there's 50 million available to the program or the project?

**Lt. Governor:** I really hesitate to start talking about a term of the program. We should want the money to be invested quickly. On the other hand, if we start throwing big numbers around in a short period of time, we start frightening people.

**Chair Carlson:** What's realistic? What are we going to kick out of the chute, and what are the guidelines that go for that?

**Eddy Dunn:** We checked across the country, and one of the things that is pretty common and makes sense is that typically in these kinds of situations, it isn't all committed up front over a multi year time. What normally happens is that when the projects come through they probably have phase 1, and if you meet the first step sufficiently, then the commission could review it and say now we'll give you funding for phase 2. In the process, they could be a multi year investment on major centers.

**Rep. Skarphol:** I don't ever want it to be assumed that 50 million dollars is only for the first phases of multi year multi phase projects. I don't want the impression to ever be given out there that there's more money available. I would assume that the total amount that they were potentially going to get would be set up front, and if they get it over a gradual basis, that's fine.

**Eddy:** You said it better than I was. That was what I was intending to say. The full numbers is typically out there, is what it's going to take, but typically they don't write the check for the whole thing initially. They write it as the successes come about.

**Lt. Governor:** That is a perfect example of why we need this entity, this commission to govern all of those stages of it.

**Rep. Monson:** Your commission that you're proposing is really no different as we as legislatures. We want to see how the first phase goes, before we commit to another phase, or long term. You would have to be able to show us that this is well used in the first phase, or first amount of money that you give to a cooperation or entity before we're going to keep giving you more spending authority.

**Lt. Governor:** There's really three parts on this funding thing. Part one is how much cash is going to be appropriated. Right now it's 2 1/2, and we would like to see it at 5 million. Part two is how much additional funds will you give us access to through a reserve fund, or the Bank of ND. Part three is will you give us the intent language that we have included in our amendments already. The intent is that this program is going to someday be a 50 million dollar program

**Rep. Skarphol:** Why would you need the cash, if you have access to the funds?

**Lt. Governor:** I would just say that it is a different, and somewhat stronger show of support for the quick start of the program. It shows that we're sustaining the current level of spending on centers that we currently have in place, and I think it's a show in faith that at least that amount of money you expect to be invested in the coming two years.

**Rep. Skarphol:** If we make the commitment that your going to have available 25 or 50 million dollars in draw from somewhere, that there would be any implication that we're not supporting

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this. If we say that you have access to this money, you still haven't convinced me that there's a difference.

**Lt. Governor:** It's perhaps a subtle difference, but I think to some extent you say OK, we think you might need 15 or 20 million, but we have enough confidence in this program that we know for sure your going to have at least 5 million dollars.

**Rep. Glasheim:** There is no difference in the kind of projects between the 5 million and the 45 million remaining, or is there?

**Lt. Governor:** Yes. I think when you go from the 5th million to the 6th million, I don't see there being any qualitative difference in the process at all.

**Rep. Glasheim:** Wasn't the idea of a continuing 5 million base, wasn't that linked to the loan from the Bank of ND, and using that money to pay back the loan in each biennium?

**Lt. Governor:** Yes. Your train of thought is on there that if we were going to go to a note from the bank, then we wanted to show an ongoing cash flow over time. That's part of the 5 million as well.

**Rep. Monson:** What you're basically asking for then is a continuing appropriation up to 50 million dollars?

**Lt. Governor:** It is the authority to access funds through a prescribed process, and then the authority to expend them after they are transferred.

**Rep. Monson:** Have we ever done this before?

**Lt. Governor:** Yes. It almost always involves the budget section. There are many programs where the circumstances of the spending on a program are somewhat unknown, and the

legislature sets up some perimeters, and the program and project can come forward subject to the final approval of the budget section.

**Chair Carlson:** The Beef Centers of Excellence, as far as I know never got off the ground.

There's an 800,000 dollar number here, but I don't think anything has been done with that, has it?

**Lt. Governor:** I think the Beef Center is a perfect example of why we need this commission process. Had that idea come forward to the commission, it never would have become a center of excellence in the first place. They were missing a key component. They were not able to find an appropriate private sector partner to build a slaughtering plant with.

**Rep. Skarphol:** Are they going to rotate on a meeting basis? At the next meeting are there going to be three different people that are going to be there to evaluate, or do you mean rotate on an annual basis?

**Lt. Governor:** Maybe substitution is the right word. They would have the responsibility of sending three of their members to serve on the commission.

**Chair Carlson:** Do they have portfolios like they do in other boards? Sometimes boards take certain areas, do they do that in Higher Ed, or do all the board members look at every issue?

**Eddy:** At the present time, the only subgroup of the board is there Budget and Finance committee. Other than that, all of the major items acted on by the board are acted on as a whole.

**Rep. Skarphol:** Would there be value in giving the foundation members the ability to have some flexibility based on expertise on a particular project?

**Lt. Governor:** I would think so. If we give them the charge of sending three of their members to serve on the commission, I think we can rely on them to send the three best people that they can recruit.



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**Eddy:** Overview of handout. (SEE HANDOUT #1)

**Rep. Skarphol:** What's happened is exactly why I have a lot of difficulty with this whole process we're discussing. In the law last time it says Centers of Excellence relating to economic development include the NDSU Center for Technology Enterprise, and the UND Center of Innovation. That's is as I read it two, but on this list you have seven on the top. That's exactly why I have problems with drafting this type of thing.

**Lt. Governor:** Your absolutely right. They are doing the best they can with the circumstances that came out of the last session, but in reality I think there was a breakdown in the original intent of how Centers of Excellence should work. Under the new commission and under the new definitions this type of thing would never happen, because they would have to show the private sector involvement, where the money is coming from, and what it's going to be used for before any funds would ever be released to them.

**Rep. Skarphol:** How did we get to 6, when this said to who made that decision? Who authorized that type of diversity?

**Lt. Governor:** The conference committee.

**Chair Carlson:** Do you know if the ones that we're authorized in the Higher Ed bill, did they require the same match?

**Eddy:** We applied the same criteria to those.

**Chair Carlson:** Is there any unspent money that we appropriated?

**Lt. Governor:** There are some funds that are committed, and that are expected to be deployed in the near future. I think they certainly have that right and privilege to attempt to do that.

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**Chair Carlson:** If there's money unused, is there language in here to carry that forward into this same concept?

**Al Knudson, Legislative Council:** I don't believe so. The appropriations were just for the current biennium.

**Rep. Skarphol:** If there's a proposal brought forward for a Center of Excellence, what can budget section realistically expect to see in that presentation? How detailed a presentation are we going to have?

**Lt. Governor:** I would expect it to be a review and a summary of the application that was approved. That would have to show who's putting up the money, in what proportions, who's putting up the facilities, what is the business plan, and what are the expectations in terms of economic activity and job creation.

**Rep. Skarphol:** When you talk about the combination of cash and inkind assets with itemized value, this whole inkind thing can get really ambiguous at times. How do we deal with that?

**Lt. Governor:** We have seen issues with that in the past in the Higher Education arena, and I'm not going to say in my own opinion they've ever done anything wrong. In this case, you have a competitive process for funds going on, your having proposals being evaluated against each other, and you have these 3 foundation members who are business people. They have a vested interest in making sure these contributed assets are for real, as opposed to a state agency or university whose only interest is to get from here to there by any means.

**Rep. Glasheim:** What are we going to have in the application form? Is there something in here that tells us that? Are we going to have job standards, and how many?

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**Cory Fong:** If you look at page 7 of the bill, it talks about the board shall provide application forms, except application, and review applications for completeness. There's no reference to what those applications should look like.

**Rep. Skarphol:** An exit analysis of the results of the success of a particular project would probably provide some significant value. It may help determine whether again we should concentrate more resources in a particular area, because it appears to be the most successful.

**Lt. Governor:** On the top of page 18, you do have this required report. I think that might be a place to be more specific about what you expect to see in that report.

**Linda Butts:** Overview of ED&F. (SEE HANDOUT #2)

**Chair Carlson:** Do they have a turnback on the APUC?

**Sandy, OMB:** They actually have a carryover provision in their appropriation bill.

**Rep. Skarphol:** On APUC, my perception is that the role of APUC has changed fairly substantially this biennium. Can you give an explanation of why I think that?

**Linda:** I think your correct. The first thing we did was hire an APUC Director that came from an economic development background. In the past, there seems to be a philosophy on the board that APUC should do projects that probably were going to have a difficult time getting funded somewhere else. Since that time we've changed the philosophy to probably try and look at projects that more have an opportunity to create jobs.

**Rep. Skarphol:** Do you think that you have somewhat changed your focus, because of the development of the trade office?

**Linda:** There was a unique and intervening event that occurred concurrently with the creation of the Trade office. There was a one time federal fund that was given to APUC for International

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Trade. I believe that those dollars have all been expended, but the fact that the Trade office came into existence at the time these funds were available, there was more dollars given for International Trade than have ever occurred in the past.

**Rep. Skarphol:** How many federal dollars did it amount to?

**Sandy:** The Governor's office received a one time grant 4 years ago for specialty crops, and some was granted for this purpose for export trade, but I don't have the dollar amount with me.

**Rep. Glassheim:** I think of Apuc as helping pilots getting off the ground for alternative crops that aren't proven. I'm not sure if the new policy was to invest in more proven things, and therefore diminish the amount of experimentation with new crops.

**Linda:** No. What I meant was that by having our director go out and visit the projects pre-grant, we're able to get a better assessment about the ability of the applicant to actually execute if he wants to receive the dollars. The current thinking on the board is that we still want to encourage experimentation with new crops at a patience, but rather we're trying to tie it closer to the desire of both the legislature and the Governor's office, and at the end of the day have a job that was created.

**(SEE HANDOUTS #3, #4, AND #5)**

**Chair Carlson:** I saw some Trade dollars sent out. Is the intention to not do those, and to focus on the Trade authority?

**Linda:** All of this new activity of Trade, and how APUC has interfaced with it, has created that need for discussion and policy development within APUC. As I mentioned, we were able to fund International Trade because of that one time cash infusion from the Governor's office. The reality is, we as a board simply have to decide how much we shall allocate, and what's an

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appropriate dollar to facilitate International Trade. I would expect they would continue to be partners in that effort.

**Rep. Skarphol:** Looking over the projects list, ¼ of the way down is Dry Mill Ethanol. They were given 133,000 dollars associated with it. How much of that 133,000 was spent?

**Linda:** I don't know, but I can find out for you.

**Rep. Skarphol:** What's the tendency to get a second grant authorized by these types of entities?

**Linda:** That depends of the project. The board tends to be fairly conservative. If they can divide a project into two phases, they will fund phase one and say if successful, come back and we'll fund phase two.

**Rep. Skarphol:** I would envision only one grant going to a particular Center of Excellence. I would expect that a Center of Excellence couldn't come back in and ask on another application for a second round of granting.

**Lt. Governor:** I don't see that happening. This is an investment proposal. They can talk about what happen next, but it's not going to be like phase one, phase two, phase three. I don't see that. Every investment is going to have to stand on its own two legs.

**Rep. Monson:** These Nelson Grapes and Hogan Grapes, are they wineries, or what are they doing with the grapes?

**Linda:** That is correct. There are about 3 or 4 wineries in the state, and we've used those dollars to help them get established.

**(SEE PROPOSED AMENDMENT 58018.02tx)**

**(SEE PROPOSED AMENDMENT, RE: TRADE PROMOTION AUTHORITY)**

**Chair Carlson:** What other section deals with the Trade Authority?

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**Cory:** The authorizing language for the Trade Promotion Authority is actually in SB 2032.

**Chair Carlson:** Who has SB 2032?

**Cory:** Currently, it's in the House IB&L Committee.

**Rep. Monson:** Did I understand you to say that section 19 additional sentence that you want us to add here. Is this in another bill that you said that Government Ops just took this out?

**Lt. Governor:** They took the transfer from the State Mill, they removed that from their budget bill, but I think in essence they're defaulting to this committee on anything having to do with the funding of the Trade Promotion Authority.

**Rep. Skarphol:** What benefit is State Mills going to get from this 250,000 dollars?

**Lt. Governor:** The 250,000 dollar transfer is the action of the Senate. It's not part of the Governor's budget. This would just make it compatible with the Senate.

**Chair Carlson:** In reality our board is still half of a state agency. What have we gained by doing that?

**Lt. Governor:** Part of it is just the way that this has evolved. We are putting a relatively small amount of money into it. Frankly, other states our size are putting in 5 to 6 million dollars. For a small amount of money under a million dollars, I think you could make the case that it does work better to contract for services.

**Rep. Skarphol:** As you brought up commodity groups that have worked at this in the past, the failure of that attempt is primarily been that commodity groups can't sign contracts. The new mechanism has a lot of merit, and I think it's a mechanism that is different than what we've done in the past.

**Rep. Skarphol:** Can you tell us how they raised the money that they did raise?

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**Linda:** They've actually engaged several of us on the board. They have done cold calls, they have talked to the people that have gone on these trade missions and asked them for their support, and they have talked to exporters and export service providers. They've tried the whole realm of people that would be interested in export.

**Rep. Skaphol:** What kind of success did they get out of that?

**Linda:** Those 12,500 would be that composition of 135 or 150 that they have to pay.

**Rep. Skarphol:** So, they probably got at least 10 exporters to give them 12,000 or whatever number they have selected?

**Linda:** That would be correct.

**Chair Carlson:** How many people are going to bid on this contract?

**Linda:** As I recall, there was a legislature that insisted and wrote into law that we do indeed bid service contracts, and so this contract will be up for renegotiation.

**Chair Carlson:** Then it's really not a contract.

**Lt. Governor:** We're required to put this out, and publicize the contract opportunity. There's a process for that. I would expect that we would have more than one bidder, and last time we had two.

**Rep. Glassheim:** What are the advantages and disadvantages of having these missions kicked back 1% of delivered contracts that come out of these missions?

**Rep. Skarphol:** If success is achieved by a company, they could eventually just begin to go on their own, and not participate with the Trade Mission, and therefore not have to pay that additional fee. The other aspect is if they are successful, they would be sticking money back in, and that would be a good thing to help fund the Trade Office.

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**Chair Carlson:** When is this agency going to be free standing then?

**Lt. Governor:** We don't know. I think we're going to just have to follow the trail, and see where it leads us.

**Chair Carlson:** What if we use the same criteria we use for the Centers of Excellence?

**Lt. Governor:** We would be willing to tie the funding to your track record.

**(SEE HANDOUT #6)**

**Chair Carlson:** There is a difference between a board and an elected official. When they are put on that board, their function should be how well that particular board they serve on and how they do their job. There is a tie between the two. They were not put there to be accountable, they were put there because they have an elected capacity to help the board.

**Lt. Governor:** These are Governor's appointees. They can be changed.

Closed General Discussion Hearing.



2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2018

House Government Performance Division

Conference Committee

Hearing Date Monday, March 28, 2005

Tape Number	Side A	Side B	Meter #
1	X		4520-end
1		X	1-end
2	X		1-1930
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes:

**Chairman Carlson** opened discussion on SB 2018. **Ms. Jennifer Clark, Legislative Council,** and **Ms. Sandy Paulson, OMB,** were present to assist as they examined the budget. **Rep.**

**Skarphol** asked to consider section 4 and asked **Ms. Clark** if that were reduced by \$100,000.

She said that the initial program in 2032 there was \$150,000. **Rep. Skarphol** said now it's \$50,000. He suggested they put the \$100,000 back in because it can't be done with \$50,000.

Either that or take it out altogether. **Chairman Carlson** said this certainly belongs in the OMB budget. **Rep. Skarphol** said it's one FTE plus the expenses. **Ms. Clark** said it was in 2032 as it came out of the interim. **Chairman Carlson** asked if the \$150,000 was in the Governor's budget and the FTE and **Ms. Paulson** said that it was not. The Committee agreed that **Ms. Clark's** earlier suggestion, during discussion of 2032, that section 4 could be moved to OMB was a good one.

**Chairman Carlson** said section 5 dealing with agriculture fuel tax refunds would remain the same. Section 6 just allows them to use carry-over money. With regard to section 7 and the centers of excellence, he asked why this is spread out over several sections and whether or not that had to do with the Code. **Ms. Clark** said that in organizing bills, they keep appropriations language in one area and the Code language and at the end, the expirations, effective dates, and application provisions.

With regard to section 8, **Rep. Skarphol** asked Roxanne Woeste, Legislative Council, who the exemption applies to and **Ms. Woeste** said the discretionary fund. **Rep. Skarphol** asked if that's the Commerce Commission's and she said yes. **Chairman Carlson** asked if they had carry-over before and **Ms. Paulson** said yes. They carried over \$875,00 from the first biennium. **Rep. Skarphol** said the funds are committed and she said yes.

With regard to Section 9, **Chairman Carlson** asked what the Code number means and **Ms. Paulson** said it was carry over language. **Rep. Skarphol** said that both sections 7 and 9 are germane to the centers of excellence.

**Chairman Carlson** said that section 10 concerns a discretionary fund and he asked if this came out of 2032 where they highlighted the projects. **Ms. Clark** said yes, but it's different and she reviewed the changes.

	2032	2018
Target industry...	\$ 50,000	\$25,000
Image Information...	\$100,000	\$50,000
Business Hotline...	\$ 30,000	\$30,000
International Trade	\$413,103	Moved out/given own approp.

Local economic develop....	\$ 50,000 gen/\$100,000 special	\$50,000
Dakota Manufacturing...	\$165,000	\$100,000
Intellectual Property...	\$ 50,000	\$ 50,000
Economic development...	\$ 30,000	\$ 30,000
Business Climate...	\$ 50,000	\$ 50,000
Total	\$938,103 gen fund	\$385,000

**Ms. Clark** said there were also a few FTE provisions. **Chairman Carlson** asked how much money in overall discretionary fund. **Rep. Skarphol** said \$1.4 million for last time. **Ms. Woeste** referred to the top of p. 3 of 2018, and that it's \$1.9 million.

(Tape 1, Side B)

**Rep. Glasheim** pointed out that according to the green sheet, it was originally \$1.44 and the Senate added \$460,000. **Chairman Carlson** asked if this was in the Governor's budget and **Ms. Paulson** said no. **Rep. Skarphol** asked for confirmation that none of the projects in section 10 were in the Governor's budget and **Ms. Paulson** confirmed because they were in 2032. **Ms. Woeste** referred to Committee to the blue book which was prepared at cross-over and p. 98 and footnote 2 which refers to the adjustments to the discretionary funds. **Ms. Woeste** said these provisions were introduced in 2032 using general fund dollars. The Senate increased discretionary funding and is funding some of those projects out of that line item.

**Rep. Skarphol** asked why 2032 isn't in the blue book. **Ms. Woeste** said that at cross-over 2032 didn't have any appropriations in it. That's what the Senate did; they moved them all into 2018.

**Rep. Skarphol** asked why the original 2032 had over \$2 million. If they took \$460,000 out, what happened to the rest of the money. The Committee continued to search for answers until

**Chairman Carlson** suggested they just continue to review the sections so Ms. Clark could start work on amendments. With regard to sections 11 and 12 both of which deal with discretionary funds, **Chairman Carlson** asked if they came from 2032. **Ms. Clark** said no; same goes for 17 and 18. She said she wasn't familiar with the ones in between. Section 19 refers to the Trade Office and that would be linked to 2032. Section 21 regards centers of excellence, which are linked to Code. **Rep. Skarphol** suggested that all provisions for the centers of excellence belong in 2032; the seed capital can be left in there. **Chairman Carlson** asked how the money follows here. **Ms. Woeste** said the money for the centers of excellence are appropriated to the Department of Commerce. **Ms. Clark** added to give to the State Board. **Chairman Carlson** asked for a separate amendment moving the centers of excellence to 2032.

With regard to section 22, **Ms. Clark** said "the director shall implement a program..." refers to ED&F. **Chairman Carlson** asked how many sections are directly under the ED&F fund. **Ms. Clark** that according to the Century Code, section 22 is the only one within that chapter. Their chapter is 54.34.3.

With regard to the amendments to the Trade Office, **Ms. Clark** they worked in Chapter 54.3 because Trade has been keep in ED&F rather than the Division of Commerce. If the Committee incorporates these amendments, there will be more sections in ED&F.

**Ms. Clark** said section 23 is the procurement. **Chairman Carlson** said since it doesn't have a tie to Commerce, it should be moved. **Rep. Skarphol** said he agreed. They directed **Mr. Al Knudson, Legislative Council**, to move sections 4, 23, and 38 would all go back to 2032. **Ms. Clark** asked if they wished to keep the appropriation amount the same and reference to FTE's. **Rep. Skarphol** said go to \$150,000 and 1 FTE. **Chairman Carlson** said this would bring it back

to where it was; no sense putting half an idea out there. **Rep. Monson** asked what the advantage was and **Rep. Skarphol** said with the procurement web site, about 1/3 of the contracts are handled in state. More instate vendors will be getting the advantage of in-state contracts. Ultimately, it may become an interactive web site where they can do the bidding online. **Rep. Monson** asked if he thought this was a good deal and **Rep. Skarphol** confirmed.

With regard to section 24, **Ms. Clark** said it refers to the Department of Commerce. **Chairman Carlson** added in addition, so are sections 24, 25, and 26.

**Chairman Carlson** asked about section 27 and **Ms. Clark** this is the seed capital investment tax credit. **Chairman Carlson** asked if this came out of 2032 and **Ms. Clark** confirmed. **Chairman Carlson** asked why it's in 2018 and **Ms. Clark** said she did not know. Although it's a tax program, it's in the tax title. This shows that the Department of Commerce is a qualified business. **Rep. Skarphol** asked if it also segregated this type of seed capital from ag capital. He referred to 2181. **Ms. Clark** said she thought the two chapters are side by side. **Rep. Skarphol** said if the Committee moves this section, the Tax Commissioner has requested they attach Amendment .02tx. He read the new language for the subsection: "relies on innovation, research, or the development of new products and processes in its plans for growth and profitability." **Rep. Skarphol** asked why this section shouldn't be in 2032 with the seed capital.

**Chairman Carlson** noted that sections 28, 29, 30, and 32 all apply to tax. **Ms. Clark** said the repealer provision in section 33, or 15-10-41, refer to the centers of excellence. There is a sunset clause of 2009. **Rep. Skarphol** said sections 27-32 should be removed since there's no dollars associated with it. **Chairman Carlson** said he didn't have a problem either way. **Rep.**

**Glassheim** said the seed capital is a big initiative of the Commerce Department. **Rep. Skarphol**

said that there are several sections in 2032 dealing with it. **Ms. Clark** said there are cross-referenced provisions to the repealed chapters. There is a lot of discussion about venture capital investments, but not seed capital investments. **Chairman Carlson** directed **Ms. Clark** to remove them. She referred to the tax study and they Committee said to include that, too.

**Chairman Carlson** asked if section 34 came out of 2032. **Ms. Clark** confirmed and that it refers to the Department of Commerce.

**Chairman Carlson** asked about section 35 and the "business climate initiative" and **Ms. Clark** said this is where 2032 came from, the previous interim's version of the business climate initiative. This is the ongoing study for the next two interim's. **Rep. Monson** said it should go there, too. **Ms. Clark** said there's an appropriation attached to it and it includes the Department of Commerce. She said the appropriation is in section 10, line 16. **Chairman Carlson** said he questioned why in a discretionary fund, there are specifics listed. **Ms. Clark** said Senate Appropriations designed it. **Chairman Carlson** said that there should be a general statement of what should be studied and the Department can determine priorities. He went on to describe the situation in section 13, where a private company that hadn't applied to APUC, got \$100,000 to develop technology that puts sensors in the field to gauge rain, etc. and predict vulnerability to scab. **Rep. Glassheim** said he hoped the leadership during the conference process will make sure to maintain the 32 conferees. **Rep. Skarphol** said that section 35 should go to 2032 and return the discretion to the Commissioner. Same with 37. **Ms. Clark** asked about section 35, the business climate initiative, and the L.C. study, and whether the \$50,000 should be moved to 2032 as well. **Rep. Skarphol** said it should be left in the Commissioner's discretionary fund. **Rep. Monson** noted that the Senate raised the discretionary fund. Maybe section 10 should be taken

out and say it's not paid with discretionary funds. **Rep. Skarphol** said he thought the \$400,000 applied to Section 16. **Ms. Paulson** said sections 16 and 17 come from the Executive recommendation. The Senate didn't change that. The Governor added the money to the discretionary fund and earmarked them. **Chairman Carlson** said it doesn't say "discretionary fund" it just says \$400,000 and \$50,000. **Ms. Paulson** said that Mr. Peterson requested it this way so that if they had extra operating funds, they could use those funds, rather than being limited to the discretionary funds. **Rep. Skarphol** said the money for the discretionary fund for the 01-03 biennium and 03-05 biennium are almost the same according to the Governor's recommendation. **Ms. Paulson** confirmed. He asked what got dropped in order to appropriate this \$400,000. **Ms. Paulson** said this is not an additional. The money will not be used this beinnium. It was identified in the current appropriation bill for 2003-2005. Just as it is here, that money will not be spent, so the language is being carried forward into the next biennium so they can access the funds. **Rep. Skarphol** said this is available to match federal funds and asked for what purpose. **Ms. Paulson** said this is the grant for the Red River Valley Research Corridor. She went on to explain that the \$400,000 for the matching funds was appropriated last session, but the process isn't going as fast as they anticipated, so they have not accessed those federal funds, so this carries it forward to give them the ability to do that.

With regard to section 37 and "local economic developers certification program" **Rep. Skarphol** said this was in 2032 and it had \$100,000 special fund authority because they planned to charge fees. **Chairman Carlson** said this belongs in the Commerce budget, though and **Ms. Clark** confirmed. Section 38 is the procurement.

It was determined that both sections 39, 40, 42, 44, and 46 were all part of the Department of Commerce. Section 41 regarding the tax study will be moved to 2032. With regard to section 45, the pieces relevant to the other parts transferred to 2032 would be taken out.

**Chairman Carlson** asked **Ms. Clark** if she understood what to do and she asked if those changes should be kept separate for review and the Committee instructed her to do so.

Overview of amendment. (SEE AMENDMENT 58018.03tx)

**Rep. Monson:** I move.

**Rep. Skarphol:** Second.

Voice vote, amendment adopted.

Overview of amendment. (SEE AMENDMENT 58018.02tx)

**Rep. Monson:** This section deals with primary sector business, and it talks about businesses in here, and it should not include ethanol. Ethanol should be taken out of page 12, line 23, and agricultural commodity processing should be put in there.

**Rep. Skarphol:** I move 02tx.

**Rep. Monson:** Second.

Voice vote, amendment approved.

Overview of amendment. (SEE AMENDMENT 58018.0203)

**Rep. Skarphol:** In section 7 of the bill, why do you need general fund dollars laid out and available, when you have a commitment to draw money when you need it?

**Cory Fong:** We were going to borrow from the bank a long-term financing program, and that 5 million dollars which was appropriated from the general fund to service that debt. That took a turn really early on in our negotiations. That 5 million of that general fund was to be kind of a



good faith demonstration of the cash that this legislation was going to put behind Centers of Excellence.

**Rep. Skarphol:** This 485,000 for the Transportation study, was that part of your recommendation as part of the Commerce bill. Who added it in?

**Cory:** That was again one of the Business Congress initiatives that was in SB 2032.

**Chair Carlson:** What do they do with the Transportation Institute, besides do exactly what this bill asks them to do?

**Cory:** I'm not equipped to answer that.

**Sandy, OMB:** We spoke to Upper Great Plains about that request, and she said this was a totally different project, and that is why they would have to hire additional staff. Right now the money that you put in this general fund funds their ongoing type transportation study, which is just their regular responsibilities.

**Chair Carlson:** Where did this Local Economic Developer Certification Program come from?

**Cory:** That came from the Business Congress initiative. During the interim, Economic Development committee went around the state holding meetings discussing the kinds of needs for improving economic development, and this was one of the outgrowths, along with the Business Hotline, the Image Information Program.

Closed General Discussion Hearing.

*Govt Performance  
2018*

### General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 29, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-End
			1-End
2	X	X	1-End/1-2355
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion hearing on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

Overview of amendment. (SEE AMENDMENT 58018.0205)

**Chair Carlson:** Was this in the Governor's budget, this 129,272?

**Lee Peterson:** There was no Native American business in the Governor's budget. This came from the Business Congress.

**Chair Carlson:** Do you not have something like this in your office now, it's just not funded?

2008

**Lee:** There has been, since the inception of ED&F and Native American portion to our legislation. I do not remember which biennium it was that they cut 8 employees from the Division of Economic Development, but when they did that they lost that position and funding. So, it has not existed since that time.

**Rep. Monson:** On that, am I sensing that you don't think this is necessary?

**Lee:** The necessity is working more closely with our Native American population. The Bank of ND has put together a guarantee program that allows the banks to loan money on reservations. We are working much more closely with the reservations, the problem is we don't have anyone to do that specifically. This will allow us to actually put somebody constantly working in that area.

**Rep. Monson:** So, your not saying that it's not really wanted, but it's not one of your highest priorities either?

**Lee:** With the other legislation that is occurred in the legislative session, the priorities I might have made before the legislature met, may have changed somewhat.

**Rep. Skarphol:** On the match thing, it doesn't delineate it here. Is there an understanding that when they raise 5 they'll get 5? What's the assumption?

**Jennifer Clark, Legislative Council:** If it's not clear to you, we could try to clarify it. When I drafted this, and when I spoke to the representatives from the Department of Commerce, it was our understanding that it would be distributed as they meet that money.

**Rep. Monson:** I thought we did something already with section 24 on these amendments?

**Jennifer:** You funded it.

2018

**Rep. Skarphol:** It seems to me that in some of the original stuff that was out there that there was a recommendation that they compile some type of database of information for ND companies to access for information.

**Jennifer:** I recall receiving testimony from representatives of the Trade Office, that is what they've been doing over the last interim is creating a database.

**Rep. Skarphol:** Does that belong to them, or does that belong to the Commerce Department?

**Lee:** I know we certainly have access to it, but whether or not it belongs to us, I can't address that. I don't know, that has never come up as an issue about who it belongs to.

**Rep. Skarphol:** What does this mean as far as the Commerce Department. If they raise money, can they spend it, or can they not spend it. If they need some level of authority to be able to spend what they raise, then we need to put it in here.

**Lee:** The Commerce Foundation raises quite a bit of money, but not for the Trade Office. If we're talking about the Trade Office, the money that is being raised by the Trade Office is being raised by the private entity. It would make sense to me, we got this match, and that is the portion that the legislation should control.

**Rep. Glasheim:** Is the money raised through the match going to go to the department?

**Rep. Skarphol:** No. It goes to the contractor.

Overview of amendment. (SEE AMENDMENT 58018.0208)

Overview of amendment for SB 2032. (SEE AMENDMENT 50180.0404)

Overview of amendment. (SEE AMENDMENT 58018.0208)

**Chair Carlson:** Why was there a big change in the grants again?

2018

**Lee:** It's part of the Division of Community Services. We believe we are going to get a lot less money in federal money than we've had previously.

**Chair Carlson:** They've taken the discretionary funds, and pigeon holed most of them. I don't know if we should restore them, not restore them, or just say give you a block sum of money and say address these issues.

**Lee:** My recommendation would be in these Business Congress initiatives that they simply go into our regular operating budget. That they are not confused with the discretionary fund.

**Rep. Monson:** If we were to put in a pool of money, and not say it's coming out of the discretionary funds, but we take all of the items in section 9, 10, 11, and 12 if we want, and lump them into a list like in section 9, and let them have some discretion as to what kind of grants to give out. Don't count their discretionary fund unless we just want to add it to their discretionary fund.

**Lt. Governor Jack Dalrymple:** I think you could make a good case that you should have a separate line for this, because if you put it into either operating or discretionary, now your building it into that baseline on into the next budget cycle. People are going to lose track of it.

**Rep. Skarphol:** Sections 10, 11, 12, 13, 14, whatever ones that are on here that got dollars specified in them, which ones of those were yours? Were any of these asked for by your department?

**Lee:** When you start with section 9-12, none of that was requested by our department. We have an EDA grant that we need money to match in section 15, and 13, 16, and 17, yes.

2018

**Rep. Skarphol:** If you were going to be given the money to do all of the things delineated in this amendment, we'd have to increase, I would assume, the discretionary grants line item in section 1 by 385,000 plus an FTE.

**Lee:** That's their numbers. Our numbers are more like 450,000 to complete those initiatives the way they want them done. The 385,000 is the Senate's version.

**Rep. Monson:** The Senate took out 100,000 of special funds in Local Economic Developer Certification and Training Program. Where did those special funds come from?

**Lee:** We have been directed to create a certification program for local developers in the State of ND by the Business Congress. It will be a program that encapsulates several training sessions over a two or three year period. There is an opportunity to charge for those people to attend those sessions, and they took that ability away from us.

Recessed until after floor session.

Reconvened general discussion on SB 2018.

Overview of amendment. (SEE AMENDMENT 58018.0208)

**Rep. Skarphol:** 130,000 dollars in the amendment is delineated for the Imaging and the Business Hotline. Is that what you anticipated using for the FTE?

**Lee:** We have the numbers here. 24,249 dollars from the Hotline, and 81,183 from the Image Information Campaign will go towards the FTE.

**Rep. Glassheim:** I really think we need to leave the Business Congress separate from the Life Sciences. I think if you give them something with their name on it, they can see that they've been effective, and it will keep them volunteering, and working, and doing business related things.

2018

**Rep. Skarphol:** Would you have a problem with us identifying a wall just like this, with giving them the money in a lump sum?

**Rep. Glasheim:** Absolutely, I agree with that.

**Rep. Monson:** Your idea would be that they would come in and tell you what they plan to do and why they need the money, and you would either say yes, or no?

**Lee:** Target Industry Identification will be done by us and a consultant at the Department of Commerce. Image Information and the Business Hotline will all be done by us. The Local Economic Development Certification is being done currently by the Division of Community Services Economic Development and the federal. Dakota Manufacturing Initiative will be a contract with the Dakota MEP. Intellectual property Rights, I think is done by the university.

Economic Development Incentive Study, and the Business Climate Study are done by Legislative Council in conjunction with the Department of Commerce. The only two that could be grants are the Life Sciences Sector Development, and the Hydrogen Project.

**Chair Carlson:** Was that 400,000 in the Governor's budget?

**Lee:** Yes it is. It is part of our discretionary fund.

**Chair Carlson:** How many people are assigned to the Development Fund now?

**Lee:** There are four.

Overview of handouts. (SEE HANDOUTS #1 AND #2)

**Rep. Glasheim:** Why would you not allow them to give redirection to a 97% good proposal?

**Lt. Governor:** The process is supposed to be with the commission. They're the ones that are supposed to be the reviewing body.

**Chair Carlson:** Where did the original language come from for the Center's of Excellence?

2018

**Lee:** The 6 members of the foundation, and 6 members appointed by the State Board of Higher Ed have been working on this for about a year and a half.

**Lt. Governor:** What you see in here about primary sector job creation and all those kind of things were certainly a change from last times Center of Excellence language.

**Rep. Skarphol:** Whose going to own the Centers of Excellence?

**Lt. Governor:** That question is going to have a different answer in different situations. Generally speaking, the Enterprise I think will have most of the ownership of the facility and the equipment. It may be on University land, some of the activity may be contracted, but the business in most cases is going to be what the activity is going on.

**Rep. Skarphol:** How about royalties for research that's been done that will be utilized to the benefit of the private sector in developing this business?

**Lt. Governor:** It comes under our existing laws for treatment of royalties, which is that we retain our rights to royalties.

**Rep. Skarphol:** Where does it flow back to?

**Lt. Governor:** Most of the ones I've seen flow back to a nonprofit foundation that's associated with the University.

**Rep. Skarphol:** If there's a profit generated by the private entity, I'm having difficulty justifying the fact that 100% of it flows to them. If we have an investment of knowledge and research that we've paid public money to create, there ought to be some reward going back to somebody in the public sector for that knowledge in some fashion.

**Lt. Governor:** A few years ago, the Board of Higher Education, at the direction of the Legislature went out to shore up that exact issue, and they now have very strict policies about



2018

insisting on royalties, and insisting on patents, and insisting on intellectual rights where those situations arise. They are required to do that, and can not get out of it by saying they just don't feel like it.

**Rep. Skarphol:** Where is that written down? Where can we find what's been established? Is it board policy, or is it in law?

**Lt. Governor:** I think you would find it in board policy, but as I understand it's being practiced throughout the system.

**Rep. Skarphol:** Your section 5 in the draft that you're proposing, you set some pretty lofty guidelines. There is a great deal of flexibility, even if these are all delineated.

**Lt. Governor:** There is, and I think you want that. Again, I don't want to diminish the importance of the commission in this process, but we certainly expect them to follow this very clear set of guidelines.

**Rep. Skarphol:** Would you have any problem if we put language in here that said half of any profits created by any of these Centers of Excellence had to be pulled back into the fund?

**Lt. Governor:** I think I would have a problem with that. I think the idea here is to use our funds as the hinge pin to kick off a major amount of activity in conjunction with a given campus.

**Rep. Skarphol:** If we make an investment of state public dollars into this, that if there is a profit generated, it flows back to the institution. Some small insignificant portion of it could replenish that account, or be used to build further centers.

**Lt. Governor:** There wouldn't be a share of income involved, and to the extent that there were royalties. We already basically allow the colleges and universities to be the beneficiaries of that type of royalty. That's the way we do that now.

2018

**Rep. Monson:** What do you see 10 years from now as a benefit to the state?

**Lt. Governor:** The Technology Park in Fargo, for instance, if you had told me 5 years ago that we would have 5 headquarter size buildings there right now, and the amount of activity that's going on there right now, I would have said impossible. It has worked, and we watched it work. Let's do some more of it, and let's do it in as many places as we can do it.

**Rep. Monson:** Your saying the return to the state is money from people being here, with jobs, paying taxes?

**Lt. Governor:** It's the economic activity that you create by having a major business in your campus town that would not have otherwise been there. It's the new business with new jobs that didn't exist before.

**Rep. Skarphol:** Do you think it's plausible at all to track what the benefits to the state are from the Centers of Excellence, as far as the jobs created and the taxes paid, to where we can track the taxes we get in return, because of this activity?

**Lt. Governor:** You have some accountability language in here, and I assume that's going to involve numbers of jobs created, and business activity created.

**Rep. Skarphol:** Do you envision tracking each center separately?

**Cory Fong:** They'll be separate programs and projects with separate money in and out, so I would assume yes.

**Rep. Skarphol:** How long do you anticipate we should carry forward funding for this unauthorized Center of Excellence if we don't get off the ground?

**Lee:** I believe with the new direction of Centers of Excellence allowing all 11 universities to get involved, we're going to see many requests for funding. We're going to see centers funded this

2018

biennium. The idea in having 50 million dollars was to try to make sure we had enough money to fund the centers as they came forward, and there would be no need to carry money forward for centers from this point on.

**Rep. Skarphol:** If there is one authorized, and you've got to give it 3 million dollars. How long do you envision we're going to let them have that money sitting on the table without actually beginning?

**Lee:** In the new Centers of Excellence legislation, everything will be prepared to move down the road. I don't think there will be lag time anymore in us funding a center that is not ready to move forward.

**Rep. Glassheim:** We all have the best of intentions, and the best of judgment. I guess he's just asking maybe that we ought to write something in that speaks to the question of defunding.

**Lee:** I believe it's a non issue. If the Centers of Excellence project is not ready to move forward, the Commission, the Foundation, the Board of Higher Ed, or the Budget Committee will fund that project if it is not ready to move forward.

**Chair Carlson:** If that money has been pledged to someone, why isn't there a timeline that says you have to kick it in?

**Lee:** I believe that if that project is not prepared to move forward, it will not receive that funding.

**Rep. Skarphol:** Alien Technology hasn't built a building yet in Fargo. What I'm getting at is that maybe the money should be pulled back and given to somebody else who has just as good an application if they don't begin to move forward within a certain timeframe.

2018

**Lee:** I believe that the funding will not be granted to a project that is not prepared to move forward when the funding is given. The funding may come to them in increments.

**Rep. Glassheim:** Who has the authority to allow a change, to pull money back, to give less, to give more?

**Lee:** The way this thing works is that the commission makes the first approval. The amount of money, the project itself that it meets the criteria. It then moves to the Foundation, the Board of Higher Ed, and the budget. There is not provisions in there for amending, or changing, or timelines.

**Rep. Skarphol:** Had you had another project to come along that needed 2.6 million dollars that you committed to Alien, and then come along 18 months ago ready to move, could you have pulled the money from Alien?

**Lee:** The Alien Technology money was not from funds that are restricted. So, Bank of ND, local banks, the Development Fund, and our Venture Capital fund all put money in that project. So, it's not something that had a restricted fund base, so that money is still all sitting there just exactly like it was.

**Rep. Skarphol:** What happens in the event that you approve a project, it starts going forward, and all of a sudden there's some pretty significant changes in it? What options do you have available here?

**Lee:** I would go back to the Commission.

Overview of Tourism.

2018

**Rep. Monson:** I really like that, but I think you can probably charge people to put their link on your site, so that you can use some special funds as part of your service. Do you see that as having some potential?

**Sara Otto Coleman:** Not initially. We've talked about that with links to our website, we've talked about it with listings in various publications. As I understand it right now, because our site is hosted on the state server with ITD, we can't charge for anything as it is right now.

**Rep. Monson:** We've noticed that there is very poor signage to the Heritage Center, and we think the Heritage Center should be a showcase for ND. We're actually putting 100,000 dollars into the Industrial Commissions bill for the Heritage Center to put their fossil collection on a 3-D projector, and trying to showcase some of the things in the state. I think we're really missing the boat on not having good signage, and good advertising saying to people come to the ND Heritage Center. What kind of cost would that be associated with?

**Sara:** I haven't bought billboards for awhile, but the last time I purchased billboards was probably 3 or 4 years ago. Your talking for those prime spots between 400 and 450 dollars per month for each board.

**Rep. Glasheim:** How much of that is the responsibility of Tourism, and how much is the responsibility of the event itself?

**Sara:** I think you're exactly right. There is a marketing budget that the Historical Society has, and it's our understanding that they would use those dollars to determine which historic sites of theirs they would spend the dollars on.

**Chair Carlson:** Is there a line item in you budget that sets aside money for special events?

**Sara:** We do not have any dollars designated for developing tourism attractions.

General Discussion

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2018

**Chair Carlson:** Do you have a grant line for special projects this time?

**Sara:** Yes. We've got two grant lines. There's \$100,000 per biennium for the matching grants, and \$100,000 per biennium for the events matching grants.

Closed General Discussion Hearing.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date April 1, 2005			
Tape Number	Side A	B Side	Meter #
2	X		1175-End
		X	1-4315
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

Overview of amendment. (SEE AMENDMENT 58018.0210)

**Rep. Carlson:** How does the money transfer when we put it in here and it goes to Higher Ed?

Do they ask them for the money?

**Al Knudson, Legislative Council:** We're actually giving them the money by this section. This is an appropriation, so this is spending it.

**Chair Carlson:** Does it go through Commerce, or right to Higher Ed?

2018

**Al:** Right to Higher Education.

**Rep. Glasheim:** Are we pretty close to the cost, is that \$500,000 pretty close to the cost you requested for those items?

**Cory Fong:** With the authority of the \$250,000, yes.

**Rep. Glasheim:** Discussion of new proposed amendment. This amendment adds 140,000 dollars from the general fund for one FTE, to develop market and implement learning based vacations, including development of a learning based vacation website, which will allow individuals to create an individualized learning based vacation. That's 80,000 for a person, and 60,000 for website and development of the software.

**Rep. Glasheim:** I move.

**Rep. Monson:** Second.

Voice Vote, new proposed amendment passes.

**Rep. Glasheim:** Discussion of new proposed amendment. The amendment adds 500,000 dollars to enhance tourist marketing with an emphasis on the Canadian market. This seems to be a real investment, in that they have a competent international company that has measured last sessions marketing investment, and done extensive research, and demonstrated a 55 to 1 spending return.

Overview of amendment. (SEE AMENDMENT 58018.0212)

**Rep. Skarphol:** I would move the amendment 0210 to SB 2018 with all the changes.

**Rep. Monson:** Second.

Voice vote, amendment passes.

**Rep. Skarphol:** I would move a do pass on SB 2018, as amended.



General Discussion

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**Rep. Glasheim:** Second.

Roll call vote. SB 2018 is a do pass, as amended.

Closed General Discussion Hearing.

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### General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

*Adm*

Date <del>March</del> 4, 2005			
Tape Number	Side A	B Side	Meter #
1	X		1-5000
Committee Clerk Signature <i>Stephanie N Thomas</i>			

Minutes: **Chair Carlson** opened general discussion on SB 2018, relating to an appropriation for defraying the expenses of the department of commerce; to provide an exemption; to provide a continuing appropriation for the centers of excellence.

Overview of Red Rover Valley Research Corridor. (SEE HANDOUT)

**Rep. Monson:** I still don't really know what the Red River Valley Research Corridor is, who they are or where they are?

**Lee Peterson:** The Red River Valley Research Corridor is a entity that is encompassed from, at this point, UND down to NDSU in Fargo. I think Mayville State has recently joined the group, Valley City is hooking up with the entity, and before the research corridor was begun, what we were trying to do was increase research funding for the University systems. As that began to

2018

happen, we began to see things like RFID, and a variety of other things that have the ability to actually become operating businesses. So, it is to try and draw some attention from our perspective, and the marketing effort here, to try to draw some national perspective on the research that is occurring at NDSU, UND, and the other institutions that may in fact hook up.

**Rep. Monson:** The funding that you talk about in paragraph 2, you had originally 200,000 dollars, and it was leveraged with a 3 year EDA grant of 155,000 a year. How did that work?

**Lee:** Previous biennium, we provided 100,000 dollars a year to market the research corridor. There had been no one trying to gain attention to the research, so we provided I think a couple hundred thousand dollars out of the discretionary fund. As we proceeded with that, we applied for an EDA grant, which we gathered up 155,000 a year for the next 2 years, and we needed to match that with 200,000. So, we went to our discretionary fund. We think this is a very important initiative, trying to draw national attention to the 2 research universities, and whoever else may join them, so that companies will in fact look at the research being conducted in the State of ND.

**Rep. Monson:** What's the match then? You've got 200,000 of your money that had to go in to get 155,000 of EDA money?

**Lee:** What we did was wrote a grant talking about what we were going to do in funding marketing for the research corridor, and asking them to assist us in doing that. So, it's not a 1 for 1 match, it's about a 75 cent to \$1.00 match.

**Chair Carlson:** Where does that show up in your budget, which line item, operating expenses?

**Cory Fong:** Discretionary grants.

Overview of amendment. (SEE AMENDMENT 58018.0217)

General Discussion

Page 3

House Government Performance

April 4, 2005

2014

**Chair Carlson:** How is the Ethanol Production Incentive Fund derived again?

**Al Knudson, Legislative Council:** That is pretty much the income that is anticipated to go into that fund during next biennium. It's 40% of the farm/truck registration fees, and then a penny on gas tax refund reductions.

**Chair Carlson:** Who do you raise that from?

**Lee:** What we had originally asked for was the ability to raise the money from local economic development professionals who were involved with our training program.

Overview of amendment. (SEE AMENDMENT 50180.0411)

Closed General Discussion Hearing.

2005 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2018  
Department of Commerce

House Appropriations Full Committee

Conference Committee

Hearing Date April 4, 2005

Tape Number	Side A	Side B	Meter #
1	X		#0 - #28.6
Committee Clerk Signature <i>Chris Alexander</i>			

Minutes:

**Rep. Ken Svedjan, Chairman** opened the discussion on SB2018.

**Mr. Allen Knudson** of legislative council explained that amendment #0218 becomes the bill.

The last page of the amendment shows the changes from the Senate and page 13 shows the line items that were moved to other bills

**Rep. Al Carlson** explained that the Department of Commerce is made up of several different offices such as Tourism, Economic Development and Finance which has marketing and research, APUC, the Trade Office, The Manufacturing Extension Partnership, The state and rural development council, Division of Community Services, Workforce Development. The overall budget is \$1.9 million less than what the Senate sent to us. Rep Carlson moved to adopt amendment #0218 to SB2018.

**Rep. Bob Skarphol** seconded.

**Rep. Mike Timm, Vice Chairman** asked about the learning vacations (meter Tape #1, side A, #15.9)

**Rep. Eliot Glassheim** distributed handout #61-1 (attached) and explained that this program was started two years ago but there was no money put in it. The program works like designing your own car on the Internet. Here you would pick out all the things you wanted for your vacation. Tourism would gather all the lists for the web site research. This should help improve the recruiting for folks coming to North Dakota.

**Rep. Mike Timm, Vice Chairman** asked if the Great Plains Transportation Study is a new study or one last is continuing. Why does it need to cost \$360,000.

**Rep. Bob Skarphol** answered that this was a special study for which the Department of Transportation will contribute \$125,000 so the total cost is \$485,000. The \$125,000 is to purchase the software for what is called a REMI., Regional Economic Model. This will study the overall transportation needs throughout the state. Most likely there will be an outside consultant hired to help with this.

**Rep. Ken Svedjan, Chairman** commented that another feature from Business Congress in interim and it is a high priority.

**Rep. Francis J. Wald** asked for a breakdown of the line item for Tourism

**Rep. Al Carlson** answered that this budget is not broken down by division but by category like operating expenses. The figures for Tourism for this biennium are \$8,018,626. Last biennium it was \$7,743,394. The biggest change is that there was an anticipated increase in the money collected for the Lewis and Clark lodging tax.

**Rep. Ron Carlisle** asked about the FTE on page 12 of amendment for the learning vacation.

Can someone in tourism do this or how much would be left in the budget for the program once you discount the salaries.

**Rep. Al Carlson** answered that there is \$80,000 for the salaries and \$45,000 for the program budget. The agency told us that they cannot do the program without the FTE.

**Rep. Mike Timm, Vice Chairman** asked about sections 33-39 regarding reporting to legislative council

**Mr. Allen Knudson** answered that these reports will be presented to the appropriate interim committees. This is standard language for these required reports.

**Rep. Ken Svedjan, Chairman** explained that the reports to the interim committee would then be reported to legislative council

**Rep. Ron Carlisle** asked again about the expenses for getting the learning vacations going.  
(meter Tape #1, side A, #23.0)

**Rep. Ken Svedjan, Chairman** answered that they would need \$45,000 to get the web site up and running and they would require and FTE to get this going and then once it is up and operable then you could contract out for the maintenance of it.

**Rep. Eliot Glassheim** explained that ITD would do the work to design the web site and get it up online. The FTE would be used for gathering information and contacting all the businesses in North Dakota to be a part of this and all the other lists needed for this and then turning these lists over to ITD to work into the web site.

**Rep. Joe Kroeber** asked about the permanent oil trust fund on page 7 needing a 2/3 vote

**Rep. Al Carlson** answered that legislative council told us that that it only took a simple majority vote to remove the requirement of a 2/3 vote so it made the 2/3 vote pointless. This ought to be removed since it is unenforceable. This amendment was intended to allow us to have access to the money instead of waiting to the end of the biennium so we could save interest on this loan. It would be fine with me if this language was removed.

**Mr. Allen Knudson** explained the policy and why it really had no effect.

**Rep. Joe Kroeber** asked about the accountability measures on page 9. What has changed from the bill we had last.

**Rep. Al Carlson** answered that these were the same as the ones we established in the last session. They would need to follow the stated guidelines and report back to us.

**Rep. Eliot Glassheim** explained that there were some additional accountability measures coming out of HB1203

**Rep. Ken Svedjan, Chairman** called for a voice vote on the motion to adopt amendment #0218 to SB2018. Motion carried

**Rep. Al Carlson** moved a Do Pass As Amended motion for SB2018

**Rep. Bob Skarphol** seconded.

**Rep. Ken Svedjan, Chairman** called for a roll call vote on the Do Pass As Amended motion for SB2018. Motion carried with a vote of 21 yeas, 1 neas and 1 absence. Rep Carlson will carry the bill to the house floor.

**Rep. Ken Svedjan, Chairman** closed the discussion on SB2018.



March 8, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 12, line 23, replace "ethanol" with "agricultural commodity processing"

Page 12, line 24, remove "production" and after "facility" insert "defined in subsection 1 of section 57-38.6-01"

Page 13, line 4, overstrike "and"

Page 13, line 8, after the semicolon insert "and"

Page 13, after line 8, insert:

"(5) Relies on innovation, research, <sup>or</sup> and the development of new products and processes in its plans for growth and profitability."

Page 16, line 21, replace "ethanol production facility" with "agricultural processing facilities defined in subsection 1 of section 57-38.6-01"

Renumber accordingly

58018.03tx  
Title.

Prepared by the Office of State Tax  
Commissioner

March 15, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 5, line 7, after "57-39.2-03.8" insert "or 57-39.7-01"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 15, after the first semicolon insert "to provide for a transfer;"; remove "and", and after "date" insert "; and to declare an emergency"

Page 2, line 10, replace "426,658" with "506,658"

Page 2, line 11, replace "484,881" with "1,144,881"

Page 2, line 14, replace "2,500,000" with "20,000,000"

Page 2, line 17, replace "453,000" with "753,000"

Page 2, line 19, replace "5,123,190" with "23,663,190"

Page 2, line 20, replace "3,069,937" with "23,169,937"

Page 2, line 21, replace "2,053,253" with "493,253"

Page 2, line 28, replace "7,139,998" with "7,219,998"

Page 2, line 29, replace "8,722,128" with "9,382,128"

Page 3, line 1, replace "2,500,000" with "20,000,000"

Page 3, line 3, replace "1,900,127" with "2,200,127"

Page 3, line 5, replace "76,491,020" with "95,031,020"

Page 3, line 6, replace "55,423,044" with "75,523,044"

Page 3, line 7, replace "21,067,976" with "19,507,976"

Page 3, line 9, replace "\$50,000" with "\$150,000"

Page 3, line 23, replace "\$2,500,000" with "\$20,000,000" and replace "general" with "centers of excellence"

Page 4, line 10, replace "50,000" with "100,000"

Page 4, line 13, replace "100,000" with "150,000"

Page 4, replace lines 18 through 23 with:

**"SECTION 11. TRANSFER - LEGISLATIVE INTENT.** The office of management and budget and the state treasurer shall transfer \$20,000,000 from the permanent oil tax trust fund to the centers of excellence fund on June 1, 2005. It is the intent of the legislative assembly that an additional \$30,000,000 from the permanent oil

tax trust fund be transferred to the centers of excellence fund during the 2007-09 biennium."

Page 4, replace lines 29 through 31 with:

**"SECTION 13. TOURISM REPORT TO SIXTIETH LEGISLATIVE ASSEMBLY.**

The department of commerce shall report to the appropriations committees of the sixtieth legislative assembly on the economic impact to the state and the state government revenue impact resulting from the additional \$500,000 of general fund support provided for enhancing tourism marketing for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 5, remove lines 1 through 3

Page 6, line 2, after "section" insert "- Centers of excellence fund"

Page 10, after line 4, insert:

"10. There is created a centers of excellence fund in the state treasury."

Page 10, line 11, after the underscored period insert "All funds collected under this section must be deposited in the department's operating fund and may be spent pursuant to legislative appropriations."

Page 17, line 12, remove "and"

Page 17, line 13, after "state" insert ", and removing the barriers facing the state's workforce in preparing itself for the high-growth and high-demand jobs of the future"

Page 17, line 20, replace "four" with "three" and after "needs" insert ", and one of which specifically focuses on the needs of the state's workforce and the barriers facing the state's workforce in preparing itself for the high-growth and high-demand jobs of the future"

Page 21, after line 28, insert:

**"SECTION 47. EMERGENCY.** Sections 11 and 21 of this Act are declared to be an emergency measure."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Office of Management and Budget				
Total all funds	\$0	\$50,000	\$100,000	\$150,000
Less estimated income				

General fund	\$0	\$50,000	\$100,000	\$150,000
Department of Commerce				
Total all funds	\$128,561,660	\$76,491,020	\$18,540,000	\$95,031,020
Less estimated income	105,432,496	55,423,044	20,100,000	75,523,044
General fund	\$23,129,164	\$21,067,976	(\$1,560,000)	\$19,507,976
Bill Total				
Total all funds	\$128,561,660	\$76,541,020	\$18,640,000	\$95,181,020
Less estimated income	105,432,496	55,423,044	20,100,000	75,523,044
General fund	\$23,129,164	\$21,117,976	(\$1,460,000)	\$19,657,976

### Senate Bill No. 2018 - Office of Management and Budget - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses		\$50,000	\$100,000	\$150,000
Total all funds	\$0	\$50,000	\$100,000	\$150,000
Less estimated income				
General fund	\$0	\$50,000	\$100,000	\$150,000
FTE	0.00	0.00	0.00	0.00

### Dept. 110 - Office of Management and Budget - Detail of House Changes

	ADDS FUNDING FOR PROCUREMENT WEB SITE 1	TOTAL HOUSE CHANGES
Operating expenses	\$100,000	\$100,000
Total all funds	\$100,000	\$100,000
Less estimated income		
General fund	\$100,000	\$100,000
FTE	0.00	0.00

1 This amendment adds \$100,000 from the general fund to provide a total of \$150,000 for establishing and maintaining a state procurement web site.

### Senate Bill No. 2018 - Department of Commerce - House Action

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$7,169,321	\$7,139,998	\$80,000	\$7,219,998
Operating expenses	6,722,128	6,722,128	660,000	9,382,128
Capital assets	25,000	25,000		25,000
Grants	49,479,748	49,479,748		49,479,748
Centers of excellence	5,000,000	2,500,000	17,500,000	20,000,000
Agricultural products utilization	2,792,124	2,791,250		2,791,250
Discretionary funds	1,440,127	1,900,127	300,000	2,200,127
Lewis and Clark Bicentennial	3,933,212	3,932,769		3,932,769
Centers of excellence - Borrowing	50,000,000			
Total all funds	\$128,561,660	\$76,491,020	\$18,540,000	\$95,031,020
Less estimated income	105,432,496	55,423,044	20,100,000	75,523,044
General fund	\$23,129,164	\$21,067,976	(\$1,560,000)	\$19,507,976
FTE	59.00	59.00	2.00	61.00

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

	ADDS CENTERS OF EXCELLENCE FUNDING 1	ADDS DISCRETIONARY FUNDS 2	ADDS FUNDING FROM COLLECTIONS 3	ADDS TOURISM MARKETING FUNDS 4	ADDS FUNDING FOR LEARNING-BASED VACATIONS 5	TOTAL HOUSE CHANGES
Salaries and wages					\$80,000	\$80,000
Operating expenses			\$100,000	\$500,000	60,000	660,000
Capital assets						
Grants						
Centers of excellence	\$17,500,000					17,500,000
Agricultural products utilization						
Discretionary funds		\$300,000				300,000
Lewis and Clark Bicentennial						
Centers of excellence - Borrowing						
Total all funds	\$17,500,000	\$300,000	\$100,000	\$500,000	\$140,000	\$18,540,000
Less estimated income	20,000,000		100,000			20,100,000

General fund	(\$2,500,000)	\$300,000	\$0	\$500,000	\$140,000	(\$1,560,00
FTE	0.00	1.00	0.00	0.00	1.00	2.00

- 1 Funding for the centers of excellence is increased to provide a total of \$20 million for the 2005-07 biennium from a newly created centers of excellence fund rather than providing \$2.5 million from the general fund as included in the Senate version. A section is added transferring \$20 million to the centers of excellence fund from the permanent oil tax trust fund before the end of the 2003-05 biennium. A section of legislative intent is added that an additional \$30 million from the permanent oil tax trust fund will be provided to the centers of excellence fund for the 2007-09 biennium.
- 2 The discretionary funds line item is increased by \$300,000 from the general fund, 1 FTE position is added to assist with the image information program and the business hotline program, an additional \$50,000 from the discretionary funds line item is designated for the image information program to provide a total of \$100,000, an additional \$50,000 from the discretionary funds line item is designated for the Dakota manufacturing initiative to provide a total of \$150,000, and the \$100,000 designated by the Senate for the life sciences sector development grant is removed.
- 3 Authority to spend up to \$100,000 of collections relating to the local economic developer certification program is added.
- 4 This amendment adds \$500,000 from the general fund for enhancing tourism marketing, with an emphasis on the Canadian market, for the 2005-07 biennium. A section is added requiring the department to report to the 2007 Legislative Assembly on the economic impact to the state and on the revenue impact to government resulting from the additional \$500,000 added for tourism marketing.
- 5 This amendment adds \$140,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations.

The section added by the Senate providing that the Agricultural Products Utilization Commission provide a \$100,000 grant for wheat scab research is removed.

Provisions are added that the Legislative Council study regarding the state's business climate also address issues facing the state's workforce.

March 24, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 3, replace the first "a" with "two" and replace the first "section" with "sections"

Page 1, line 6, after the comma insert "a division of economic development and finance international business and trade office,"

Page 1, line 10, after the first comma insert "and 54-34.3-03, subsection 1 of section 54-34.3-06, sections"

Page 1, line 12, after "program" insert ", the division of economic development and finance North Dakota American Indian business development office and international business and trade office,"

Page 3, after line 13, insert:

**"SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$129,272, or so much of the sum as may be necessary, to the department of commerce for the purpose of funding the North Dakota American Indian business development office, for the biennium beginning July 1, 2005, and ending June 30, 2007. The department of commerce is authorized one full-time equivalent position."

Page 5, replace lines 23 through 26 with:

**"SECTION 20. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars of development funds."

Page 10, after line 4, insert:

**"SECTION 23. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and

4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 24. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and North Dakota American Indian entrepreneurs with access to state and federal programs designed to assist them these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 25.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**International business and trade office - Advisory board.**

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third-party for the provision of services for the international business and trade office.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade. The director may spend any funds received under this subsection subject to legislative appropriation.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official."



**"SECTION 41. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office, whether the North Dakota American Indian business development office and international business and trade office should continue, and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses."

Page 18, line 8, replace "22" with "26"

Page 18, line 16, replace "23" with "27"

Page 18, line 23, replace "25" with "29"

Page 19, line 1, replace "26" with "30"

Page 19, line 21, replace "34" with "38"

Page 21, line 21, replace "27" with "31" and replace "31" with "35"

Page 21, line 22, replace "32" with "36"

Page 21, line 24, replace "31" with "35" and replace "33" with "37"

Page 21, line 26, replace "26" with "30"

Page 21, line 27, replace "25" with "29"

Renumber accordingly

March 28, 2005

**PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018**

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to create and enact a new section to chapter 54-34.3 and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance local economic developer certification program, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact section 15-10-41 of the North Dakota Century Code, relating to the centers of excellence program; to repeal section 15-10-41 of the North Dakota Century Code, relating to the centers of excellence program; to provide for state agency studies and reports to the legislative council; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	<u>3,851,911</u>
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	<u>52,353,107</u>
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$426,658
Operating expenses	484,881
Capital assets	25,000
Grants	2,894,722
Centers of excellence	2,500,000
North Dakota development fund	(1,550,000)
Agricultural products utilization	(191,929)
Discretionary funds	453,000
Lewis and Clark bicentennial	<u>80,858</u>
Total all funds - Adjustments/enhancements	\$5,123,190
Less estimated income - Adjustments/enhancements	<u>3,069,937</u>
Total general fund - Adjustments/enhancements	\$2,053,253

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the

purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,139,998
Operating expenses	8,722,128
Capital assets	25,000
Grants	49,479,748
Centers of excellence	2,500,000
Agricultural products utilization	2,791,250
Discretionary funds	1,900,127
Lewis and Clark bicentennial	<u>3,932,769</u>
Total all funds	\$76,491,020
Less estimated income	<u>55,423,044</u>
Total general fund appropriation	\$21,067,976

**SECTION 4. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 5. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 6. CENTERS OF EXCELLENCE - BUDGET SECTION APPROVAL.** The centers of excellence line item of \$2,500,000 from the general fund appropriated in section 3 of this Act is made available for centers of excellence approved in accordance with guidelines in this Act. Funds may be provided only after a program has been approved by the centers of excellence commission, state board of higher education, economic development foundation, and the budget section.

**SECTION 7. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 8. EXEMPTION.** The funds appropriated in the centers of excellence line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item are available for expenditure during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 9. ECONOMIC DEVELOPMENT INITIATIVES - DISCRETIONARY FUNDS.** The discretionary funds line item in section 3 of this Act includes \$385,000 from the general fund for the following economic development initiatives for the biennium beginning July 1, 2005, and ending June 30, 2007:

Target industry identification and report	\$25,000
Image information program	50,000
Business hotline program	30,000
Local economic developer certification and training program	50,000
Dakota manufacturing initiative	100,000
Intellectual property rights study and report	50,000
Economic development incentives study and report	30,000
Business climate initiative study	<u>50,000</u>
Total	\$385,000

**SECTION 10. LIFE SCIENCES SECTOR DEVELOPMENT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act

to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 11. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT - DISCRETIONARY FUNDS.** The department of commerce shall provide a \$25,000 grant from funds appropriated in the discretionary funds line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 12. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** The agricultural products utilization commission shall provide a grant of \$100,000 from its funding available for the 2005-07 biennium to a private company within the state doing research on sensor technology for the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 13. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 of the North Dakota Century Code.

**SECTION 14. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 15. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. CENTER FOR TECHNOLOGY.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program.

**SECTION 17. PARTNERS IN MARKETING.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program.

**SECTION 18. DEVELOPMENT FUND - TRADE PROMOTION AUTHORITY.** Notwithstanding chapter 10-30.5, if the trade promotion authority has met matching and program requirements as established by the department of commerce, the development fund shall provide a grant of up to \$500,000 to the trade promotion authority.

**SECTION 19. DEVELOPMENT FUND STAFF.** An additional 1.00 full-time equivalent position, funded by the development fund, is authorized to assist with the administration of the fund.

**SECTION 20. AMENDMENT.** Section 15-10-41 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-41. Centers of excellence - Centers of excellence commission - Report to budget section.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development ~~consistent with the purpose under subsection 2~~ through which the commission makes center funding award recommendations for institutions of higher education under control of the board, tribal colleges located in the state, private baccalaureate-granting institutions of higher education located in the state, and university-related or college-related foundations of public or private institutions of higher education located in the state.
2. In this section, unless the context otherwise requires:
  - a. "Board" means the state board of higher education.
  - b. "Center" means a center of excellence relating to economic development.
  - c. "Commission" means the centers of excellence commission.
  - d. "Foundation" means the North Dakota economic development foundation.
  - e. "Industry cluster" means one of the following industries:
    - (1) Advanced manufacturing;
    - (2) Energy;
    - (3) Information and technology;
    - (4) Tourism;
    - (5) Value-added agriculture; or
    - (6) An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
3. The centers of excellence commission consists of six members. The foundation shall appoint three members of the commission and the board shall appoint three members of the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first of each odd-numbered year, may be reappointed for additional terms; and serves at the pleasure of the appointing entity. Terms of initial commission board members must be staggered. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The commission shall meet as necessary to review all complete applications; approve, disapprove, or approve conditionally the applications; and make center funding award recommendations. The board shall provide the commission with appropriate staff services as may be requested by the commission.
4. The board shall provide application forms, accept applications, review applications for completeness and compliance with board policy, and forward complete applications to the commission according to guidelines established by the commission. ~~The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic~~

development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

~~Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests. The legislative assembly may designate a center.~~

2. ~~The purpose of the program is to develop~~

5. Before the commission may consider an application for center funding, the applicant shall establish in the application how the center will:

a. Develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion utilization to assist the growth and expansion of knowledge-based industries, and other activities in the state to develop innovative approaches that expand the gross state product; to assist.

b. Create private sector employment opportunities for residents of this state.

c. Assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth.

d. Assist efforts to commercialize and expand industry clusters most likely to increase the gross state product; to increase.

e. Increase collaboration among state, federal, and private science and technology research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value added agriculture.

6. In considering an application, the commission shall:

a. Make a determination that the requirements of subsection 5 have been established by the applicant.

b. Consider whether the center will:

(1) Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;

- (2) Create high-value private sector employment opportunities in this state;
  - (3) Provide for public-private sector involvement and partnerships;
  - (4) Leverage other funding;
  - (5) Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
  - (6) Foster and practice entrepreneurship;
  - (7) Link to targeted industry clusters; and
  - (8) Include provisions for becoming self-sustaining.
7. Following approval by the board, foundation, and commission, the board and commission shall report the details of a proposed designated center to the budget section. An approved award determination reported to the budget section must include details regarding the terms under which the board will distribute allocated funds.
8. ~~The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and~~ The board, in partnership with the commission and foundation, shall report to the budget section annually on such the status of allocations, in partnership with the North Dakota economic development foundation, to the budget section and actual fund distributions.
8. ~~A recipient of funds awarded under this section shall use the funds to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. Funds A recipient of funds awarded under this section may not be used use the funds to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is~~
9. Before funds awarded under this section are distributed to an institution of higher education under the control of the board of higher education or which is to a nonprofit university-related or college-related foundation of an institution of higher education under control of the board, the recipient shall:
- a. ~~Provide provide~~ provide the board of higher education with detailed documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and,
  - b. ~~Provide~~ An institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under control of the board which receives funds under this section shall provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

**SECTION 21.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 22.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 23.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 24.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 25. REPEAL.** Section 15-10-41 of the North Dakota Century Code is repealed.

**SECTION 26. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address



critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 27. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program under section 15-10-41. The report must include information regarding funding, private sector participation, and accomplishments of each center of excellence and whether there are potential changes that could be made to improve the centers of excellence program.

**SECTION 28. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers under section 21 of this Act. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 29. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program under section 23 of this Act. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 30. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program under section 24 of this Act. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 31. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative provided for under section 26 of this Act. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 32. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 33. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 34. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.

- c. Average annual wage.
- d. Net migration.
- 4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
- 5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
- 6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 35. EFFECTIVE DATE.** Section 25 of this Act becomes effective August 1, 2009."

Renumber accordingly

April 1, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3 and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact section 54-34.3-03, subsection 1 of section 54-34.3-06, and section 57-51.1-07.2 of the North Dakota Century Code, relating to the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	3,851,911
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	<u>52,353,107</u>
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$426,658
Operating expenses	484,881
Capital assets	25,000
Grants	2,894,722
Centers of excellence	2,500,000
North Dakota development fund	(1,550,000)
Agricultural products utilization	(191,929)
Discretionary funds	(7,000)
Economic development initiatives	750,000
Economic development grants	125,000
Lewis and Clark bicentennial	<u>80,858</u>
Total all funds - Adjustments/enhancements	\$5,538,190

Less estimated income - Adjustments/enhancements	<u>3,319,937</u>
Total general fund - Adjustments/enhancements	<u>\$2,218,253</u>

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,139,998
Operating expenses	8,722,128
Capital assets	25,000
Grants	49,479,748
Centers of excellence	2,500,000
Agricultural products utilization	2,791,250
Discretionary funds	1,440,127
Economic development initiatives	750,000
Economic development grants	125,000
Lewis and Clark bicentennial	<u>3,932,769</u>
Total all funds	<u>\$76,906,020</u>
Less estimated income	<u>55,673,044</u>
Total general fund appropriation	<u>\$21,232,976</u>

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made after a total of \$77,000,000 of oil tax revenues has been received by the state for the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 8. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** There is appropriated

out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 9. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$35,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 10. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 11. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 12. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 13. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$500,000 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

- Target industry identification and report
- Image information program
- Business hotline program
- Local economic developer certification and training program
- Dakota manufacturing initiative
- Intellectual property rights study and report
- Economic development incentives study and report
- Business climate initiative study

**SECTION 14. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 15. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT.** The department of commerce shall provide a \$25,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 of the North Dakota Century Code.

**SECTION 17. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 18. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007.

**SECTION 19. CENTER FOR TECHNOLOGY.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program.

**SECTION 20. PARTNERS IN MARKETING.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program.

**SECTION 21. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$129,272, or so much of the sum as may be necessary, to the department of commerce for the purpose of funding the North Dakota American Indian business development office, for the biennium beginning July 1, 2005, and ending June 30, 2007. The department of commerce is authorized one full-time equivalent position.

**SECTION 22. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars of development funds.

**SECTION 23. DEVELOPMENT FUND STAFF.** An additional 1.00 full-time equivalent position, funded by the development fund, is authorized to assist with the administration of the fund.

**SECTION 24. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 25. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist ~~them~~ these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 26.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**International business and trade office - Advisory board.**

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and created by the third party in performing services for the office are the property of the department.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 27.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may



contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 28.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 29.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 30.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 31. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during ~~that a~~ biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 32. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 33. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program. The report must include information regarding funding, private sector participation, and accomplishments of each center of excellence and whether there are potential changes that could be made to improve the centers of excellence program.

**SECTION 34. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 35. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers under section 27 of this Act. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 36. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program under section 29 of this Act. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 37. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program under section 30 of this Act. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 38. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative provided for under section 32 of this Act. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 39. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 40. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to

the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 41. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.

- e. Number of utility patents per one hundred thousand residents.
- 6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training."

Renumber accordingly

March 30, 2005

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 3, after "enact" insert "two new sections to chapter 4-14.1,"

Page 1, line 5, after "to" insert "an agricultural products utilization commission administered renewable energy trust fund,"

Page 1, line 15, after the first semicolon insert "to provide a continuing appropriation;"

Page 4, after line 28, insert:

**"SECTION 13. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$3,000,000, or so much of the sum as may be necessary, to the renewable energy trust fund for the purpose of carrying out renewable energy projects, for the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 5, after line 29, insert:

**"SECTION 22.** A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

**Agricultural products utilization commission - Duties.** The agricultural products utilization commission shall:

1. Administer and use the renewable energy trust fund to carry out the renewable energy policy of this state.
2. Provide feasibility studies, applied research and demonstrations, venture capital investments, grants and matching grants, and low-interest loans and loan buydowns to foster the development of renewable energy, including wind, biofuels, biomass, solar, hydroelectric, geothermal, and hydrogen, that is produced from the foregoing renewable energy sources.

**SECTION 23.** A new section to chapter 4-14.1 of the North Dakota Century Code is created and enacted as follows:

**Renewable energy trust fund - Funding - Continuing appropriation.** The renewable energy trust fund is a special fund in the state treasury. All funds in the renewable energy trust fund are appropriated to the agricultural products utilization commission on a continuing basis for the purpose of carrying out the purposes of the commission. Any interest earned by the fund must be credited to the fund."

Page 18, line 8, replace "22" with "25"

Page 18, line 16, replace "23" with "26"

Page 18, line 23, replace "25" with "28"

Page 19, line 1, replace "26" with "29"

Page 19, line 21, replace "34" with "37"

Page 21, line 21, replace "27" with "30" and replace "31" with "34"

Page 21, line 22, replace "32" with "35"

Page 21, line 24, replace "31" with "34" and replace "33" with "36"

Page 21, line 26, replace "26" with "29"

Page 21, line 27, replace "25" with "28"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3 and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 4-41.1-10 and 54-34.3-03, subsection 1 of section 54-34.3-06, and section 57-51.1-07.2 of the North Dakota Century Code, relating to the ethanol production incentive fund, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	<u>3,851,911</u>
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	<u>52,353,107</u>
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,094,721
Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	3,092,821
Discretionary funds	(7,000)
Economic development initiatives	644,568
Economic development grants	125,000
Lewis and Clark bicentennial	<u>80,733</u>
Total all funds - Adjustments/enhancements	\$8,009,717



Less estimated income - Adjustments/enhancements	<u>7,921,887</u>
Total general fund - Adjustments/enhancements	<u>\$87,830</u>

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,331,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	6,076,000
Discretionary funds	1,440,127
Economic development initiatives	644,568
Economic development grants	125,000
Lewis and Clark bicentennial	<u>3,932,644</u>
Total all funds	\$79,377,547
Less estimated income	<u>60,274,994</u>
Total general fund appropriation	\$19,102,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 8. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 9. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$35,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 10. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 11. ESTIMATED INCOME - ETHANOL PRODUCTION INCENTIVE FUND.** The less estimated income line item in section 3 of this Act includes \$3,285,000 from the ethanol production incentive fund.

**SECTION 12. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 13. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 14. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$394,568 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

- Target industry identification and report
- Image information program
- Business hotline program
- Local economic developer certification and training program
- Dakota manufacturing initiative
- Intellectual property rights study and report
- Economic development incentives study and report
- Business climate initiative study

**SECTION 15. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT.**

The department of commerce shall provide a \$25,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 17. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 of the North Dakota Century Code.

**SECTION 18. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 19. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 20. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 21. PARTNERS IN MARKETING - BUDGET SECTION REPORT.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 23. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund –~~Continuing appropriation.~~** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are ~~appropriated on a continuing basis~~ available to the agricultural products utilization commission for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09 and may be spent pursuant to legislative appropriations.

**SECTION 24. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; and
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 25. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist ~~them~~ these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 26.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**International business and trade office - Advisory board.**

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and created by the third party in performing services for the office are the property of the department and the third party.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem

compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 27.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 28.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 29.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 30.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 31. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest -**

**Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during that a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 32. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 33. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 34. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue,

and whether there are changes that could be made to better assist local economic developers.

**SECTION 35. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 36. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 37. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 38. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 39. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of

commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 40. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.



- d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
6. Strengthen North Dakota's business climate to increase international competitiveness:
- a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Office of Management and Budget				
Total all funds	\$0	\$50,000	\$31,100,000	\$31,150,000
Less estimated income			31,000,000	31,000,000
General fund	\$0	\$50,000	\$100,000	\$150,000
University System office				
Total all funds	\$0	\$0	\$50,000	\$50,000
Less estimated income			\$50,000	\$50,000
General fund	\$0	\$0	\$50,000	\$50,000
Department of Commerce				
Total all funds	\$128,561,660	\$76,491,020	\$2,888,527	\$79,377,547
Less estimated income	105,432,496	55,423,044	4,851,950	60,274,994
General fund	\$23,129,164	\$21,067,976	(\$1,965,423)	\$19,102,553
Transportation Institute				
Total all funds	\$0	\$0	\$360,000	\$360,000
Less estimated income				
General fund	\$0	\$0	\$360,000	\$360,000
Bill Total				
Total all funds	\$128,561,660	\$76,541,020	\$34,396,527	\$110,937,547
Less estimated income	105,432,496	55,423,044	35,851,950	91,274,994
General fund	\$23,129,164	\$21,117,976	(\$1,455,423)	\$19,662,553

**Senate Bill No. 2018 - Office of Management and Budget - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses		\$50,000	\$100,000	\$150,000
Centers of excellence			15,000,000	15,000,000
Loan repayments			16,000,000	16,000,000
Total all funds	\$0	\$50,000	\$31,100,000	\$31,150,000
Less estimated income			31,000,000	31,000,000
General fund	\$0	\$50,000	\$100,000	\$150,000
FTE	0.00	0.00	0.00	0.00

**Dept. 110 - Office of Management and Budget - Detail of House Changes**

	ADDS FUNDING FOR PROCUREMENT WEB SITE 1	ADDS CENTERS OF EXCELLENCE FUNDING 2	TOTAL HOUSE CHANGES
Operating expenses	\$100,000		\$100,000
Centers of excellence		15,000,000	15,000,000
Loan repayments		<u>16,000,000</u>	<u>16,000,000</u>
Total all funds	\$100,000	\$31,000,000	\$31,100,000
Less estimated income		<u>31,000,000</u>	<u>31,000,000</u>
General fund	\$100,000	\$0	\$100,000
FTE	0.00	0.00	0.00

1 Funding is increased by \$100,000 from the general fund to provide a total of \$150,000 for the Office of Management and Budget to establish and maintain a state procurement web site. Statutory changes added by the Senate relating to state procurement are removed.

2 Sections are added providing funding for the centers of excellence program. The Office of Management and Budget is authorized to borrow up to \$15,000,000 from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. The loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77,000,000 of oil tax revenues has been received by the general fund, of which \$71,000,000 will be retained in the general fund and \$6,000,000 transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6,000,000 are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loans and interest, the total of which may not exceed \$16,000,000. A section is added providing that transfers from the general fund to the permanent oil tax trust fund may occur before the end of each biennium.

A section of legislative intent is added providing that the Legislative Assembly intends to provide a total of \$50,000,000 for centers of excellence during the 2005-07 and future bienniums.

**Senate Bill No. 2018 - University System Office - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses			<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$0	\$0	\$50,000	\$50,000
Less estimated income				
General fund	\$0	\$0	\$50,000	\$50,000
FTE	0.00	0.00	0.00	0.00

**Dept. 215 - University System Office - Detail of House Changes**

	ADDS FUNDING FOR STUDY 1	TOTAL HOUSE CHANGES
Operating expenses	<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$50,000	\$50,000
Less estimated income		
General fund	\$50,000	\$50,000
FTE	0.00	0.00

1 Funding is provided for conducting a technology commercialization study.

**Senate Bill No. 2018 - Department of Commerce - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$7,169,321	\$7,139,998	\$59,372	\$7,699,370
Operating expenses	8,722,128	8,722,128	609,840	9,331,968
Capital assets	25,000	25,000		25,000
Grants	49,479,748	49,479,748	623,122	50,102,870
Centers of excellence	5,000,000	2,500,000	(2,500,000)	
Agricultural products utilization	2,792,124	2,791,250	3,284,750	6,076,000
Discretionary funds	1,440,127	1,900,127	(460,000)	1,440,127
Lewis and Clark Bicentennial	3,933,212	3,932,769	(125)	3,932,644
Centers of excellence - Borrowing	50,000,000			
Economic development grants			125,000	125,000
Economic development initiatives			644,568	644,568
Total all funds	\$128,561,660	\$76,491,020	\$2,886,527	\$79,377,547
Less estimate income	<u>105,432,496</u>	<u>55,423,044</u>	<u>4,851,950</u>	<u>60,274,994</u>
General fund	\$23,129,164	\$21,067,976	(\$1,965,423)	\$19,102,553

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

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	CHANGES FUNDING FOR ECONOMIC INITIATIVES 1	CHANGES FUNDING FOR ECONOMIC GRANTS 2	ADDS FUNDING FOR SALARIES 3	ADDS FUNDING FOR DEVELOPMENT FUND FTE 4	ADDS FUNDING FOR LEARNING VACATIONS 5
Salaries and wages	(\$6,364)	\$105,432		\$120,000	\$118,994	\$80,000
Operating expenses						45,000
Capital assets						
Grants						
Centers of excellence						
Agricultural products utilization	(250)					
Discretionary funds		(460,000)				
Lewis and Clark Bicentennial	(125)					
Centers of excellence - Borrowing						
Economic development grants			\$125,000			
Economic development initiatives		644,568				
<b>Total all funds</b>	<b>(\$6,739)</b>	<b>\$290,000</b>	<b>\$125,000</b>	<b>\$120,000</b>	<b>\$118,994</b>	<b>\$125,000</b>
Less estimated income	(2,044)	250,000			118,994	
General fund	(\$4,695)	\$40,000	\$125,000	\$120,000	\$0	\$125,000
FTE	0.00	1.00	0.00	0.00	0.00	1.00

	ADDS FUNDING FOR INDIAN BUSINESS DEVELOPMENT 6	ADDS FUNDING FOR TRADE OFFICE 7	ADDS FUNDING FOR WORKFORCE DEVELOPMENT 8	REMOVES FUNDING FOR CENTERS OF EXCELLENCE 9	ADDS FUNDING FOR ETHANOL INCENTIVE PAYMENTS 10	TOTAL HOUSE CHANGES
Salaries and wages	\$105,432		\$35,878			\$559,372
Operating expenses	23,840	\$500,000	41,000			609,840
Capital assets						
Grants			623,122			623,122
Centers of excellence				(\$2,500,000)		(2,500,000)
Agricultural products utilization					\$3,285,000	3,284,750
Discretionary funds						(460,000)
Lewis and Clark Bicentennial						(125)
Centers of excellence - Borrowing						
Economic development grants						125,000
Economic development initiatives						644,568
<b>Total all funds</b>	<b>\$129,272</b>	<b>\$500,000</b>	<b>\$700,000</b>	<b>(\$2,500,000)</b>	<b>\$3,285,000</b>	<b>\$2,886,527</b>
Less estimated income		500,000	700,000		3,285,000	4,851,950
General fund	\$129,272	\$0	\$0	(\$2,500,000)	\$0	(\$1,965,423)
FTE	1.00	0.00	0.00	0.00	0.00	3.00

1 A total of \$750,000, of which \$500,000 is from the general fund and \$250,000 from funds to be raised by the department, is provided for the economic development initiatives listed below which were recommended by the Primary Sector Business Congress. The funding is increased from the \$460,000 provided by the Senate. Funding from the general fund for 1 FTE position is included in the salaries and wages line item and the remainder is included in a separate line item. The Senate had included funding in the discretionary funds line item and specified amounts for each initiative. In this amendment, specific amounts are not identified for each initiative.

- Target industry identification and report.
- Image information program.
- Business hotline program.
- Local economic developer certification and training program.
- Dakota manufacturing initiative.
- Intellectual property rights study and report.
- Economic development incentives study and report.

- Business climate initiative study.

- 2 A separate line item is added providing funding from the general fund for the life sciences sector development grant (\$100,000) and the wind-to-hydrogen demonstration project grant (\$25,000). The Senate had designated funding from the discretionary funds line item for these grants.
- 3 The salaries and wages line item is increased by \$120,000 from the general fund to provide funding for a vacant FTE position.
- 4 Funding is added for the 1 FTE position recommended in the executive budget to be paid for from the Development Fund pursuant to a continuing appropriation. This amendment includes the funding and the FTE position in the Department of Commerce budget.
- 5 This amendment adds \$125,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations.
- 6 Funding and 1 FTE position are added for operating costs of the American Indian Business Development Office within the Department of Commerce. Sections are added making statutory changes and providing for a report to the Legislative Council relating to the American Indian Business Development Office.
- 7 The operating expenses line item is increased by \$500,000 from the Development Fund for costs associated with the International Business and Trade Office. The funds are not transferred from the Development Fund until 50 percent matching funds are available. Sections are added changing statutory provisions relating to the office, including establishing the purpose of the office and authorizing an advisory board.
- 8 This amendment adds funding available from a federal technical skills training grant for additional workforce training.
- 9 This amendment removes funding and related statutory and reporting provisions relating to centers of excellence.
- 10 The Agricultural Products Utilization Commission line item is increased to appropriate funding from the ethanol production incentive fund for paying ethanol production incentives. A section is added removing the continuing appropriation for making these payments.

A section is added providing for an economic development incentives study and report to the Legislative Council.

Sections added by the Senate relating to the following items are removed:

- Changes to the seed capital investment tax credit.
- Directing a tax study.
- Directing a Legislative Council business climate initiative study.
- Requiring the Agricultural Products Utilization Commission to provide a \$100,000 wheat scab research grant to a private company.

**Senate Bill No. 2018 - Transportation Institute - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses			<u>\$360,000</u>	<u>\$360,000</u>
Total all funds	\$0	\$0	\$360,000	\$360,000
Less estimated income				
General fund	\$0	\$0	\$360,000	\$360,000
FTE	0.00	0.00	0.00	0.00

**Dept. 627 - Transportation Institute - Detail of House Changes**

	ADDS FUNDING FOR TRANSPORTATION STUDY 1	TOTAL HOUSE CHANGES
Operating expenses	<u>\$360,000</u>	<u>\$360,000</u>
Total all funds	\$360,000	\$360,000
Less estimated income		
General fund	\$360,000	\$360,000
FTE	0.00	0.00

1 Funding is added for conducting a transportation study.



Date: April 4, 2005

Roll Call Vote #: 1

**2005 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB2018**

House Appropriations - Full Committee

Check here for Conference Committee

Legislative Council Amendment Number 58018.0218

Action Taken DO PASS AS AMENDED

Motion Made By Rep Carlson Seconded By Rep Skarphol

Representatives	Yes	No	Representatives	Yes	No
Rep. Ken Svedjan, Chairman	X		Rep. Bob Skarphol	X	
Rep. Mike Timm, Vice Chairman	X		Rep. David Monson	X	
Rep. Bob Martinson	X		Rep. Eliot Glassheim	X	
Rep. Tom Brusegaard	X		Rep. Jeff Delzer		X
Rep. Earl Rennerfeldt	X		Rep. Chet Pollert	X	
Rep. Francis J. Wald	X		Rep. Larry Bellew	X	
Rep. Ole Aarsvold	X		Rep. Alon C. Wieland	X	
Rep. Pam Gulleson	AB		Rep. James Kerzman	X	
Rep. Ron Carlisle	X		Rep. Ralph Metcalf	X	
Rep. Keith Kempenich	X				
Rep. Blair Thoreson	X				
Rep. Joe Kroeber	X				
Rep. Clark Williams	X				
Rep. Al Carlson	X				

Total Yes 21 No 1

Absent 1

Floor Assignment Rep Carlson

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

**REPORT OF STANDING COMMITTEE**

**SB 2018, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 1 NAY, 1 ABSENT AND NOT VOTING). Engrossed SB 2018 was placed on the Sixth order on the calendar.**

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3 and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 4-41.1-10 and 54-34.3-03, subsection 1 of section 54-34.3-06, and section 57-51.1-07.2 of the North Dakota Century Code, relating to the ethanol production incentive fund, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	3,851,911
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	52,353,107
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,094,721
Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	3,092,821
Discretionary funds	(7,000)
Economic development initiatives	644,568
Economic development grants	125,000
Lewis and Clark bicentennial	80,733
Total all funds - Adjustments/enhancements	\$8,009,717

Less estimated income - Adjustments/enhancements	<u>7,921,887</u>
Total general fund - Adjustments/enhancements	\$87,830

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,331,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	6,076,000
Discretionary funds	1,440,127
Economic development initiatives	644,568
Economic development grants	125,000
Lewis and Clark bicentennial	<u>3,932,644</u>
Total all funds	\$79,377,547
Less estimated income	<u>60,274,994</u>
Total general fund appropriation	\$19,102,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund



during the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 8. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 9. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$35,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 10. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 11. ESTIMATED INCOME - ETHANOL PRODUCTION INCENTIVE FUND.** The less estimated income line item in section 3 of this Act includes \$3,285,000 from the ethanol production incentive fund.

**SECTION 12. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 13. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 14. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

- Target industry identification and report
- Image information program
- Business hotline program
- Local economic developer certification and training program
- Dakota manufacturing initiative
- Intellectual property rights study and report
- Economic development incentives study and report
- Business climate initiative study

**SECTION 15. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the

economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT.**

The department of commerce shall provide a \$25,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 17. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 of the North Dakota Century Code.

**SECTION 18. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 19. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 20. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 21. PARTNERS IN MARKETING - BUDGET SECTION REPORT.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 23. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund —Continuing appropriation.** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section

39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are ~~appropriated on a continuing basis~~ available to the agricultural products utilization commission for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09 and may be spent pursuant to legislative appropriations.

**SECTION 24. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 25. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist ~~them~~ these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 26.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

International business and trade office - Advisory board.

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and

created by the third party in performing services for the office are the property of the department and the third party.

3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 27.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

Local economic developer certification program. The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 28.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Target industries - Report to legislative council. The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 29.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

North Dakota image information program. The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 30.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Business hotline. The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 31. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during that a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 32. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 33. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner

of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 34. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 35. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 36. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 37. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 38. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property

rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 39. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 40. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.

- d. Net migration.
- 4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
- 5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
- 6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Office of Management and Budget				
Total all funds	\$0	\$50,000	\$31,100,000	\$31,150,000
Less estimated income			<u>31,000,000</u>	<u>31,000,000</u>



General fund	\$0	\$50,000	\$100,000	\$150,000
University System office				
Total all funds	\$0	\$0	\$50,000	\$50,000
Less estimated income				
General fund	<u>\$0</u>	<u>\$0</u>	<u>\$50,000</u>	<u>\$50,000</u>
Department of Commerce				
Total all funds	\$128,561,660	\$76,491,020	\$2,886,527	\$79,377,547
Less estimated income	<u>105,432,496</u>	<u>55,423,044</u>	<u>4,851,950</u>	<u>60,274,994</u>
General fund	\$23,129,164	\$21,067,976	(\$1,965,423)	\$19,102,553
Transportation Institute				
Total all funds	\$0	\$0	\$360,000	\$360,000
Less estimated income				
General fund.	<u>\$0</u>	<u>\$0</u>	<u>\$360,000</u>	<u>\$360,000</u>
Bill Total				
Total all funds	\$128,561,660	\$76,541,020	\$34,396,527	\$110,937,547
Less estimated income	<u>105,432,496</u>	<u>55,423,044</u>	<u>35,851,950</u>	<u>91,274,994</u>
General fund	\$23,129,164	\$21,117,976	(\$1,455,423)	\$19,662,553

**Senate Bill No. 2018 - Office of Management and Budget - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses		\$50,000	\$100,000	\$150,000
Centers of excellence			15,000,000	15,000,000
Loan repayments			<u>16,000,000</u>	<u>16,000,000</u>
Total all funds	\$0	\$50,000	\$31,100,000	\$31,150,000
Less estimated income			<u>31,000,000</u>	<u>31,000,000</u>
General fund	\$0	\$50,000	\$100,000	\$150,000
FTE	0.00	0.00	1.00	1.00

**Dept. 110 - Office of Management and Budget - Detail of House Changes**

	ADDS FUNDING FOR PROCUREMENT WEB SITE <sup>1</sup>	ADDS CENTERS OF EXCELLENCE FUNDING <sup>2</sup>	TOTAL HOUSE CHANGES
Operating expenses	\$100,000		\$100,000
Centers of excellence		15,000,000	15,000,000
Loan repayments		<u>16,000,000</u>	<u>16,000,000</u>
Total all funds	\$100,000	\$31,000,000	\$31,100,000
Less estimated income		<u>31,000,000</u>	<u>31,000,000</u>
General fund	\$100,000	\$0	\$100,000
FTE	1.00	0.00	1.00

<sup>1</sup> Funding is increased by \$100,000 from the general fund to provide a total of \$150,000 for the Office of Management and Budget to establish and maintain a state procurement web site. Statutory changes added by the Senate relating to state procurement are removed.

<sup>2</sup> Sections are added providing funding for the centers of excellence program. The Office of Management and Budget is authorized to borrow up to \$15,000,000 from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. The loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77,000,000 of oil tax revenues has been received by the general fund, of which \$71,000,000 will be retained in the general fund and \$6,000,000 transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6,000,000 are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loans and interest, the total of which may not exceed \$16,000,000. A section is added providing that transfers from the general fund to the permanent oil tax trust fund may occur before the end of each biennium.

A section of legislative intent is added providing that the Legislative Assembly intends to provide a total of \$50,000,000 for centers of excellence during the 2005-07 and future bienniums.

**Senate Bill No. 2018 - University System Office - House Action**

EXECUTIVE                      SENATE                      HOUSE                      HOUSE

	BUDGET	VERSION	CHANGES	VERSION
Operating expenses			<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$0	\$0	\$50,000	\$50,000
Less estimated income				
General fund	\$0	\$0	\$50,000	\$50,000
FTE	0.00	0.00	0.00	0.00

**Dept. 215 - University System Office - Detail of House Changes**

	ADDS FUNDING FOR STUDY 1	TOTAL HOUSE CHANGES
Operating expenses	<u>\$50,000</u>	<u>\$50,000</u>
Total all funds	\$50,000	\$50,000
Less estimated income		
General fund	\$50,000	\$50,000
FTE	0.00	0.00

1 Funding is provided for conducting a technology commercialization study.

**Senate Bill No. 2018 - Department of Commerce - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Salaries and wages	\$7,169,321	\$7,139,998	\$559,372	\$7,699,370
Operating expenses	8,722,128	8,722,128	609,840	9,331,968
Capital assets	25,000	25,000		25,000
Grants	49,479,748	49,479,748	623,122	50,102,870
Centers of excellence	5,000,000	2,500,000	(2,500,000)	
Agricultural products utilization	2,792,124	2,791,250	3,284,750	6,076,000
Discretionary funds	1,440,127	1,900,127	(460,000)	1,440,127
Lewis and Clark Bicentennial	3,933,212	3,932,769	(125)	3,932,644
Centers of excellence - Borrowing	50,000,000			
Economic development grants			125,000	125,000
Economic development initiatives			644,568	644,568
Total all funds	\$128,561,660	\$76,491,020	\$2,886,527	\$79,377,547
Less estimate income	<u>105,432,496</u>	<u>55,423,044</u>	<u>4,851,950</u>	<u>60,274,994</u>
General fund	\$23,129,164	\$21,067,976	(\$1,965,423)	\$19,102,553
FTE	59.00	59.00	3.00	62.00

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

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	CHANGES FUNDING FOR ECONOMIC INITIATIVES 1	CHANGES FUNDING FOR ECONOMIC GRANTS 2	ADDS FUNDING FOR SALARIES 3	ADDS FUNDING FOR DEVELOPMENT FUND FTE 4	ADDS FUNDING FOR LEARNING VACATIONS 5
Salaries and wages	(\$6,364)	\$105,432		\$120,000	\$118,994	\$80,000
Operating expenses						45,000
Capital assets						
Grants						
Centers of excellence						
Agricultural products utilization	(250)					
Discretionary funds		(460,000)				
Lewis and Clark Bicentennial	(125)					
Centers of excellence - Borrowing						
Economic development grants			\$125,000			
Economic development		<u>644,568</u>				

initiatives						
Total all funds	(\$6,739)	\$290,000	\$125,000	\$120,000	\$118,994	\$125,000
Less estimated income	<u>(2,044)</u>	<u>250,000</u>			<u>118,994</u>	
General fund	(\$4,695)	\$40,000	\$125,000	\$120,000	\$0	\$125,000
FTE	0.00	1.00	0.00	0.00	0.00	1.00
	ADDS FUNDING FOR INDIAN BUSINESS DEVELOPMENT <sup>6</sup>	ADDS FUNDING FOR TRADE OFFICE <sup>7</sup>	ADDS FUNDING FOR WORKFORCE DEVELOPMENT <sup>8</sup>	REMOVES FUNDING FOR CENTERS OF EXCELLENCE <sup>9</sup>	ADDS FUNDING FOR ETHANOL INCENTIVE PAYMENTS <sup>10</sup>	TOTAL HOUSE CHANGES
Salaries and wages	\$105,432		\$35,878			\$559,372
Operating expenses	23,840	\$500,000	41,000			609,840
Capital assets						
Grants			623,122			623,122
Centers of excellence				(\$2,500,000)		(2,500,000)
Agricultural products utilization					\$3,285,000	3,284,750
Discretionary funds Lewis and Clark Bicentennial						(460,000)
Centers of excellence - Borrowing						(125)
Economic development grants						125,000
Economic development initiatives						644,568
Total all funds	\$129,272	\$500,000	\$700,000	(\$2,500,000)	\$3,285,000	\$2,886,527
Less estimated income		<u>500,000</u>	<u>700,000</u>		<u>3,285,000</u>	<u>4,851,950</u>
General fund	\$129,272	\$0	\$0	(\$2,500,000)	\$0	(\$1,965,423)
FTE	1.00	0.00	0.00	0.00	0.00	3.00

<sup>1</sup> A total of \$750,000, of which \$500,000 is from the general fund and \$250,000 from funds to be raised by the department, is provided for the economic development initiatives listed below which were recommended by the Primary Sector Business Congress. The funding is increased from the \$460,000 provided by the Senate. Funding from the general fund for 1 FTE position is included in the salaries and wages line item and the remainder is included in a separate line item. The Senate had included funding in the discretionary funds line item and specified amounts for each initiative. In this amendment, specific amounts are not identified for each initiative.

- Target industry identification and report.
- Image information program.
- Business hotline program.
- Local economic developer certification and training program.
- Dakota manufacturing initiative.
- Intellectual property rights study and report.
- Economic development incentives study and report.
- Business climate initiative study.

<sup>2</sup> A separate line item is added providing funding from the general fund for the life sciences sector development grant (\$100,000) and the wind-to-hydrogen demonstration project grant (\$25,000). The Senate had designated funding from the discretionary funds line item for these grants.

<sup>3</sup> The salaries and wages line item is increased by \$120,000 from the general fund to provide funding for a vacant FTE position.

<sup>4</sup> Funding is added for the 1 FTE position recommended in the executive budget to be paid for from the Development Fund pursuant to a continuing appropriation. This amendment includes the funding and the FTE position in the Department of Commerce budget.

- 5 This amendment adds \$125,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations.
- 6 Funding and 1 FTE position are added for operating costs of the American Indian Business Development Office within the Department of Commerce. Sections are added making statutory changes and providing for a report to the Legislative Council relating to the American Indian Business Development Office.
- 7 The operating expenses line item is increased by \$500,000 from the Development Fund for costs associated with the International Business and Trade Office. The funds are not transferred from the Development Fund until 50 percent matching funds are available. Sections are added changing statutory provisions relating to the office, including establishing the purpose of the office and authorizing an advisory board.
- 8 This amendment adds funding available from a federal technical skills training grant for additional workforce training.
- 9 This amendment removes funding and related statutory and reporting provisions relating to centers of excellence.
- 10 The Agricultural Products Utilization Commission line item is increased to appropriate funding from the ethanol production incentive fund for paying ethanol production incentives. A section is added removing the continuing appropriation for making these payments.

A section is added providing for an economic development incentives study and report to the Legislative Council.

Sections added by the Senate relating to the following items are removed:

- Changes to the seed capital investment tax credit - Moved to Senate Bill No. 2032.
- Directing a tax study - Moved to Senate Bill No. 2032.
- Directing a Legislative Council business climate initiative study - Moved to Senate Bill No. 2032.
- Requiring the Agricultural Products Utilization Commission to provide a \$100,000 wheat scab research grant to a private company.

**Senate Bill No. 2018 - Transportation Institute - House Action**

	EXECUTIVE BUDGET	SENATE VERSION	HOUSE CHANGES	HOUSE VERSION
Operating expenses			<u>\$360,000</u>	<u>\$360,000</u>
Total all funds	\$0	\$0	\$360,000	\$360,000
Less estimated income				
General fund	\$0	\$0	\$360,000	\$360,000
FTE	0.00	0.00	0.00	0.000

**Dept. 627 - Transportation Institute - Detail of House Changes**

	ADDS FUNDING FOR TRANSPORTATION STUDY <sup>1</sup>	TOTAL HOUSE CHANGES
Operating expenses	<u>\$360,000</u>	<u>\$360,000</u>
Total all funds	\$360,000	\$360,000
Less estimated income		
General fund	\$360,000	\$360,000
FTE	0.00	0.00

<sup>1</sup> Funding is added for conducting a transportation study.

2005 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2018

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date April 7, 2005

Tape Number	Side A	Side B	Meter #
1		b	1,393 - 3780
Committee Clerk Signature <i>June Parks</i>			

Minutes:

**Senator Grindberg** opened the conference committee discussion on SB 2018, Department of Commerce, with roll call. He indicated this will be a companion bill for SB 2032. He asked the House to walk through their work on SB 2018.

**Representative Carlson** reviewed the biggest changes were that all appropriations items from SB 2032 were removed and moved into the Department of Commerce. So, all appropriations and dollars, as well as the language of the venture capital, the seed capital investments, the Centers of Excellence are back in SB 2032. The biggest dollar change in the budget is on the Centers of Excellence is the Senate reduced the original \$5 million to \$2.5 million and the House removed the remaining \$2.5 million and replaced it with a funding mechanism. Page 2 has no basic changes in wages and operating, capital assets and grants, and APOC. In the discretionary funds, we did some changes and went back to the original \$1.4 million and made two new line items in the budget; economic development initiatives and development grants and

added money. the Lewis and Clark Bicentennial stayed at the number reflects a few additions.

There is about a \$1.4 million lower difference. Section 4 had a procurement study which had been reduced, the House increased it and added an FTE. Section 5 is at \$50,000 for a technology commercialization study for the State Board of Higher Ed. Section 6 had a transportation study which was reduced to \$360,000 because the DOT has offered to pick up software at \$125,000. Section 7 and 8 deal with how the Centers of Excellence will be funded. The House established guidelines and sets up a mechanism for borrowing and paying back funds. Section 9 indicates the intent of the Legislature to have an additional \$35 million in future biennium's using a similar funding mechanism. Section 10,11, 12, 13, 15, 16, 18, 19 are unchanged. Section 14 had a dollar figure behind each of the initiatives what the House did was say here is \$394,568 from the general fund and \$250,000 from general fund. It is assumed \$100,000 of the last amount will come from fees and within the budget of the Department of Commerce. Section 22 is for IB & T office funding up to \$500,000 which will be taken from the development fund. The ethanol and production fund didn't change other the appropriation was taken away. Section 24 deals with the International trade office and we made it a division of ED&F. He discussed the remainder of the amendments and bill from section 25 through 40.

**Senator Robinson** asked where fees come from on page 3. Representative Skarphol indicated the funds come from section 27 where they get the authority. The response was that gives them the authority to set up and they could charge a fee for those.

**Representative Glassheim** discussed the learning vacation project, and the 5 FTE's, procurement, business image information and business hotline, American Indian businesses, development fund and Commerce Department.

**Senator Grindberg** asked if these positions are permanent positions and asked further questions about the learning vacation project.

Discussion took place about the positions, the learning vacation project, the tourism project.

**Senator Grindberg** indicated that one of the things the committee should be looking at is the international trade efforts. He felt that \$500,000 doesn't get us to where we need to be. We need to be with the plan the have. If we are serious about international trade, we have to fund it.

**Sandy Paulson** indicated the original recommendation was \$50,000 for ad promotion and the House removed the \$200,000 the Senate added.

**Senator Grindberg** adjourned the conference committee on SB 2018.



2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date April 18, 2005

Tape Number	Side A	Side B	Meter #
3		b	2460 - end
4	a		0
Committee Clerk Signature <i>Janet O'Neil</i>			

Minutes:

**Senator Grindberg** opened the conference committee on SB 2018 with roll call. He distributed handouts and discussed 9 points on SB 2018 and distributed two sets of amendments, one of which correlates with SB 2032. He indicated he was alerted by the tax department on technical language on the streamlined sales tax with the lodging tax which needs to be amended to go into the tourism promotion fund for Lewis and Clark. Second is a request on the continuing appropriation for the ethanol program (handout memo with a flow chart on that issue). The house removed the continuing appropriation APUC funding (handout of history and rationale) and the request is that appropriation be put back in. Third, Representative Carlson has amendments on the office of renewable energy. Fourth is a request for property tax abatements on wind towers. The fifth was a request from the tax department on the study from corporate business tax climate that is in SB 2032. Sixth is to resolve the agreement on the FTE issue. Seventh is a proposed amendment regarding work share programs, workforce program. Eighth is funding for

the SCAB technology efforts. Ninth, a proposed amendment affecting the funding for the Centers of Excellence. We need to look at the House amendments. The proposed amendments now is provide another \$5 million in funding. In essence we have \$20 million available for the next biennium and \$30 is the intent language. They basically provide funding after emergency commission and budget section approval. In SB 2032 there is a desire not to have the other \$5 million then we put a cap for applications so there is adequate funding available. There will be an additional \$6.3 million in interest beyond the student loan trust as approved by the emergency commission and budget section.

**Representative Carlson** clarified this is about the student loan trust fund and it was his recollection that the earnings on the student loan trust fund was against the venture capital loans and if they defaulted that was their resolution. He also indicated he had an amendment on the lodging tax for the Lewis and Clark program.

**Senator Holmberg** indicated that if we don't want to pledge the same money twice, the Governor's Budget has a rainy day fund of \$10 million. There was further discussion on this fund and the student loan trust fund..

**Senator Robinson** submitted an amendment which Representative Kelsch and Representative would appropriate \$3 million out of the permanent oil trust fund for renewable energy projects for the upcoming biennium.

**Representative Carlson** distributed an amendment on renewable energy .0220. This creates an office of renewable energy in the Division of Community Services.

**Senator Skarphol** asked if this office would administer the continuing appropriations with regard to ethanol incentives and why does it have to be a continuing appropriation The House

has looked at all continuing appropriations because we have concerns about that way of funding government. The response was that is the idea and it will be monitored by the folks in the energy office. The fund is continuing because it will continue to grow over time.

**Representative Carlson** presented information on wind towers. We are now a 3 percent of assessed value for the property and Minnesota has reduced their tax to 1.5 percent. This may be the difference between getting wind energy in North Dakota or Minnesota.

There was discussion on the \$50,000 study; the additional FTE's the house added, which include 1 for OMB, 1 for Dept of Commerce, 1 for tourism, 1 for Indian Business Development and 1 development fund; the work share amendment, funding for the SCAB project and APUC need determination, information on the beef center, the Montehay Trail, the rural development division as it relates to Tara Holt and the beginning farm loan fund. Some followup will be done by the House members on rural development.

**Senator Grindberg** closed the conference committee on SB 2018.

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2018

Senate Appropriations Committee

Conference Committee

Hearing Date 04-19-05

Tape Number	Side A	Side B	Meter #
4	x		0-3440
Committee Clerk Signature <i>ATB</i>			

Minutes:

**Sen. Grindberg, (Conference Committee Chair)** opened the meeting for SB 2018.

**Roll was taken, all members were present.**

**Sen. Grindberg** reviewed the discussion on 04-18-05.

**John Graham, Jobservice of ND** appeared to provide information on the Work Share Program.

Mr. Graham stated that shared work is a program that allows an employer to instead of relying on a finite number of people to reduce the hours of a larger number of people, thus keep the workforce on the job. The reduction in wages occurs because of that reduction in hours is off set in part by the partial unemployment benefit that is tied to each of their individual eligibility and then also tied to the percentage of the reduction of their hours. In the 01 session a workshare bill was passed, with a sunset clause. We found that the cost of implementation was more than we anticipated, however, no employers wanted to use it. Since than we have gotten an employer to do workshare and put in SB 2374 for the appropriate funding for the bill, it passed the Senate but

not the house. The study or pilot program we are hoping is amended into this bill. What that would mean is that we would contract with up to 5 businesses to run a shared work program during the next interim and report back to the 2007 session. The federal government oversees the unemployment insurance program allows a shared work program, it does not however want to fund it. 90% of our cost is due to the mainframe.

**Sen. Grindberg:** Yesterday at our meeting, we had questions regarding companies that have a positive or negative balance, could you speak to that please?

**Mr. Gram:** Yes, we would not run a pilot with an employer that would negatively impact the program.

**Sen. Robinson:** How would you structure that. What about the cost?

**Mr. Gram:** This is a pilot, I began drafting a model contract I could use, I don't know how that would work because each company would be different. There would be minor changes for \$40,000.

**Rep. Skarpol:** Regarding the 5 pilots, are they going to incur the cost of this other than the \$40,000? Are other employers going to be effected who have to help fund this project?

**Mr. Gram:** No there wouldn't be, they would invest in the benefit paid. Key language will be that we can't enter into it if it will harm the fund.

**Rep. Glassheim:** What about the employees, what happens if you are laid off permanently:

Mr. Gram indicated to the committee that the shared work benefit would equal half of their loss of income.

**Rep. Carlson:** What happened to the bill in the House.

**Mr. Graham:** The House appropriations took out the General Fund appropriation. The House said the funds should come from Workforce 2000 dollars. Then the House killed it on the floor.

**Rep. Skarpol:** Then how would it not hurt the funds?

**Maryn Daily, Executive Director of Jobservice of ND,** stated that they would have to work through the math, but they would put as much of the administrative cost on the companies.

**Rep. Carlson:** What about large business, or unions, why do we have to help that company when they can do it on their own?

**Ms. Daily:** Because in the union contract negotiations the payment of partial unemployment insurance benefits don't come into play.

**Rep. Skarpol:** Why don't the Fed's support it?

**Ms. Daily:** Because of States rights. It is up to a state if they see a need and a benefit, ND has the need.

**Sen. Grindberg:** What can we check off here? Ethanol?

**Rep. Carlson:** How much is available?

**Allan Knutson, Legislative Council:** The revenue for 03-05 is 3.2 million dollars.

**Rep. Carlson:** Why does the Senate want continuing appropriation, we took it out because it should be done each biennium.

**Rep. Skarpol (2032):** We wanted to play a roll in that money.

**Sen. Robinson:** Is there another bill out there that we could be doubling up on?

**Rep. Carlson:** It doesn't do us harm, it equals accountability.

**Lee Peterson:** This is a fund that continues to grow which equals a continuing appropriation.

To build energy we have a fund which equal ethanol incentives.

**Rep. Carlson:** No that is not correct. Money doesn't disappear. We say how much can you spend.

**Mr. Peterson:** We allow for carry over.

**Regarding the office of Renewable Energy:**

**Rep. Glassheim:** I am find with it .0220, is everyone else?

**Rep. Skarpol is the only one who is not.**

**Sen. Grinberg:** Next is the Tax Commissioner for \$50,000, any thoughts? The Study is in SB2032. If we do it we can keep all the money in SB 2018?

Discussion followed regarding the funds.

**Sen. Grindberg:** The Monahay Trail. Is every one okay with it?

**Mr. Knutson,** spoke to the committee regarding the discretionary line item.

**Sen. Grindberg adjourned the meeting due to time constraints.**

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date April 20, 2005

Tape Number	Side A	Side B	Meter #
1		b	5470 - end
3	a		0 - 1850
Committee Clerk Signature <i>Jane D. Pink</i>			

Minutes:

**Senator Grindberg** opened the conference committee on SB 2018 with roll call. He went through a list of accomplishments. The committee agreed on the lodging tax, agreed on the office of renewable energy, agreed on the wind tower property tax issue, agreed on the FTE's the House added, and agreed on the Montehay Trail 10,000.

Representative Skarphol discussed APUC, the amount of funds being available for APUC, the animal ID program and placing the funds for that in APUC to be granted to entities proceeding with that project.

Senator Grindberg discussed APUC and changes in its mission to add technology.

Representative Skarphol then discussed the animal ID program and how it will track animals from birth to consumption.



**Senator Grindberg** then opened discussion on the ethanol APUC. He indicated the House removed the continuing appropriations, the Senate left it in from the adoption two years ago and he asked the question if this committee is ok with providing the continuing appropriation back. Discussion took place as to advantages for continuing appropriations, the conditions of SB 2270 limitations.

**Senator Robinson** distributed an amendment which came from Representative Kelsch and Representative Gulleason. Their intention was to offer this amendment on the House side and it didn't happen. This is an appropriation of Section 13 of \$3 million from the permanent oil trust fund for renewable energy projects.

**Senator Robinson motion a do pass on the amendment, Representative Glassheim seconded.** Discussion took place regarding the amount of money left in the permanent oil trust fund, renewable energy projects and the projects worthy of investment, **A voice vote was taken, the motion failed.**

**Senator Grindberg** raised the point of the language in SB 2032, the \$50,000 corporate tax, additional funding for the centers of excellence, reinstating the \$100,000 for the wheat scab technology efforts, the presentation yesterday on the work share amendment and the hydrogen to wind.

Discussion took place on the work force program its impact on small businesses, the cosponsor of the program and the hope for the adoption of this phase of the bill, the question of intention in the bill, the fact that this is a demonstration project, John Graham's testimony,

**Senator Grindberg** asked for all of those in favor of reinstating this to raise their hands. This did not pass.

Page 3

Senate Appropriations Committee

Bill/Resolution Number 2018

Hearing Date April 20, 2005

**Senator Grindberg** raised discussion of the scab research.

**Representative Carlson** indicated he is not against this, but he feels funds need to go through APUC. Would you object to listing the project subject to APUC approval. It was indicated Roxanne could work on the language.

In addition there was a suggestion that our committee consider appropriating \$50,000 to the Department of Commerce for the purpose of matching some potential rural development money. The result would be to coordinate actions amongst federal agencies and community development and we would have less duplication.

**Senator Grindberg** closed the conference committee on SB 2018.

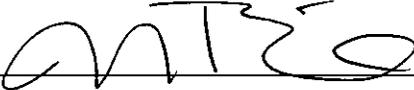
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2018 and SB 2032

Senate Appropriations Committee

Conference Committee

Hearing Date 04-21-05

Tape Number	Side A	Side B	Meter #
3	x		2612-5310
Committee Clerk Signature 			

Minutes: **Sen. Grindberg, (Conference Committee Chair)** opened the meeting.

**PLEASE NOTE THAT SB 2018 AND SB 2032 WILL BE DONE SIDE BY SIDE.**

**Roll was taken, all members were present.**

**Sen. Grindberg:** I have 4 things noted, and then we will go through the things we have agreed too. I sense that we will complete our work here. First thing is to clarify some discussion with Mr. Fong on the technical word smithing.

**Rep. Carlson:** I think that should be in SB 2032.

**Sen. Grindberg:** Okay, lets move into SB 2032.

**PLEASE NOTE THAT THE COMMITTEE WILL BE GOING BACK AND FORTH BETWEEN SB 2018 AND 2032.**

**SENATE BILL 2032**

**Corey Fong, Commerce Depart:** What Sen. Grindberg is getting at are the amendments that I had suggested concerning the process in SB 2032 for designating centers or funding multiple

times during a biennium. I will take you to the latest amendment draft on SB 2032, number .0413. Please go to page 9 of that version, subsection 3.

Mr. Fong went on to explain subsection three, A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation. I looked at the language again last night and have a new suggestion that would read as follows; "A center that receives funds designated and awarded funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent funding awards" Mr. Fong passed out his proposed amendments to clarify his statements, see attached.

**Rep. Skarpol (3127):** My prospective is that if, an entity is designated as a center and is extremely successful and wants to expand. It would ask for a subsequent designation, they will not be able to receive that until the following biennium.

**Rep. Glassheim (3234):** My understanding is that, I though what we were trying to do is... You are designated a center, you can't get any more money than what you were approved for in that biennium. Its going well, then in the next biennium, you come back for another funding award, but not for another designation as another center. You are already a center, you could get expansion money for that center based on a new application. That's how I understand that.

**Allen Knutson (3318):** It seems that that would be appropriate.

**Rep. Carlson:** In my opinion the original language is fine.

**Sen. Holmberg:** Why don't we have you state for the record exactly what the intention is.

**Rep. Skarpol:** What Rep. Glassheim said, sums up our feelings.

**Mr. Fong:** The next piece of this amendment would be to insure that OMB is distributing those funds reverses the commission. Page 13, line 31, section 2. OMB will based on the decision of the commission will distribute those fund. Page 15, line 1 “requests the office of management and budget to distribute” that again would insure that OMB is distributing funds and the recommendation or authorization of the commission.

**Sen. Grindberg:** Does that make everything copathatic?

**Mr. Knutson:** OMB is the one that distributes the funds, so it seems somewhat appropriate. Make sure that the commission is in control.

**Rep. Skarpol (3695):** I don't have a problem with that, there are two places that it says “distribute funds” so Allan make sure it gets taken care of.

**Mr. Fong:** The amendment you have for you is for the latest engrossment of the bill.

**Sen. Grindberg instructed the committee to go back to SB 2018.**

#### SENATE BILL 2018

**Sen. Grindberg:** We have 3 issues left to go over in SB 2018. One I would like to talk about is this work share program. I would like to propose the same amendments with 2 changes be made. (1) Instead of “up to five pilots” to only one pilot (2) the \$40,000 fiscal request that \$20,000 come from the states general fund, and the other \$20,000 from the company who is selected for the pilot.

**Sen. Holmberg moved, seconded by Rep. Carlson.**

**Rep. Carlson:** I have had some concerns about the shared work since it came through. It would be job service's intention that if it would be a positive or negative employer that they would

request some funding from them to participate in the program. When you submitted your amendments I was OK.

**Rep. Skarpol:** Does that still remove wind and hydrogen?

**Sen. Grindberg:** That would be the intent.

**Voice vote was taken, motion passed.**

**Sen. Grindberg:** Next item, Rep. Carlson has an amendment on 5 million.

**Rep. Carlson,** proposed amendment number .0226.

Allan from LC explained the bill stating that with the current bill OMB has the authority to borrow up to \$15 million from the bank. This amendment allows them to borrow an additional \$5 million equaling \$20 million dollars available for centers of excellence grants for the next biennium. The additional \$5 million could only be borrowed upon the emergency commission budget section approval and only if all funding provided by the 59th legislative assembly has been obligated. OMB shall request funding from the 60th legislative assembly to repay any loans in this section.

**Rep. Carlson moved 0226, seconded by Sen. Holmberg.**

**Rep. Skarpol:** I support it as long as its not in addition for a cap.

**Sen. Grindberg:** That is my opinion.

**Rep. Glassheim:** Is this payback differently from the first \$15 million?

**Sen. Grindberg:** Yes.

**Voice Vote was taken, motion passed.**

**Rep. Skarpol,** proposed amendment stating that there is a minimum of \$50,000 grant from the funds appropriated development grants line item in section 3, the must be available to rule

development council for matching funds. [Rep. Skarpol read through extremely fast, please see attached for detail]. There is potential of federal dollars that would need a match. It provides funding in the even that there is USDA funding money available next biennium.

**Rep. Skarpol moved the amendment, seconded by Rep. Carlson.**

**Mr. Knutson:** I think there is a possible technical problem here, the economic development grant line item is \$125,000. That was to provide \$100,000 for life sciences and \$25,000 for wind hydrogen. You have taken out wind hydrogen so that leaves \$100,000 in.

**Rep. Skarpol:** we are adding \$50,000 back in.

**Rep. Glasheim:** what is the source of the \$50,000

**Sen. Grinberg:** We have removed the \$25,000 in Hydrogen, we added \$20,000 for work share, and \$50,000 so this number should be \$170,000 rather than \$175,000.

**Voice Vote taken, motion passed.**

**Mr. Knutson:** In the Industrial Commission conference committee there was \$200,000 added for to provide to the trade office for the mill and elevator, if that money is provided to the trade office we will have to appropriate to dispend those funds once it is received.

**Rep. Carlson:** That is only available if the get the match.

**SENATE BILL 2032**

**Sen. Grinberg:** The only other thing I have is to remove section 25, which is that study.

**Rep. Carlson:** We will make a hole new set.. We are still working off of 411 version?

**Sen. Grinberg adjourned the meeting.**

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2018

Senate Appropriations Committee

Conference Committee

Hearing Date ~~March 22~~ 2005

*April 22, 2005*

Tape Number	Side A	Side B	Meter #
1	a	b	5634 - 1882
Committee Clerk Signature <i>Joan D. Park</i>			

Minutes:

**Senator Grindberg** opened the conference committee on SB 2018 with roll call which was taken with SB 2032. He distributed amendment .0227.

**Allen Knutson** discussed the page by page changes reflected in the amendment .0227.

**Senator Robinson** questioned Section 10 and indicated he would like that section removed as he thought it violated the agreement with the federal government. He also indicated Section 22 had language that he did feel needed to be there. Further discussion followed amid committee members.

**Senator Robinson** moved to further amend .0227 to remove Section 10, 33 and 34 and to retain the \$75,000 with the board of animal health. Representative Glasheim seconded. A roll call vote was taken and the motion failed.



**Representative Glassheim expressed** concerns about the parks and rec moving approximately 8 percent of the funds out of the tourism marketing funds for various projects. He would like to replace that \$325,000 from the oil and tax fund to tourism.

**Representative Glassheim moved amendment .0227 be revised to included replacing the \$325,000. Representative Skarphol seconded. A roll call vote was taken, the motion failed.**

**Senator Robinson moved to removed and apply. Representative Skarphol seconded. A voice vote was taken and the motion carried.**

**Senator Holmberg moved DO PASS AS AMENDED and REVISED, Representative Carlson seconded. A roll call vote was taken resulting in 6 yes and the motion carried.**

**Senator Grindberg will carry the bill.**

**Senator Grindberg closed the conference committee on SB 2018.**

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 4, after the first comma insert "a new section to chapter 54-44.5,"

Page 1, line 7, after the first comma insert "creation of the office of renewable energy and energy efficiency within the division of community services within the department of commerce,"

Page 1, line 10, after "reenact" insert "subsection 2 of section 4-14.1-07, and" and after "sections" insert "4-14.1-08, 4-14.1-09, 4-14.1-10,"

Page 1, line 11, after "to" insert "administration of ethanol production incentives,"

Page 1, line 12, after "program" insert a comma

Page 5, after line 29, insert:

**"SECTION 21. AMENDMENT.** Subsection 2 of section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

2. ~~The agricultural products utilization commission~~ office of renewable energy and energy efficiency shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The commission shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section.

**SECTION 22. AMENDMENT.** Section 4-14.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-08. Ethanol production incentive - Calculation - Payment.** ~~The agricultural products utilization commission~~ office of renewable energy and energy efficiency shall provide quarterly to each eligible facility a production incentive based on the average North Dakota price per bushel of corn received by farmers during the quarter, as established by the North Dakota agricultural statistics service and the average North Dakota rack price per gallon [3.79 liters] of ethanol during the quarter, as compiled by the American coalition for ethanol. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 1 with the sum arrived at under subsection 2.

1. a. If the average quarterly price per bushel of corn is above one dollar and eighty cents, for each one cent by which the quarterly price is above one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
- b. If the average quarterly price per bushel of corn is one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add zero to any amount payable under this section.
- c. If the average quarterly price per bushel of corn is below one dollar and eighty cents, for each one cent by which the quarterly price is below one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
2. a. If the average quarterly rack price per gallon of ethanol is above one dollar and thirty cents, for each one cent by which the average quarterly rack price is above one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section, two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
- b. If the average quarterly rack price per gallon of ethanol is one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract zero from any amount payable under this section.
- c. If the average quarterly rack price per gallon of ethanol is below one dollar and thirty cents, for each one cent by which the average quarterly rack price is below one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

**SECTION 23. AMENDMENT.** Section 4-14.1-09 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-09. Subsidy limitations.** The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars annually in payments under section 4-14.1-08. No eligible facility may receive state ethanol payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

**SECTION 24. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund - Continuing appropriation.** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in

the fund are appropriated on a continuing basis to the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09."

Page 11, after line 3, insert:

"**SECTION 28.** A new section to chapter 54-44.5 of the North Dakota Century Code is created and enacted as follows:

**Office of renewable energy and energy efficiency.** The office of renewable energy and energy efficiency is established within the division of community services. The office shall assist in the development of renewable energy within this state to provide secure, diverse, sustainable, and competitive renewable energy supplies and promote the conservation of energy and the wise use of energy resources in both the public and private sectors. The office shall communicate and disseminate information concerning state and federal energy conservation and renewable energy incentives, including tax credits, financing and grants to business entities seeking to invest in wind-generated power and transmission, ethanol production and distribution; and the development of biodiesel, biomass, solar, hydropower, geothermal, and other renewable energy sources. The office shall also manage and distribute all production incentive payments as authorized by chapter 4-14.1."

Page 21, line 21, replace "27" with "32" and replace "31" with "36"

Page 21, line 22, replace "32" with "37"

Page 21, line 24, replace "31" with "36" and replace "33" with "38"

Page 21, line 26, replace "26" with "31"

Page 21, line 27, replace "25" with "30"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

Page 1, line 10, after the first comma insert "57-02-27.3,"

Page 1, line 12, after "program" insert ", taxable valuation of wind turbine electric generators,"

Page 12, after line 5, insert:

**"SECTION 27. AMENDMENT.** Section 57-02-27.3 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-27.3. Taxable valuation of centrally assessed wind turbine electric generators.** A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed before January 1, 2011, must be valued at three percent of assessed value to determine taxable valuation of the property. However, a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is begun after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property and this reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

Page 21, line 21, after the second boldfaced period insert "Section 27 of this Act is effective for taxable years beginning after December 31, 2004.", replace "27" with "28", and replace "31" with "32"

Page 21, line 22, replace "32" with "33"

Page 21, line 24, replace "31" with "32" and replace "33" with "34"

Renumber accordingly

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 15, after the first semicolon insert "to provide for an unemployment compensation shared work demonstration project; to provide an appropriation to job service;

Page 4, replace lines 24 through 28 with:

**"SECTION 12. APPROPRIATION - JOB SERVICE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$40,000, or so much of the sum as may be necessary, to job service North Dakota for the purpose of defraying any implementation costs associated with implementing a shared work demonstration project, for the the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 21, after line 20, insert:

**"SECTION 45. JOB SERVICE NORTH DAKOTA - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, job service North Dakota shall develop, implement, and operate a shared work demonstration project to demonstrate the feasibility of providing for a statewide shared work unemployment compensation program. Job service North Dakota shall seek the advice of the unemployment insurance advisory council in developing, implementing, and operating this demonstration project. The demonstration project must:

1. Operate for no more than five selected employers, each of which must have at least seventy-five employees and must be experienced-rated employers.
2. Operate in accordance with a specific written agreement between job service North Dakota, the selected employers, and the labor representative of the collective bargaining agreement if a collective bargaining agreement exists.
3. Allow shared work compensation to be paid to employees who, being otherwise eligible for unemployment insurance benefits, have their working hours reduced by the selected employer by at least ten percent but no more than sixty percent.
4. Operate in such a manner that the selected employers' unemployment insurance experience ratings are not compromised.
5. Operate in such a manner that the unemployment trust fund is not so negatively impacted as to result in a greater tax burden to the remainder of the employers contributing to the trust fund.

6. Operate from January 1, 2006, through June 30, 2007, after which the demonstration project must cease.
7. Provide that employees receiving benefits calculated solely under the shared work demonstration project are not subject to the sixty percent weekly earnings disregard provided for under section 52-06-06.

**SECTION 46. LEGISLATIVE COUNCIL STUDY - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, the legislative council shall consider studying the implementation by job service North Dakota of a shared work demonstration project. If the legislative council conducts this study, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment removes the section requiring the Department of Commerce to provide a \$25,000 wind to hydrogen demonstration project grant.

Sections are added requiring Job Service to develop and implement a shared work demonstration project, appropriating \$40,000 from the general fund for the project, and providing for a Legislative Council study regarding the project.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to provide a contingent appropriation; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3 and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 4-41.1-10 and 54-34.3-03, subsection 1 of section 54-34.3-06, and section 57-51.1-07.2 of the North Dakota Century Code, relating to the ethanol production incentive fund, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	3,851,911
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	52,353,107
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,094,721
Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	3,092,821
Discretionary funds	(7,000)
Economic development initiatives	644,568



Economic development grants	125,000
Lewis and Clark bicentennial	<u>80,733</u>
Total all funds - Adjustments/enhancements	\$8,009,717
Less estimated income - Adjustments/enhancements	<u>7,921,887</u>
Total general fund - Adjustments/enhancements	\$87,830

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,331,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	6,076,000
Discretionary funds	1,440,127
Economic development initiatives	644,568
Economic development grants	125,000
Lewis and Clark bicentennial	<u>3,932,644</u>
Total all funds	\$79,377,547
Less estimated income	<u>60,274,994</u>
Total general fund appropriation	\$19,102,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during

the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 8. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 9. CONTINGENT APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - CENTERS OF EXCELLENCE.** There is appropriated out of any moneys in the student loan trust fund, not otherwise appropriated, the sum of \$5,000,000, or so much of the sum as may be necessary, to the office of management and budget, for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission for the biennium beginning July 1, 2005, and ending June 30, 2007. Any expenditure of funds under this section is subject to emergency commission and budget section approval.

**SECTION 10. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$30,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 11. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 12. ESTIMATED INCOME - ETHANOL PRODUCTION INCENTIVE FUND.** The less estimated income line item in section 3 of this Act includes \$3,285,000 from the ethanol production incentive fund.

**SECTION 13. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 14. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 15. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

Target industry identification and report  
Image information program  
Business hotline program  
Local economic developer certification and training program  
Dakota manufacturing initiative

Intellectual property rights study and report  
Economic development incentives study and report  
Business climate initiative study

**SECTION 16. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 17. WIND TO HYDROGEN DEMONSTRATION PROJECT GRANT.** The department of commerce shall provide a \$25,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to a North Dakota city with a population exceeding 75,000 for a wind to hydrogen demonstration project for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 18. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 of the North Dakota Century Code.

**SECTION 19. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 20. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 21. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. PARTNERS IN MARKETING - BUDGET SECTION REPORT.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 23. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 24. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund –Continuing appropriation.**

There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are ~~appropriated on a continuing basis~~ available to the agricultural products utilization commission for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09 and may be spent pursuant to legislative appropriations.

**SECTION 25. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 26. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist ~~them~~ these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 27.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**International business and trade office - Advisory board.**

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and

created by the third party in performing services for the office are the property of the department and the third party.

3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 28.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 29.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 30.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 31.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state

callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 32. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during that a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 33. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 34. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are

potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 35. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 36. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 37. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 38. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 39. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 40. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 41. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per month.



- c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

This amendment includes all of the House changes except that a new Section 9 is added providing an additional \$5 million from the student loan trust fund for centers of excellence during the 2005-07 biennium, subject to Emergency Commission and Budget Section approval.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2018

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide for an unemployment compensation shared work demonstration project; to provide for a transfer from the beginning farmer revolving loan fund; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3, a new section to chapter 54-44.5, and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, creation of an office of renewable energy and energy efficiency within the division of community services, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 2 and 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, subsection 2 of section 4-14.1-07, sections 4-14.1-08, 4-14.1-09, 4-14.1-10, and 54-34.3-03, subsection 1 of section 54-34.3-06, and sections 57-02-27.3 and 57-51.1-07.2 of the North Dakota Century Code, relating to the agriculture commissioner's appropriation, administration of ethanol production incentives, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, taxable valuation of wind turbine electric generators, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	<u>3,851,911</u>
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	<u>52,353,107</u>
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,294,721

Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	(192,179)
Discretionary funds	3,000
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	80,733
Total all funds - Adjustments/enhancements	\$4,959,717
Less estimated income - Adjustments/enhancements	<u>4,836,887</u>
Total general fund - Adjustments/enhancements	\$122,830

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,531,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	2,791,000
Discretionary funds	1,450,127
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	<u>3,932,644</u>
Total all funds	\$76,327,547
Less estimated income	<u>57,189,994</u>
Total general fund appropriation	\$19,137,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. APPROPRIATION - JOB SERVICE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, or so much of the sum as may be necessary, and from other funds to be collected by job service, the sum of \$20,000, or so much of the sum as may be necessary, to job service North Dakota for the purpose of defraying any implementation costs associated with implementing a shared work demonstration project, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 8. JOB SERVICE NORTH DAKOTA - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, job service North Dakota shall develop, implement, and operate a shared work demonstration project to demonstrate the feasibility of providing for a statewide shared work unemployment compensation program. Job service North Dakota shall seek the advice of the unemployment insurance advisory council in developing, implementing, and operating this demonstration project. The demonstration project must:

1. Operate for one selected employer, which must have at least seventy-five employees and must be an experienced-rated employer.
2. Operate in accordance with a specific written agreement between job service North Dakota, the selected employer, and the labor representative of the collective bargaining agreement if a collective bargaining agreement exists.
3. Allow shared work compensation to be paid to employees who, being otherwise eligible for unemployment insurance benefits, have their working hours reduced by the selected employer by at least ten percent but no more than sixty percent.
4. Operate in such a manner that the selected employer's unemployment insurance experience ratings are not compromised.
5. Operate in such a manner that the unemployment trust fund is not so negatively impacted as to result in a greater tax burden to the remainder of the employers contributing to the trust fund.
6. Operate from January 1, 2006, through June 30, 2007, after which the demonstration project must cease.
7. Provide that employees receiving benefits calculated solely under the shared work demonstration project are not subject to the sixty percent weekly earnings disregard provided for under section 52-06-06.

**SECTION 9. LEGISLATIVE COUNCIL STUDY - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, the legislative council shall consider studying the implementation by job service North Dakota of a shared work demonstration project. If the legislative council conducts this study, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly.

**SECTION 10. APPROPRIATION.** There is appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$75,000, or so much of the sum as may be necessary, and from federal funds, the sum of \$150,000, or so much as may be necessary, to the department of commerce for the agricultural products utilization commission for the purpose of an animal identification initiatives grant program to meet national standards for the biennium beginning July 1, 2005, and ending June 30, 2007. The state's administrator of the animal identification program as provided for in section 36-09-25 shall establish the grant criteria to be used by the agricultural products utilization commission for allocating the grants to auction markets, weighing associations, and feedlots.

**SECTION 11. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium

beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 12. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.**

Notwithstanding section 57-51.1-07.2, there is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 13. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION.**

As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget shall request funding from the sixtieth legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. The borrowing authority and appropriation provided for in this section is available only if all other funding provided by the fifty-ninth legislative assembly for centers of excellence has been obligated.

**SECTION 14. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$30,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 15. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. TRANSFER.** During the biennium beginning July 1, 2005, and ending June 30, 2007, the director of the office of management and budget and the state treasurer shall transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

**SECTION 17. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 18. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 19. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

Target industry identification and report  
Image information program  
Business hotline program  
Local economic developer certification and training program  
Dakota manufacturing initiative  
Intellectual property rights study and report  
Economic development incentives study and report  
Business climate initiative study

**SECTION 20. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 21. RURAL DEVELOPMENT COUNCIL GRANT - BUDGET SECTION REPORT.** The department of commerce shall provide a grant of up to \$50,000 from the funds appropriated in the economic development grants line item in section 3 of this Act to the rural development council for the purpose of matching federal funds for the biennium beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** Upon receipt and review of an application for grant funding that meets the provisions of House Bill No. 1519, as approved by the fifty-ninth legislative assembly, from a private company within the state doing research on sensor technology for the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease, the agricultural products utilization commission shall provide a grant to this company of \$100,000 from its funding available for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 23. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 or 57-39.7-01 of the North Dakota Century Code.

**SECTION 24. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 25. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 26. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.**

An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 27. PARTNERS IN MARKETING - BUDGET SECTION REPORT.**

An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 28. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.**

Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 29. AMENDMENT.** Subsection 2 of section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

2. The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The ~~commission~~ office shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section.

**SECTION 30. AMENDMENT.** Section 4-14.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-08. Ethanol production incentive - Calculation - Payment.** The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall provide quarterly to each eligible facility a production incentive based on the average North Dakota price per bushel of corn received by farmers during the quarter, as established by the North Dakota agricultural statistics service and the average North Dakota rack price per gallon [3.79 liters] of ethanol during the quarter, as compiled by the American coalition for ethanol. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 1 with the sum arrived at under subsection 2.

1. a. If the average quarterly price per bushel of corn is above one dollar and eighty cents, for each one cent by which the quarterly price is above one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

- b. If the average quarterly price per bushel of corn is one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add zero to any amount payable under this section.
  - c. If the average quarterly price per bushel of corn is below one dollar and eighty cents, for each one cent by which the quarterly price is below one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
2. a. If the average quarterly rack price per gallon of ethanol is above one dollar and thirty cents, for each one cent by which the average quarterly rack price is above one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section, two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
  - b. If the average quarterly rack price per gallon of ethanol is one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract zero from any amount payable under this section.
  - c. If the average quarterly rack price per gallon of ethanol is below one dollar and thirty cents, for each one cent by which the average quarterly rack price is below one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

**SECTION 31. AMENDMENT.** Section 4-14.1-09 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-09. Subsidy limitations.** The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars annually in payments under section 4-14.1-08. No eligible facility may receive state ethanol payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

**SECTION 32. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund - Continuing appropriation.** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are appropriated on a continuing basis to the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09.

**SECTION 33. AMENDMENT.** Section 2 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:



**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the agriculture commissioner which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages		\$1,243,403
Operating expenses		896,050
Capital assets		(3,000)
Grants		1,674,225
Board of animal health	1,309,224	<u>1,159,224</u>
Contingent appropriation - Wildlife services		130,000
State meat inspection		(763,461)
Pride of Dakota		(180,948)
Wildlife services		(800,000)
Safe send		(308,870)
Noxious weeds		(1,596,836)
Agriculture in the classroom		<u>(45,000)</u>
Total all funds - Adjustments/enhancements	\$1,554,847	<u>\$1,404,847</u>
Less estimated income - Adjustments/enhancements	1,294,916	<u>1,144,916</u>
Total general fund - Adjustments/enhancements		\$259,931

**SECTION 34. AMENDMENT.** Section 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the agriculture commissioner for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages		\$5,738,433
Operating expenses		4,255,875
Capital assets		5,000
Grants		1,774,225
Board of animal health	2,178,688	<u>2,028,688</u>
Contingent appropriation - Wildlife services		130,000
Crop harmonization board		<u>25,000</u>
Total all funds	\$14,107,221	<u>\$13,957,221</u>
Less estimated income	9,613,765	<u>9,463,765</u>
Total general fund appropriation		\$4,493,456

**SECTION 35. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 36. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development

representatives, businesses, and North Dakota American Indian entrepreneurs with access to state and federal programs designed to assist them these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 37.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**International business and trade office - Advisory board.**

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.
2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and created by the third party in performing services for the office are the property of the department and the third party.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 38.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

**Local economic developer certification program.** The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 39.** A new section to chapter 54-44.5 of the North Dakota Century Code is created and enacted as follows:

**Office of renewable energy and energy efficiency.** The office of renewable energy and energy efficiency is established within the division of community services. The office shall assist in the development of renewable energy within this state to provide secure, diverse, sustainable, and competitive renewable energy supplies and promote the conservation of energy and the wise use of energy resources in both the public and private sectors. The office shall communicate and disseminate information concerning state and federal energy conservation and renewable energy incentives, including tax credits, financing and grants to business entities seeking to invest in wind-generated power and transmission, ethanol production and distribution; and the development of biodiesel, biomass, solar, hydropower, geothermal, and other renewable energy sources. The office shall also manage and distribute all production incentive payments as authorized by chapter 4-14.1.

**SECTION 40.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Target industries - Report to legislative council.** The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 41.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**North Dakota image information program.** The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 42.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

**Business hotline.** The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 43. AMENDMENT.** Section 57-02-27.3 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-27.3. Taxable valuation of centrally assessed wind turbine electric generators.** A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed before January 1, 2011, must be valued at three percent of assessed value to determine taxable valuation of the property. However, a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is begun after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property and this reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

**SECTION 44. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during that a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 45. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 46. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business

development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 47. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 48. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 49. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 50. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 51. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative

changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 52. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 53. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).

- b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
- a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
6. Strengthen North Dakota's business climate to increase international competitiveness:
- a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 54. EFFECTIVE DATE.** Section 43 of this Act is effective for taxable years beginning after December 31, 2004. "

Renumber accordingly.

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
<b>Office of Management and Budget</b>						
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			<u>36,000,000</u>	<u>36,000,000</u>	<u>31,000,000</u>	<u>5,000,000</u>
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
<b>University System office</b>						
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
<b>Job Service North Dakota</b>						
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000

Department of Commerce						
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	105,432,496	55,423,044	1,991,950	57,414,994	60,274,994	(2,860,000)
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
Department of Agriculture						
Total all funds	\$0	\$0	\$0	\$0	\$0	\$0
Less estimated income						
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Transportation Institute						
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Bill Total						
Total all funds	\$128,561,660	\$76,541,020	\$36,611,527	\$113,152,547	\$110,937,547	\$2,215,000
Less estimated income	105,432,496	55,423,044	38,011,950	93,434,994	91,274,994	2,160,000
General fund	\$23,129,164	\$21,117,976	(\$1,400,423)	\$19,717,553	\$19,662,553	\$55,000

### Senate Bill No. 2018 - Office of Management and Budget - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses		\$50,000	\$100,000	\$150,000	\$150,000	
Centers of excellence			15,000,000	15,000,000	15,000,000	
Loan repayments			16,000,000	16,000,000	16,000,000	
Centers of excellence - contingency			5,000,000	5,000,000		\$5,000,000
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			36,000,000	36,000,000	31,000,000	5,000,000
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
FTE	0.00	0.00	1.00	1.00	1.00	0.00

### Dept. 110 - Office of Management and Budget - Detail of Conference Committee Changes

	ADDS FUNDING FOR PROCUREMENT WEB SITE <sup>1</sup>	ADDS CENTERS OF EXCELLENCE FUNDING <sup>2</sup>	ADDS CONTINGENT CENTERS OF EXCELLENCE FUNDING <sup>3</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Operating expenses	\$100,000			\$100,000
Centers of excellence		\$15,000,000		15,000,000
Loan repayments		16,000,000		16,000,000
Centers of excellence - contingency			\$5,000,000	5,000,000
Total all funds	\$100,000	\$31,000,000	\$5,000,000	\$36,100,000
Less estimated income		31,000,000	5,000,000	36,000,000
General fund	\$100,000	\$0	\$0	\$100,000
FTE	1.00	0.00	0.00	1.00

<sup>1</sup> Funding is increased by \$100,000 from the general fund to provide a total of \$150,000 for the Office of Management and Budget to establish and maintain a state procurement web site. Statutory changes added by the Senate relating to state procurement are removed. The House also made these changes.

<sup>2</sup> Sections are added providing funding for the centers of excellence program. The Office of Management and Budget is authorized to borrow up to \$15,000,000 from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. The loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77,000,000 of oil tax revenues has been received by the general fund, of which \$71,000,000 will be retained in the general fund and \$6,000,000 transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6,000,000 are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loans and interest, the total of which may not exceed \$16,000,000. A section is added providing that transfers from the general fund to the permanent oil tax trust fund may occur before the end of each biennium. The House also made these changes.

A section of legislative intent is added providing that the Legislative Assembly intends to provide a total of \$50,000,000 for centers of excellence during the 2005-07 and future bienniums, the same as the House version.

<sup>3</sup> A section is added authorizing an additional \$5 million of Bank of North Dakota loan proceeds to be used for centers of excellence grants if the \$15 million is not adequate for the 2005-07 biennium. The Office of Management and Budget must receive Emergency Commission and Budget Section approval before borrowing any of this \$5 million.

### Senate Bill No. 2018 - University System Office - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$50,000	\$50,000	\$50,000	
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0



Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

1 Funding is provided for conducting a technology commercialization study, the same as the House version.

### Senate Bill No. 2018 - Job Service North Dakota - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES 1	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$40,000	\$40,000		\$40,000
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			20,000	20,000		20,000
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

1 Sections are added requiring Job Service to develop and implement a shared work demonstration project, appropriating \$40,000, of which \$20,000 is from the general fund and \$20,000 of funds to be collected by Job Service, and providing for a Legislative Council study regarding the project.

### Senate Bill No. 2018 - Department of Commerce - Conference Committee Action

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$7,169,321	\$7,139,998	\$559,372	\$7,699,370	\$7,699,370	\$200,000
Operating expenses	8,722,128	8,722,128	809,840	9,531,968	9,331,968	
Capital assets	25,000	25,000		25,000	25,000	
Grants	49,479,748	49,479,748	623,122	50,102,870	50,102,870	
Centers of excellence	5,000,000	2,500,000	(2,500,000)			(3,285,000)
Agricultural products utilization	2,792,124	2,791,250	(250)	2,791,000	6,076,000	10,000
Discretionary funds	1,440,127	1,900,127	(450,000)	1,450,127	1,440,127	
Lewis and Clark Bicentennial	3,933,212	3,932,769	(125)	3,932,644	3,932,644	
Centers of excellence - Borrowing	50,000,000					
Economic development grants			150,000	150,000	125,000	25,000
Economic development initiatives			644,568	644,568	644,568	
APUC - Animal identification grants			225,000	225,000		225,000
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	105,432,496	55,423,044	1,991,950	57,414,994	60,274,994	(2,860,000)
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
FTE	59.00	59.00	3.00	62.00	62.00	0.00

### Dept. 601 - Department of Commerce - Detail of Conference Committee Changes

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	CHANGES FUNDING FOR ECONOMIC INITIATIVES 1	CHANGES FUNDING FOR ECONOMIC GRANTS 2	ADDS FUNDING FOR SALARIES 3	ADDS FUNDING FOR DEVELOPMENT FUND FTE 4	ADDS FUNDING FOR LEARNING VACATIONS 5
Salaries and wages	(\$6,364)	\$105,432		\$120,000	\$118,994	\$80,000
Operating expenses						45,000
Capital assets						
Grants						
Centers of excellence						
Agricultural products utilization	(250)					
Discretionary funds		(460,000)				
Lewis and Clark Bicentennial	(125)					
Centers of excellence - Borrowing						
Economic development grants			\$150,000			
Economic development initiatives		644,568				
APUC - Animal identification grants						
Total all funds	(\$6,739)	\$290,000	\$150,000	\$120,000	\$118,994	\$125,000
Less estimated income	(2,044)	250,000			118,994	
General fund	(\$4,695)	\$40,000	\$150,000	\$120,000	\$0	\$125,000

FTE	0.00	1.00	0.00	0.00	0.00	1.00
	ADDS FUNDING FOR INDIAN BUSINESS DEVELOPMENT <sup>6</sup>	ADDS FUNDING FOR TRADE OFFICE <sup>7</sup>	ADDS FUNDING FOR WORKFORCE DEVELOPMENT <sup>8</sup>	REMOVES FUNDING FOR CENTERS OF EXCELLENCE <sup>9</sup>	ADDS FUNDING FOR VISITOR RESCUES <sup>10</sup>	ADDS ADDITIONAL FUNDING FOR TRADE OFFICE <sup>11</sup>
Salaries and wages	\$105,432		\$35,878			\$200,000
Operating expenses	23,840	\$500,000	41,000			
Capital assets						
Grants			623,122			
Centers of excellence				(\$2,500,000)		
Agricultural products utilization					\$10,000	
Discretionary funds						
Lewis and Clark Bicentennial						
Centers of excellence - Borrowing						
Economic development grants						
Economic development initiatives						
APUC - Animal identification grants						
<b>Total all funds</b>	<b>\$129,272</b>	<b>\$500,000</b>	<b>\$700,000</b>	<b>(\$2,500,000)</b>	<b>\$10,000</b>	<b>\$200,000</b>
<b>Less estimated income</b>		<b>500,000</b>	<b>700,000</b>			<b>200,000</b>
General fund	\$129,272	\$0	\$0	(\$2,500,000)	\$10,000	\$0
FTE	1.00	0.00	0.00	0.00	0.00	0.00

	ADDS ANIMAL IDENTIFICATION GRANTS <sup>12</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages		\$559,372
Operating expenses		809,840
Capital assets		
Grants		623,122
Centers of excellence		(2,500,000)
Agricultural products utilization		(250)
Discretionary funds		(450,000)
Lewis and Clark Bicentennial		(125)
Centers of excellence - Borrowing		
Economic development grants		150,000
Economic development initiatives		644,568
APUC - Animal identification grants	\$225,000	225,000
<b>Total all funds</b>	<b>\$225,000</b>	<b>\$61,527</b>
<b>Less estimated income</b>	<b>225,000</b>	<b>1,991,950</b>
General fund	\$0	(\$1,930,423)
FTE	0.00	3.00

<sup>1</sup> A total of \$750,000, of which \$500,000 is from the general fund and \$250,000 from funds to be raised by the department, is provided for the economic development initiatives listed below which were recommended by the Primary Sector Business Congress. The funding is increased from the \$460,000 provided by the Senate. Funding from the general fund for 1 FTE position is included in the salaries and wages line item and the remainder is included in a separate line item. The Senate had included funding in the discretionary funds line item and specified amounts for each initiative. In this amendment, specific amounts are not identified for each initiative. These changes are the same as the House version.

- Target industry identification and report.
- Image information program.
- Business hotline program.
- Local economic developer certification and training program.
- Dakota manufacturing initiative.
- Intellectual property rights study and report.
- Economic development incentives study and report.
- Business climate initiative study.

<sup>2</sup> A separate line item is added providing funding from the general fund for the life sciences sector development grant (\$100,000), the same as the House version. The Senate had designated funding from the discretionary funds line item for this grant. Funding of \$50,000 from the general fund is included in this line item and a section is added directing the department to provide a grant to the Rural Development Council. The funding of \$25,000 from the general fund included in both the Senate and House versions for a wind-to-hydrogen demonstration project grant is removed.

- 3 The salaries and wages line item is increased by \$120,000 from the general fund to provide funding for a vacant FTE position, the same as the House version.
- 4 Funding is added for the 1 FTE position recommended in the executive budget to be paid for from the Development Fund pursuant to a continuing appropriation. This amendment includes the funding and the FTE position in the Department of Commerce budget. The House also made this change.
- 5 This amendment adds \$125,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations. The House also made this change.
- 6 Funding and 1 FTE position are added for operating costs of the American Indian Business Development Office within the Department of Commerce. Sections are added making statutory changes and providing for a report to the Legislative Council relating to the American Indian Business Development Office. The House also made these changes.
- 7 The operating expenses line item is increased by \$500,000 from the Development Fund for costs associated with the International Business and Trade Office. The funds are not transferred from the Development Fund until 50 percent matching funds are available. Sections are added changing statutory provisions relating to the office, including establishing the purpose of the office and authorizing an advisory board. The House also made these changes.
- 8 This amendment adds funding available from a federal technical skills training grant for additional workforce training, the same as the House version.
- 9 This amendment removes funding and related statutory and reporting provisions relating to centers of excellence, the same as the House version.
- 10 The discretionary funds line item is increased by \$10,000 from the general fund for reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.
- 11 The operating expenses line item is increased by \$200,000 of other funds made available from the State Mill and Elevator for the international trade office.
- 12 A section is added appropriating \$225,000, of which \$75,000 is from the agricultural fuel tax fund and \$150,000 is federal funds for the Agricultural Products Utilization Commission to use for an animal identification grant program.

A section is added providing for an economic development incentives study and report to the Legislative Council, the same as the House version.

Sections are added which:

- Create an Office of Renewable Energy in the Community Services Division of the Department of Commerce.
- Reduce the taxable valuation for certain wind turbine electric generators.
- Transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

Sections added by the Senate, but which the House removed relating to the following items, are also removed by the conference committee:

- Changes to the seed capital investment tax credit - Moved to Senate Bill No. 2032.
- Directing a tax study.
- Directing a Legislative Council business climate initiative study - Moved to Senate Bill No. 2032.

The section and funding added by the House to specifically appropriate funding for ethanol production incentives is removed.

The section added by the Senate but which the House removed relating to the Agricultural Products Utilization Commission providing a \$100,000 wheat scab research grant to a private company is included in this amendment.

**Senate Bill No. 2018 - Department of Agriculture - Conference Committee Action**

Sections are added which amend the Agriculture Commissioner's appropriations bill (House Bill No. 1009, as approved) to remove \$150,000 of federal funds for costs associated with animal identification.

**Senate Bill No. 2018 - Transportation Institute - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES 1	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$360,000	\$360,000	\$360,000	
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0

Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding is added for conducting a transportation study, the same as the House version.

REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE) - 420

07398

(Bill Number) 2018 (, as (re)engrossed):

Your Conference Committee

For the Senate: *4/22*  
*DPH*  
 Y N N Grindberg  
 Y N N Halmberg  
 Y Y Y Robinson

*all present  
roll call  
taken w/  
2032*

For the House: *4/22*  
 N N Carlson Y  
 Y N Skaphel Y  
 Y Y Glassheim Y

*Full Bail*

*pass*

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)  
723/724 725/726 S724/B726 S723/B725  
 the (Senate/House) amendments on (SJ/HJ) page(s) \_\_\_\_\_ - \_\_\_\_\_

and place \_\_\_\_\_ on the Seventh order.  
727

, adopt (further) amendments as follows, and place  
 \_\_\_\_\_ on the Seventh order:

having been unable to agree, recommends that the committee be discharged  
 and a new committee be appointed. 690/515

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the  
 calendar.

DATE: 4/11/05

CARRIER: \_\_\_\_\_

LC NO. \_\_\_\_\_ of amendment

LC NO. \_\_\_\_\_ of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

**REPORT OF CONFERENCE COMMITTEE**

**SB 2018, as engrossed:** Your conference committee (Sens. Grindberg, Heitkamp, Robinson and Reps. Carlson, Skarphol, Glassheim) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1311-1323, adopt amendments as follows, and place SB 2018 on the Seventh order:

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide for an unemployment compensation shared work demonstration project; to provide for a transfer from the beginning farmer revolving loan fund; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3, a new section to chapter 54-44.5, and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, creation of an office of renewable energy and energy efficiency within the division of community services, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 2 and 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, subsection 2 of section 4-14.1-07, sections 4-14.1-08, 4-14.1-09, 4-14.1-10, and 54-34.3-03, subsection 1 of section 54-34.3-06, and sections 57-02-27.3 and 57-51.1-07.2 of the North Dakota Century Code, relating to the agriculture commissioner's appropriation, administration of ethanol production incentives, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, taxable valuation of wind turbine electric generators, and the permanent oil tax trust fund; and to provide for state agency studies and reports to the legislative council.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	3,851,911
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	52,353,107
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,294,721
Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	(192,179)
Discretionary funds	3,000
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	80,733
Total all funds - Adjustments/enhancements	\$4,959,717
Less estimated income - Adjustments/enhancements	<u>4,836,887</u>
Total general fund - Adjustments/enhancements	\$122,830

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,531,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	2,791,000
Discretionary funds	1,450,127
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	3,932,644
Total all funds	\$76,327,547
Less estimated income	<u>57,189,994</u>
Total general fund appropriation	\$19,137,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. APPROPRIATION - JOB SERVICE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, or so much of the sum as may be necessary, and from other funds to be collected by job service, the sum of \$20,000, or so much of the sum as may be necessary, to job service North Dakota for the purpose of defraying any implementation costs associated with implementing a shared work demonstration project, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 8. JOB SERVICE NORTH DAKOTA - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, job service North Dakota shall develop, implement, and operate a shared work demonstration project to demonstrate the feasibility of providing for a statewide shared work unemployment compensation program. Job service North Dakota shall seek the advice of the unemployment insurance advisory council in developing, implementing, and operating this demonstration project. The demonstration project must:

1. Operate for one selected employer, which must have at least seventy-five employees and must be an experienced-rated employer.
2. Operate in accordance with a specific written agreement between job service North Dakota, the selected employer, and the labor representative of the collective bargaining agreement if a collective bargaining agreement exists.
3. Allow shared work compensation to be paid to employees who, being otherwise eligible for unemployment insurance benefits, have their working hours reduced by the selected employer by at least ten percent but no more than sixty percent.
4. Operate in such a manner that the selected employer's unemployment insurance experience ratings are not compromised.
5. Operate in such a manner that the unemployment trust fund is not so negatively impacted as to result in a greater tax burden to the remainder of the employers contributing to the trust fund.
6. Operate from January 1, 2006, through June 30, 2007, after which the demonstration project must cease.
7. Provide that employees receiving benefits calculated solely under the shared work demonstration project are not subject to the sixty percent weekly earnings disregard provided for under section 52-06-06.

**SECTION 9. LEGISLATIVE COUNCIL STUDY - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, the legislative council shall consider studying the implementation by job service North Dakota of a shared work demonstration project. If the legislative council conducts this study, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly.

**SECTION 10. APPROPRIATION.** There is appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$75,000, or so much of the sum as may be necessary, and from federal funds, the sum of \$150,000, or so much as may be necessary, to the department of commerce for the agricultural products utilization commission for the purpose of an animal identification initiatives grant program to meet national standards for the biennium beginning July 1, 2005, and ending June 30, 2007. The state's administrator of the



animal identification program as provided for in section 36-09-25 shall establish the grant criteria to be used by the agricultural products utilization commission for allocating the grants to auction markets, weighing associations, and feedlots.

**SECTION 11. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 12. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** Notwithstanding section 57-51.1-07.2, there is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 13. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION.** As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget shall request funding from the sixtieth legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. The borrowing authority and appropriation provided for in this section is available only if all other funding provided by the fifty-ninth legislative assembly for centers of excellence has been obligated.

**SECTION 14. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$30,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 15. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. TRANSFER.** During the biennium beginning July 1, 2005, and ending June 30, 2007, the director of the office of management and budget and the state treasurer shall transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

**SECTION 17. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 18. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 19. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

- Target industry identification and report
- Image information program
- Business hotline program
- Local economic developer certification and training program
- Dakota manufacturing initiative
- Intellectual property rights study and report
- Economic development incentives study and report
- Business climate initiative study

**SECTION 20. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 21. RURAL DEVELOPMENT COUNCIL GRANT - BUDGET SECTION REPORT.** The department of commerce shall provide a grant of up to \$50,000 from the funds appropriated in the economic development grants line item in section 3 of this Act to the rural development council for the purpose of matching federal funds for the biennium beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** Upon receipt, review, and approval of an application for grant funding that meets the provisions of House Bill No. 1519, as approved by the fifty-ninth legislative assembly, from a private company within the state doing research on sensor technology for the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease, the agricultural products utilization commission shall provide a grant to this company of \$100,000 from its funding available for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 23. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 or 57-39.7-01 of the North Dakota Century Code.

**SECTION 24. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 25. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 26. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 27. PARTNERS IN MARKETING - BUDGET SECTION REPORT.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 28. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 29. AMENDMENT.** Subsection 2 of section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

2. The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The ~~commission~~ office shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section.

**SECTION 30. AMENDMENT.** Section 4-14.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-08. Ethanol production incentive - Calculation - Payment.**

The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall provide quarterly to each eligible facility a production incentive based on the average North Dakota price per bushel of corn received by farmers during the quarter, as established by the North Dakota agricultural statistics service and the average North Dakota rack price per gallon [3.79 liters] of ethanol during the quarter, as compiled by the American coalition for ethanol. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 1 with the sum arrived at under subsection 2.

1. a. If the average quarterly price per bushel of corn is above one dollar and eighty cents, for each one cent by which the quarterly price is above one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
  - b. If the average quarterly price per bushel of corn is one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add zero to any amount payable under this section.
  - c. If the average quarterly price per bushel of corn is below one dollar and eighty cents, for each one cent by which the quarterly price is below one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
2. a. If the average quarterly rack price per gallon of ethanol is above one dollar and thirty cents, for each one cent by which the average quarterly rack price is above one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section, two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
  - b. If the average quarterly rack price per gallon of ethanol is one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract zero from any amount payable under this section.
  - c. If the average quarterly rack price per gallon of ethanol is below one dollar and thirty cents, for each one cent by which the average quarterly rack price is below one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.

**SECTION 31. AMENDMENT.** Section 4-14.1-09 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-09. Subsidy limitations.** The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars annually in payments under section 4-14.1-08. No eligible facility may receive state ethanol payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

**SECTION 32. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund - Continuing appropriation.** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are appropriated on a continuing basis to the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09.

**SECTION 33. AMENDMENT.** Section 2 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the agriculture commissioner which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages		\$1,243,403
Operating expenses		896,050
Capital assets		(3,000)
Grants		1,674,225
Board of animal health	1,309,224	<u>1,159,224</u>
Contingent appropriation - Wildlife services		130,000
State meat inspection		(763,461)
Pride of Dakota		(180,948)
Wildlife services		(800,000)
Safe send		(308,870)
Noxious weeds		(1,596,836)
Agriculture in the classroom		<u>(45,000)</u>
Total all funds - Adjustments/enhancements	<del>\$1,554,847</del>	<u>\$1,404,847</u>
Less estimated income - Adjustments/enhancements	<del>1,294,916</del>	<u>1,144,916</u>
Total general fund - Adjustments/enhancements		\$259,931

**SECTION 34. AMENDMENT.** Section 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the agriculture commissioner for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$5,738,433
Operating expenses	4,255,875

Capital assets	5,000
Grants	1,774,225
Board of animal health	2,178,688 2,028,688
Contingent appropriation - Wildlife services	130,000
Crop harmonization board	25,000
Total all funds	\$14,107,221 \$13,957,221
Less estimated income	9,613,765 9,463,765
Total general fund appropriation	\$4,493,456

**SECTION 35. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; and
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 36. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist ~~them~~ these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 37.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

International business and trade office - Advisory board.

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.

2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and created by the third party in performing services for the office are the property of the department and the third party.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 38.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

Local economic developer certification program.The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 39.** A new section to chapter 54-44.5 of the North Dakota Century Code is created and enacted as follows:

Office of renewable energy and energy efficiency.The office of renewable energy and energy efficiency is established within the division of community services. The office shall assist in the development of renewable energy within this state to provide secure, diverse, sustainable, and competitive renewable energy supplies and promote the conservation of energy and the wise use of energy resources in both the public and private sectors. The office shall communicate and disseminate information concerning state and federal energy conservation and renewable energy incentives, including tax credits, financing and grants to business entities seeking to invest in wind-generated power and transmission, ethanol production and distribution; and the development of biodiesel, biomass, solar, hydropower, geothermal, and other renewable energy sources. The office shall also manage and distribute all production incentive payments as authorized by chapter 4-14.1.

**SECTION 40.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Target industries - Report to legislative council.The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This

report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 41.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

North Dakota image information program. The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 42.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Business hotline. The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 43. AMENDMENT.** Section 57-02-27.3 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-27.3. Taxable valuation of centrally assessed wind turbine electric generators.** A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed before January 1, 2011, must be valued at three percent of assessed value to determine taxable valuation of the property. However, a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is begun after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property and this reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

**SECTION 44. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** At the end of any biennium beginning after June 30, 1997, all revenue deposited in the general fund during that a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the



general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 45. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 46. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 47. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 48. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce

shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 49. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 50. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 51. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 52. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to

the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 53. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.

- d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.
6. Strengthen North Dakota's business climate to increase international competitiveness:
- a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 54. EFFECTIVE DATE.** Section 43 of this Act is effective for taxable years beginning after December 31, 2004."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Office of Management and Budget						
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			36,000,000	36,000,000	31,000,000	5,000,000
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
University System office						
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Job Service North Dakota						
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			20,000	20,000		20,000
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000
Department of Commerce						
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	105,432,496	55,423,044	1,991,950	57,414,994	60,274,994	(2,860,000)
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
Department of Agriculture						
Total all funds	\$0	\$0	\$0	\$0	\$0	\$0
Less estimated income						
General fund	\$0	\$0	\$0	\$0	\$0	\$0
Transportation Institute						
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Bill Total						
Total all funds	\$128,561,660	\$76,541,020	\$36,611,527	\$113,152,547	\$110,937,547	\$2,215,000
Less estimated income	105,432,496	55,423,044	38,011,950	93,434,994	91,274,994	2,160,000
General fund	\$23,129,164	\$21,117,976	(\$1,400,423)	\$19,717,553	\$19,662,553	\$55,000

**Senate Bill No. 2018 - Office of Management and Budget - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses		\$50,000	\$100,000	\$150,000	\$150,000	
Centers of excellence			15,000,000	15,000,000	15,000,000	
Loan repayments			16,000,000	16,000,000	16,000,000	
Centers of excellence - contingency			5,000,000	5,000,000		\$5,000,000
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			<u>36,000,000</u>	<u>36,000,000</u>	<u>31,000,000</u>	<u>5,000,000</u>
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
FTE	0.00	0.00	1.00	1.00	1.00	0.00

**Dept. 110 - Office of Management and Budget - Detail of Conference Committee Changes**

	ADDS FUNDING FOR PROCUREMENT WEB SITE <sup>1</sup>	ADDS CENTERS OF EXCELLENCE FUNDING <sup>2</sup>	ADDS CONTINGENT CENTERS OF EXCELLENCE FUNDING <sup>3</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Operating expenses	\$100,000			\$100,000
Centers of excellence		\$15,000,000		15,000,000
Loan repayments		16,000,000		16,000,000
Centers of excellence - contingency			\$5,000,000	5,000,000
Total all funds	\$100,000	\$31,000,000	\$5,000,000	\$36,100,000
Less estimated income		<u>31,000,000</u>	<u>5,000,000</u>	<u>36,000,000</u>
General fund	\$100,000	\$0	\$0	\$100,000
FTE	1.00	0.00	0.00	1.00

<sup>1</sup> Funding is increased by \$100,000 from the general fund to provide a total of \$150,000 for the Office of Management and Budget to establish and maintain a state procurement web site. Statutory changes added by the Senate relating to state procurement are removed. The House also made these changes.

<sup>2</sup> Sections are added providing funding for the centers of excellence program. The Office of Management and Budget is authorized to borrow up to \$15,000,000 from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. The loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77,000,000 of oil tax revenues has been received by the general fund, of which \$71,000,000 will be retained in the general fund and \$6,000,000 transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6,000,000 are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loans and interest, the total of which may not exceed \$16,000,000. A section is added providing that transfers from the general fund to the permanent oil tax trust fund may occur before the end of each biennium. The House also made these changes.

A section of legislative intent is added providing that the Legislative Assembly intends to provide a total of \$50,000,000 for centers of excellence during the 2005-07 and future bienniums, the same as the House version.

<sup>3</sup> A section is added authorizing an additional \$5 million of Bank of North Dakota loan proceeds to be used for centers of excellence grants if the \$15 million is not adequate for the 2005-07 biennium. The Office of Management and Budget must receive Emergency Commission and Budget Section approval before borrowing any of this \$5 million.

**Senate Bill No. 2018 - University System Office - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$50,000	\$50,000	\$50,000	
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding is provided for conducting a technology commercialization study, the same as the House version.

**Senate Bill No. 2018 - Job Service North Dakota - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$40,000	\$40,000		\$40,000
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			20,000	20,000		20,000
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Sections are added requiring Job Service to develop and implement a shared work demonstration project, appropriating \$40,000, of which \$20,000 is from the general fund and \$20,000 of funds to be collected by Job Service, and providing for a Legislative Council study regarding the project.

**Senate Bill No. 2018 - Department of Commerce - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$7,169,321	\$7,139,988	\$559,372	\$7,699,370	\$7,699,370	
Operating expenses	8,722,128	8,722,128	809,840	9,531,968	9,331,968	\$200,000
Capital assets	25,000	25,000		25,000	25,000	
Grants	49,479,748	49,479,748	623,122	50,102,870	50,102,870	
Centers of excellence	5,000,000	2,500,000	(2,500,000)			
Agricultural products utilization	2,792,124	2,791,250	(250)	2,791,000	6,076,000	(3,285,000)
Discretionary funds	1,440,127	1,900,127	(450,000)	1,450,127	1,440,127	10,000
Lewis and Clark Bicentennial	3,933,212	3,932,769	(125)	3,932,644	3,932,644	
Centers of excellence - Borrowing	50,000,000					
Economic development grants			150,000	150,000	125,000	25,000
Economic development initiatives			644,568	644,568	644,568	
APUC - Animal identification grants			225,000	225,000		225,000
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	105,432,496	55,423,044	1,991,950	57,414,994	60,274,994	(2,860,000)
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
FTE	59.00	59.00	3.00	62.00	62.00	0.00

**Dept. 601 - Department of Commerce - Detail of Conference Committee Changes**

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	CHANGES FUNDING FOR ECONOMIC INITIATIVES <sup>1</sup>	CHANGES FUNDING FOR ECONOMIC GRANTS <sup>2</sup>	ADDS FUNDING FOR SALARIES <sup>3</sup>	ADDS FUNDING FOR DEVELOPMENT FUND FTE <sup>4</sup>	ADDS FUNDING FOR LEARNING VACATIONS <sup>5</sup>
Salaries and wages	(\$6,364)	\$105,432		\$120,000	\$118,994	\$80,000
Operating expenses						45,000
Capital assets						
Grants						
Centers of excellence						
Agricultural products utilization	(250)					
Discretionary funds		(460,000)				
Lewis and Clark Bicentennial	(125)					
Centers of excellence - Borrowing						
Economic development grants			\$150,000			
Economic development initiatives		644,568				
APUC - Animal identification grants						
Total all funds	(\$6,739)	\$290,000	\$150,000	\$120,000	\$118,994	\$125,000

**REPORT OF CONFERENCE COMMITTEE (420)**  
**April 22, 2005 4:35 p.m.**

**Module No: HR-75-8584**

**Insert LC: 58018.0228**

Less estimated income	<u>(2,044)</u>	<u>250,000</u>			<u>118,994</u>	
General fund	(\$4,695)	\$40,000	\$150,000	\$120,000	\$0	\$125,000
FTE	0.00	1.00	0.00	0.00	0.00	1.00
	ADDS FUNDING FOR INDIAN BUSINESS DEVELOPMENT 6	ADDS FUNDING FOR TRADE OFFICE 7	ADDS FUNDING FOR WORKFORCE DEVELOPMENT 8	REMOVES FUNDING FOR CENTERS OF EXCELLENCE 9	ADDS FUNDING FOR VISITOR RESCUES 10	ADDS ADDITIONAL FUNDING FOR TRADE OFFICE 11
Salaries and wages	\$105,432		\$35,878			
Operating expenses	23,840	\$500,000	41,000			\$200,000
Capital assets						
Grants			623,122			
Centers of excellence				(\$2,500,000)		
Agricultural products utilization						
Discretionary funds					\$10,000	
Lewis and Clark Bicentennial						
Centers of excellence - Borrowing						
Economic development grants						
Economic development initiatives						
APUC - Animal identification grants						
Total all funds	\$129,272	\$500,000	\$700,000	(\$2,500,000)	\$10,000	\$200,000
Less estimated income		<u>500,000</u>	<u>700,000</u>			<u>200,000</u>
General fund	\$129,272	\$0	\$0	(\$2,500,000)	\$10,000	\$0
FTE	1.00	0.00	0.00	0.00	0.00	0.00
	ADDS ANIMAL IDENTIFICATION GRANTS 12	TOTAL CONFERENCE COMMITTEE CHANGES				
Salaries and wages		\$559,372				
Operating expenses		809,840				
Capital assets						
Grants		623,122				
Centers of excellence		(2,500,000)				
Agricultural products utilization		(250)				
Discretionary funds		(450,000)				
Lewis and Clark Bicentennial		(125)				
Centers of excellence - Borrowing						
Economic development grants		150,000				
Economic development initiatives		644,568				
APUC - Animal identification grants	\$225,000	225,000				
Total all funds	\$225,000	\$61,527				
Less estimated income	<u>225,000</u>	<u>1,991,950</u>				
General fund	\$0	(\$1,930,423)				
FTE	0.00	3.00				

1 A total of \$750,000, of which \$500,000 is from the general fund and \$250,000 from funds to be raised by the department, is provided for the economic development initiatives listed below which were recommended by the Primary Sector Business Congress. The funding is increased from the \$450,000 provided by the Senate. Funding from the general fund for 1 FTE position is included in the salaries and wages line item and the remainder is included in a separate line item. The Senate had included funding in the discretionary funds line item and specified amounts for each initiative. In this amendment, specific amounts are not identified for each initiative. These changes are the same as the House version.

- Target industry identification and report.
- Image information program.
- Business hotline program.
- Local economic developer certification and training program.

- Dakota manufacturing initiative.
  - Intellectual property rights study and report.
  - Economic development incentives study and report.
  - Business climate initiative study.
- 2 A separate line item is added providing funding from the general fund for the life sciences sector development grant (\$100,000), the same as the House version. The Senate had designated funding from the discretionary funds line item for this grant. Funding of \$50,000 from the general fund is included in this line item and a section is added directing the department to provide a grant to the Rural Development Council. The funding of \$25,000 from the general fund included in both the Senate and House versions for a wind-to-hydrogen demonstration project grant is removed.
- 3 The salaries and wages line item is increased by \$120,000 from the general fund to provide funding for a vacant FTE position, the same as the House version.
- 4 Funding is added for the 1 FTE position recommended in the executive budget to be paid for from the Development Fund pursuant to a continuing appropriation. This amendment includes the funding and the FTE position in the Department of Commerce budget. The House also made this change.
- 5 This amendment adds \$125,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations. The House also made this change.
- 6 Funding and 1 FTE position are added for operating costs of the American Indian Business Development Office within the Department of Commerce. Sections are added making statutory changes and providing for a report to the Legislative Council relating to the American Indian Business Development Office. The House also made these changes.
- 7 The operating expenses line item is increased by \$500,000 from the Development Fund for costs associated with the International Business and Trade Office. The funds are not transferred from the Development Fund until 50 percent matching funds are available. Sections are added changing statutory provisions relating to the office, including establishing the purpose of the office and authorizing an advisory board. The House also made these changes.
- 8 This amendment adds funding available from a federal technical skills training grant for additional workforce training, the same as the House version.
- 9 This amendment removes funding and related statutory and reporting provisions relating to centers of excellence, the same as the House version.
- 10 The discretionary funds line item is increased by \$10,000 from the general fund for reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.
- 11 The operating expenses line item is increased by \$200,000 of other funds made available from the State Mill and Elevator for the international trade office.
- 12 A section is added appropriating \$225,000, of which \$75,000 is from the agricultural fuel tax fund and \$150,000 is federal funds for the Agricultural Products Utilization Commission to use for an animal identification grant program.

A section is added providing for an economic development incentives study and report to the Legislative Council, the same as the House version.

Sections are added which:

- Create an Office of Renewable Energy in the Community Services Division of the Department of Commerce.
- Reduce the taxable valuation for certain wind turbine electric generators.
- Transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

Sections added by the Senate, but which the House removed relating to the following items, are also removed by the conference committee:



- Changes to the seed capital investment tax credit - Moved to Senate Bill No. 2032.
- Directing a tax study.
- Directing a Legislative Council business climate initiative study - Moved to Senate Bill No. 2032.

The section and funding added by the House to specifically appropriate funding for ethanol production incentives is removed.

The section added by the Senate but which the House removed relating to the Agricultural Products Utilization Commission providing a \$100,000 wheat scab research grant to a private company is included in this amendment, with the \$100,000 subject to approval by the Agricultural Products Utilization Commission.

**Senate Bill No. 2018 - Department of Agriculture - Conference Committee Action**

Sections are added which amend the Agriculture Commissioner's appropriations bill (House Bill No. 1009, as approved) to remove \$150,000 of federal funds for costs associated with animal identification.

**Senate Bill No. 2018 - Transportation Institute - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			<u>\$360,000</u>	<u>\$360,000</u>	<u>\$360,000</u>	
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding is added for conducting a transportation study, the same as the House version.

Engrossed SB 2018 was placed on the Seventh order of business on the calendar.

**REPORT OF CONFERENCE COMMITTEE**

**SB 2018, as engrossed:** Your conference committee (Sens. Grindberg, Heitkamp, Robinson and Reps. Carlson, Skarphol, Glassheim) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 1311-1323, adopt amendments as follows, and place SB 2018 on the Seventh order:

That the House recede from its amendments as printed on pages 1311-1323 of the Senate Journal and pages 1573-1584 of the House Journal and that Engrossed Senate Bill No. 2018 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to provide exemptions; to provide appropriations to various agencies; to authorize the office of management and budget to borrow funds from the Bank of North Dakota; to provide for an unemployment compensation shared work demonstration project; to provide for a transfer from the beginning farmer revolving loan fund; to provide a statement of legislative intent; to create and enact two new sections to chapter 54-34.3, a new section to chapter 54-44.5, and three new sections to chapter 54-60 of the North Dakota Century Code, relating to a division of economic development and finance international business and trade office, a division of economic development and finance local economic developer certification program, creation of an office of renewable energy and energy efficiency within the division of community services, department of commerce target industry requirements, a department of commerce state employee image training program, and a department of commerce business hotline program; to amend and reenact sections 2 and 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, subsection 2 of section 4-14.1-07, sections 4-14.1-08, 4-14.1-09, 4-14.1-10, and 54-34.3-03, subsection 1 of section 54-34.3-06, and sections 57-02-27.3 and 57-51.1-07.2 of the North Dakota Century Code, relating to the agriculture commissioner's appropriation, administration of ethanol production incentives, the structure of the division of economic development and finance, the division of economic development and finance North Dakota American Indian business development office, taxable valuation of wind turbine electric generators, and the permanent oil tax trust fund; to provide for state agency studies and reports to the legislative council; and to provide an effective date.

**BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

**SECTION 1. BASE LEVEL FUNDING INFORMATION.** The amounts identified in this section represent the base level funding component appropriated to the department of commerce in section 3 of this Act as follows:

Salaries and wages	\$6,713,340
Operating expenses	8,237,247
Grants	46,585,026
North Dakota development fund	1,550,000
Agricultural products utilization	2,983,179
Discretionary grants	1,447,127
Lewis and Clark bicentennial	3,851,911
Total all funds - Base level	\$71,367,830
Less estimated income - Base level	52,353,107
Total general fund - Base level	\$19,014,723

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the department of commerce which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$986,030
Operating expenses	1,294,721
Capital assets	25,000
Grants	3,517,844
North Dakota development fund	(1,550,000)
Agricultural products utilization	(192,179)
Discretionary funds	3,000
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	80,733
Total all funds - Adjustments/enhancements	\$4,959,717
Less estimated income - Adjustments/enhancements	<u>4,836,887</u>
Total general fund - Adjustments/enhancements	\$122,830

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of its various divisions for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$7,699,370
Operating expenses	9,531,968
Capital assets	25,000
Grants	50,102,870
Agricultural products utilization	2,791,000
Discretionary funds	1,450,127
Economic development initiatives	644,568
Economic development grants	150,000
Lewis and Clark bicentennial	<u>3,932,644</u>
Total all funds	\$76,327,547
Less estimated income	<u>57,189,994</u>
Total general fund appropriation	\$19,137,553

**SECTION 4. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$150,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of establishing and maintaining procurement information on the internet and for performing the procurement assistance study, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget is authorized one full-time equivalent position.

**SECTION 5. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$50,000, or so much of the sum as may be necessary, to the state board of higher education for the purpose of performing the technology commercialization study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 6. APPROPRIATION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$360,000, or so much of the sum as may be necessary, to the upper great plains transportation institute for the purpose of performing the transportation study provided for in Senate Bill No. 2032, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 7. APPROPRIATION - JOB SERVICE.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$20,000, or so much of the sum as may be necessary, and from other funds to be collected by job service, the sum of \$20,000, or so much of the sum as may be necessary, to job service North Dakota for the purpose of defraying any implementation costs associated with implementing a shared work demonstration project, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 8. JOB SERVICE NORTH DAKOTA - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, job service North Dakota shall develop, implement, and operate a shared work demonstration project to demonstrate the feasibility of providing for a statewide shared work unemployment compensation program. Job service North Dakota shall seek the advice of the unemployment insurance advisory council in developing, implementing, and operating this demonstration project. The demonstration project must:

1. Operate for one selected employer, which must have at least seventy-five employees and must be an experienced-rated employer.
2. Operate in accordance with a specific written agreement between job service North Dakota, the selected employer, and the labor representative of the collective bargaining agreement if a collective bargaining agreement exists.
3. Allow shared work compensation to be paid to employees who, being otherwise eligible for unemployment insurance benefits, have their working hours reduced by the selected employer by at least ten percent but no more than sixty percent.
4. Operate in such a manner that the selected employer's unemployment insurance experience ratings are not compromised.
5. Operate in such a manner that the unemployment trust fund is not so negatively impacted as to result in a greater tax burden to the remainder of the employers contributing to the trust fund.
6. Operate from January 1, 2006, through June 30, 2007, after which the demonstration project must cease.
7. Provide that employees receiving benefits calculated solely under the shared work demonstration project are not subject to the sixty percent weekly earnings disregard provided for under section 52-06-06.

**SECTION 9. LEGISLATIVE COUNCIL STUDY - SHARED WORK DEMONSTRATION PROJECT.** During the 2005-06 interim, the legislative council shall consider studying the implementation by job service North Dakota of a shared work demonstration project. If the legislative council conducts this study, the legislative council shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixtieth legislative assembly.

**SECTION 10. APPROPRIATION.** There is appropriated out of any moneys in the agricultural fuel tax fund in the state treasury, not otherwise appropriated, the sum of \$75,000, or so much of the sum as may be necessary, and from federal funds, the sum of \$150,000, or so much as may be necessary, to the department of commerce for the agricultural products utilization commission for the purpose of an animal identification initiatives grant program to meet national standards for the biennium beginning July 1, 2005, and ending June 30, 2007. The state's administrator of the

animal identification program as provided for in section 36-09-25 shall establish the grant criteria to be used by the agricultural products utilization commission for allocating the grants to auction markets, weighing associations, and feedlots.

**SECTION 11. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - BORROWING AUTHORITY - APPROPRIATION - REPAYMENT FROM PERMANENT OIL TAX TRUST FUND.** As requested by the centers of excellence commission, the office of management and budget shall borrow the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. By June 30, 2007, the office of management and budget shall repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. Repayment may be made from transfers into the permanent oil tax trust fund after a total of \$77,000,000 of oil tax revenues has been received by the general fund during the 2005-07 biennium, including the \$71,000,000 deposited in the general fund in accordance with section 57-51.1-07.2.

**SECTION 12. APPROPRIATION - OFFICE OF MANAGEMENT AND BUDGET - PERMANENT OIL TAX TRUST FUND - LOAN REPAYMENT.** Notwithstanding section 57-51.1-07.2, there is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of \$16,000,000, or so much of the sum as may be necessary, to the office of management and budget for the purpose of repaying the Bank of North Dakota for loans and accrued interest relating to funds borrowed for centers of excellence, for the biennium beginning July 1, 2005, and ending June 30, 2007. The appropriation made under this section is limited to 50 percent or \$16,000,000, whichever is less, of the revenues deposited in the permanent oil tax trust fund that exceed \$6,000,000 for the 2005-07 biennium.

**SECTION 13. CENTERS OF EXCELLENCE - OFFICE OF MANAGEMENT AND BUDGET - CONTINGENT BORROWING AUTHORITY - APPROPRIATION.** As requested by the centers of excellence commission and subject to emergency commission and budget section approval, the office of management and budget shall borrow the sum of \$5,000,000, or so much of the sum as may be necessary, from the Bank of North Dakota, which is appropriated for the purpose of providing funding to centers of excellence as directed by the centers of excellence commission, for the biennium beginning July 1, 2005, and ending June 30, 2007. The office of management and budget shall request funding from the sixtieth legislative assembly to repay any loan obtained pursuant to provisions of this section, including accrued interest, from funds available in the permanent oil tax trust fund. The borrowing authority and appropriation provided for in this section is available only if all other funding provided by the fifty-ninth legislative assembly for centers of excellence has been obligated.

**SECTION 14. LEGISLATIVE INTENT - FUTURE FUNDING FOR CENTERS OF EXCELLENCE.** It is the intent of the fifty-ninth legislative assembly that the centers of excellence program be a continuing program for economic development in North Dakota and that the legislative assembly intends to make available an additional \$30,000,000 for centers of excellence in future bienniums using similar funding mechanisms which will provide a total of \$50,000,000 for centers of excellence.

**SECTION 15. AGRICULTURE FUEL TAX REFUNDS.** The less estimated income line item in section 3 of this Act includes \$575,000 from refunds of tax for fuel used for agricultural purposes, to be used by the agricultural products utilization commission, for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 16. TRANSFER.** During the biennium beginning July 1, 2005, and ending June 30, 2007, the director of the office of management and budget and the state treasurer shall transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

**SECTION 17. EXEMPTION.** The funds appropriated in the agricultural products utilization line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 18. EXEMPTION.** The funds appropriated in the discretionary funds line item in section 3 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2007, and ending June 30, 2009.

**SECTION 19. ECONOMIC DEVELOPMENT INITIATIVES.** The economic development initiatives line item in section 3 of this Act includes \$394,568 from the general fund and \$250,000 of special funds raised by the department of commerce for the following economic development initiatives recommended by the primary sector business congress for the biennium beginning July 1, 2005, and ending June 30, 2007:

- Target industry identification and report
- Image information program
- Business hotline program
- Local economic developer certification and training program
- Dakota manufacturing initiative
- Intellectual property rights study and report
- Economic development incentives study and report
- Business climate initiative study

**SECTION 20. LIFE SCIENCES SECTOR DEVELOPMENT GRANT.** The department of commerce shall provide a \$100,000 grant from funds appropriated in the economic development grants line item in section 3 of this Act to an economic development corporation in the Red River valley research corridor by June 30, 2006, to increase opportunities in the state for expanded research and business development in the life sciences sector for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 21. RURAL DEVELOPMENT COUNCIL GRANT - BUDGET SECTION REPORT.** The department of commerce shall provide a grant of up to \$50,000 from the funds appropriated in the economic development grants line item in section 3 of this Act to the rural development council for the purpose of matching federal funds for the biennium beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 22. WHEAT SCAB RESEARCH GRANT - AGRICULTURAL PRODUCTS UTILIZATION COMMISSION.** Upon receipt, review, and approval of an application for grant funding that meets the provisions of House Bill No. 1519, as approved by the fifty-ninth legislative assembly, from a private company within the state doing research on sensor technology for the purpose of obtaining more detailed environmental data relating to wheat scab disease and to improve the management of the disease, the agricultural products utilization commission shall provide a grant to this company of \$100,000 from its funding available for the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 23. LEWIS AND CLARK BICENTENNIAL - ADDITIONAL SALES TAX ON LODGING.** The Lewis and Clark bicentennial line item in section 3 of this Act includes \$3,041,511, or such lesser amount as is generated from the separate and additional tax imposed under section 57-39.2-03.8 or 57-39.7-01 of the North Dakota Century Code.

**SECTION 24. STATE TAX COMMISSIONER - AUDIT OF ETHANOL PRODUCTION INCENTIVE PROGRAM.** The state tax commissioner shall conduct an audit of the ethanol production incentive program during the biennium beginning July 1, 2005, and ending June 30, 2007.

**SECTION 25. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING - BUDGET SECTION REPORT.** An amount up to \$400,000 from the general fund in section 3 of this Act must be made available through a grant to the Red River valley research corridor for the purpose of matching federal funds. The funds are available for the period beginning July 1, 2005, and ending June 30, 2007. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 26. CENTER FOR TECHNOLOGY - BUDGET SECTION REPORT.** An amount up to \$50,000 from the general fund in section 3 of this Act must be made available through a grant to the North Dakota center for technology program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 27. PARTNERS IN MARKETING - BUDGET SECTION REPORT.** An amount up to \$250,000 from the general fund in section 3 of this Act must be made available for grants in the partners in marketing grant program. The department of commerce shall report to the budget section after July 1, 2006, on the use of this funding.

**SECTION 28. NORTH DAKOTA DEVELOPMENT FUND - INTERNATIONAL BUSINESS AND TRADE OFFICE.** Notwithstanding chapter 10-30.5, during the 2005-07 biennium the North Dakota development fund shall provide the division of economic development and finance with grant funds of up to \$500,000 for the purpose of funding the international business and trade office. The North Dakota development fund shall distribute funds to the division of economic development and finance upon proof of the division securing one dollar of matching funds from other public or private sources for every two dollars from the development fund.

**SECTION 29. AMENDMENT.** Subsection 2 of section 4-14.1-07 of the North Dakota Century Code is amended and reenacted as follows:

2. The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall determine the amount of production incentives to which a plant is entitled under this section by multiplying the number of gallons of ethanol produced by the plant and marketed to a distributor or wholesaler by forty cents. The ~~commission~~ office shall forward the production incentives to the plant upon receipt of an affidavit by the plant indicating that the ethanol is to be sold at retail to consumers. The affidavit must be accompanied by an affidavit from a wholesaler or retailer indicating that the ethanol is to be sold at retail to consumers. Within ninety days after the conclusion of the plant's fiscal year, the plant shall submit to the budget section of the legislative council a statement by a certified public accountant indicating whether the plant produced a profit from its operation in the preceding fiscal year, after deducting the payments received under this section.

**SECTION 30. AMENDMENT.** Section 4-14.1-08 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-08. Ethanol production Incentive - Calculation - Payment.**

~~The agricultural products utilization commission~~ office of renewable energy and energy efficiency shall provide quarterly to each eligible facility a production incentive based on the average North Dakota price per bushel of corn received by farmers during the quarter, as established by the North Dakota agricultural statistics service and the average North Dakota rack price per gallon [3.79 liters] of ethanol during the quarter, as compiled by the American coalition for ethanol. The amount payable as a production incentive must be calculated by including the sum arrived at under subsection 1 with the sum arrived at under subsection 2.

1. a. If the average quarterly price per bushel of corn is above one dollar and eighty cents, for each one cent by which the quarterly price is above one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
  - b. If the average quarterly price per bushel of corn is one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add zero to any amount payable under this section.
  - c. If the average quarterly price per bushel of corn is below one dollar and eighty cents, for each one cent by which the quarterly price is below one dollar and eighty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section one-tenth of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
2. a. If the average quarterly rack price per gallon of ethanol is above one dollar and thirty cents, for each one cent by which the average quarterly rack price is above one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract from the amount payable under this section, two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.
  - b. If the average quarterly rack price per gallon of ethanol is one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall subtract zero from any amount payable under this section.
  - c. If the average quarterly rack price per gallon of ethanol is below one dollar and thirty cents, for each one cent by which the average quarterly rack price is below one dollar and thirty cents, the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency shall add to the amount payable under this section two-tenths of one cent times the number of gallons of ethanol produced by the eligible facility during the quarter.



**SECTION 31. AMENDMENT.** Section 4-14.1-09 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-09. Subsidy limitations.** The ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency may not distribute more than one million six hundred thousand dollars annually in payments under section 4-14.1-08. No eligible facility may receive state ethanol payments that exceed a cumulative total of ten million dollars. Change in ownership of an eligible facility does not affect the ten million dollar cumulative total allowed to be paid to that eligible facility under this section.

**SECTION 32. AMENDMENT.** Section 4-14.1-10 of the North Dakota Century Code is amended and reenacted as follows:

**4-14.1-10. Ethanol production incentive fund - Continuing appropriation.** There is created in the state treasury a special fund known as the ethanol production incentive fund. The fund consists of transfers made in accordance with section 39-04-39 and deposits made in accordance with section 57-43.1-03.1. All moneys in the fund are appropriated on a continuing basis to the ~~agricultural products utilization commission~~ office of renewable energy and energy efficiency for use in paying ethanol production incentives under sections 4-14.1-07, 4-14.1-08, and 4-14.1-09.

**SECTION 33. AMENDMENT.** Section 2 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:

**SECTION 2. FUNDING ADJUSTMENTS OR ENHANCEMENTS INFORMATION.** The amounts identified in this section represent the funding adjustments or enhancements to the base funding level for the agriculture commissioner which are included in the appropriation in section 3 of this Act as follows:

Salaries and wages	\$1,243,403
Operating expenses	896,050
Capital assets	(3,000)
Grants	1,674,225
Board of animal health	<del>1,309,224</del> 1,159,224
Contingent appropriation - Wildlife services	130,000
State meat inspection	(763,461)
Pride of Dakota	(180,948)
Wildlife services	(800,000)
Safe send	(308,870)
Noxious weeds	(1,596,836)
Agriculture in the classroom	(45,000)
Total all funds - Adjustments/enhancements	<del>\$1,554,847</del> \$1,404,847
Less estimated income - Adjustments/enhancements	<del>1,294,916</del> 1,144,916
Total general fund - Adjustments/enhancements	\$259,931

**SECTION 34. AMENDMENT.** Section 3 of House Bill No. 1009, as approved by the fifty-ninth legislative assembly, is amended and reenacted as follows:

**SECTION 3. APPROPRIATION.** The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the agriculture commissioner for the purpose of defraying the expenses of that agency, for the biennium beginning July 1, 2005, and ending June 30, 2007, as follows:

Salaries and wages	\$5,738,433
Operating expenses	4,255,875

Capital assets		5,000
Grants		1,774,225
Board of animal health	2,178,688	<u>2,028,688</u>
Contingent appropriation - Wildlife services		130,000
Crop harmonization board		<u>25,000</u>
Total all funds	\$14,107,221	\$13,957,221
Less estimated income	<del>9,613,765</del>	<u>9,463,765</u>
Total general fund appropriation		\$4,493,456

**SECTION 35. AMENDMENT.** Section 54-34.3-03 of the North Dakota Century Code is amended and reenacted as follows:

**54-34.3-03. Division structure.** The division consists of:

1. A finance office;
2. An international business and trade office; ~~and~~
3. ~~Other offices that~~ Offices established by statute; and
4. Offices the director organizes and establishes as necessary to carry out most efficiently and effectively the mission and duties of the division.

**SECTION 36. AMENDMENT.** Subsection 1 of section 54-34.3-06 of the North Dakota Century Code is amended and reenacted as follows:

1. A North Dakota American Indian business development office to assist North Dakota American Indian tribal and individual economic development representatives, businesses, and ~~North Dakota American Indian~~ entrepreneurs with access to state and federal programs designed to assist them these business interests. The office shall provide services to assist in the formation of partnerships between American Indian and non-American Indian businesses.

**SECTION 37.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

International business and trade office - Advisory board.

1. The director shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets by:
  - a. Advocating for exporters;
  - b. Offering export educational opportunities to North Dakota businesses;
  - c. Researching and raising awareness of export opportunities, issues, and challenges impacting North Dakota businesses;
  - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; and
  - e. Organizing and carrying out trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.

2. The director may contract with a third party for the provision of services for the international business and trade office. If the director contracts with a third party under this subsection, all data and data bases collected and created by the third party in performing services for the office are the property of the department and the third party.
3. The division may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the office of international business and trade.
4. The director may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents, and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

**SECTION 38.** A new section to chapter 54-34.3 of the North Dakota Century Code is created and enacted as follows:

Local economic developer certification program. The director shall implement a certification program through which the division provides training to assist local economic developers in meeting the needs of businesses. The director may contract with a third-party service provider to assist in implementing the program. The director may set and charge a fee for the receipt of services under this program.

**SECTION 39.** A new section to chapter 54-44.5 of the North Dakota Century Code is created and enacted as follows:

Office of renewable energy and energy efficiency. The office of renewable energy and energy efficiency is established within the division of community services. The office shall assist in the development of renewable energy within this state to provide secure, diverse, sustainable, and competitive renewable energy supplies and promote the conservation of energy and the wise use of energy resources in both the public and private sectors. The office shall communicate and disseminate information concerning state and federal energy conservation and renewable energy incentives, including tax credits, financing and grants to business entities seeking to invest in wind-generated power and transmission, ethanol production and distribution; and the development of biodiesel, biomass, solar, hydropower, geothermal, and other renewable energy sources. The office shall also manage and distribute all production incentive payments as authorized by chapter 4-14.1.

**SECTION 40.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Target industries - Report to legislative council. The commissioner shall identify target industries on which the commissioner shall focus economic development efforts. The commissioner shall designate one of these target industries as a special focus target industry. In identifying and updating target industries, the commissioner shall solicit the advice of the foundation and the North Dakota university system. The commissioner may contract for the services of a third party in identifying target industries. The commissioner shall report biennially to the legislative council. This

report must include information regarding the process used and factors considered in identifying and updating the target industries, the specific tactics the department has used to specifically address the needs of the target industries, the unique tactics and the specific incentives the department has used to support the growth of the special focus target industry, and any recommended legislative changes necessary to better focus economic development services on these industries.

**SECTION 41.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

North Dakota image information program. The commissioner shall implement a program for use by state agencies to assist state agencies and state agencies' employees to present to the public a positive image of the state. The commissioner may expand the program to include use of the program by the private sector.

**SECTION 42.** A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Business hotline. The commissioner shall create and implement a business hotline program. The program must provide for a telephone number through which the department shall provide, during regular business hours, in-state and out-of-state callers with information regarding how to do business in the state, the services and assistance available to businesses, the advantages of doing business in the state, and information on state and other resources that provide assistance to businesses in the state. In addition to directly providing information, the department may use the business hotline as a clearinghouse through which to refer callers to other federal, state, local, or private sector economic developers. The program must include an in-state and out-of-state marketing campaign in support of the program. The commissioner shall follow up on business leads gained through the program and shall gather data on the results of calls, including business expansion, location, and startup.

**SECTION 43. AMENDMENT.** Section 57-02-27.3 of the North Dakota Century Code is amended and reenacted as follows:

**57-02-27.3. Taxable valuation of centrally assessed wind turbine electric generators.** A centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, on which construction is completed before January 1, 2011, must be valued at three percent of assessed value to determine taxable valuation of the property. However, a centrally assessed wind turbine electric generation unit with a nameplate generation capacity of one hundred kilowatts or more, for which a purchased power agreement has been executed after April 30, 2005, and before January 1, 2006, and construction is begun after April 30, 2005, and before July 1, 2006, must be valued at one and one-half percent of assessed value to determine taxable valuation of the property and this reduced valuation applies for that property for the duration of the initial purchased power agreement for that generation unit.

**SECTION 44. AMENDMENT.** Section 57-51.1-07.2 of the North Dakota Century Code is amended and reenacted as follows:

**57-51.1-07.2. Permanent oil tax trust fund - Deposits - Interest - Adjustment of distribution formula.** ~~At the end of any biennium beginning after June 30, 1997, all~~ All revenue deposited in the general fund during ~~that a~~ a biennium and derived from taxes imposed on oil and gas under chapters 57-51 and 57-51.1 which exceeds seventy-one million dollars must be transferred by the state treasurer to a special fund in the state treasury known as the permanent oil tax trust fund. The state treasurer shall transfer interest earnings of the permanent oil tax trust fund to the

general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may not be expended except upon a two-thirds vote of the members elected to each house of the legislative assembly.

If the distribution formulas under chapter 57-51 or 57-51.1 are amended effective after June 30, 1997, the director of the budget shall adjust the seventy-one million dollar amount in this section by the same percentage increase or decrease in the amount of revenue allocable to the general fund after the change in the allocation formula, and transfers to the permanent oil tax trust fund shall thereafter be made using that adjusted figure so that the dollar amount of the transfers to the permanent oil tax trust fund is not increased or decreased merely because of changes in the distribution formulas.

~~Notwithstanding section 54-27.2-02, the state treasurer shall make the transfers required by this section before calculating any general fund revenue balance available for transfer to the budget stabilization fund under chapter 54-27.2. In this section, "at the end of any biennium" has the same meaning as in section 54-27.2-02.~~

**SECTION 45. DAKOTA MANUFACTURING INITIATIVE.** The department of commerce shall seek to contract with the Dakota manufacturing extension partnership, incorporated, to implement the Dakota manufacturing initiative. The initiative includes building a membership association of manufacturers in North Dakota and South Dakota, complementing existing national, regional, and local manufacturing entities; providing nonduplicative services to the association's manufacturing members which address critical needs, including identifying and developing private procurement opportunities; and developing a consortium of major manufacturers in North Dakota and South Dakota to design and support overall supply chain development and supplier development. Under the initiative, state funds must be leveraged with additional public and private funds, which may include federal funding sources, South Dakota state funding, and funding from manufacturers.

**SECTION 46. NORTH DAKOTA AMERICAN INDIAN BUSINESS DEVELOPMENT OFFICE AND INTERNATIONAL BUSINESS AND TRADE OFFICE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the North Dakota American Indian business development office and the status of the international business and trade office; whether the North Dakota American Indian business development office and international business and trade office should continue; whether the division of economic development and finance should continue to contract with a third party for international business and trade office services; and whether there are potential changes that could be made to enhance the support of American Indian businesses and to enhance the support of international trade by North Dakota businesses.

**SECTION 47. LOCAL ECONOMIC DEVELOPERS CERTIFICATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the certification program through which the division of economic development and finance provides training services to local economic developers. The report must include information regarding what services have been provided under the program to assist local economic developers, to whom the services were provided, local economic developer level of satisfaction with the program, whether the program should continue, and whether there are changes that could be made to better assist local economic developers.

**SECTION 48. IMAGE INFORMATION PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce

shall report to the legislative council on the status of the image information program. The report must include information regarding what information the program provides to state agencies and state agencies' employees, the manner in which the information is provided, the state agencies reached through the program, whether the program has been expanded to provide information to the private sector, whether the program should continue, and whether there are potential changes that could be made to better enhance the state's and private sector's ability to present a positive image of the state.

**SECTION 49. BUSINESS HOTLINE PROGRAM - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the business hotline program. This report must include information regarding what information the program provides to callers; the number of calls made to the business hotline number; the manner in which the information is provided to callers; followup data; how the program is marketed; whether the program should continue; and whether there are potential changes that could be made to improve the dissemination of business information to businesses in the state, to persons planning on starting a business in the state, and to businesses wishing to do business in the state.

**SECTION 50. DAKOTA MANUFACTURING INITIATIVE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the commissioner of commerce shall report to the legislative council on the status of the Dakota manufacturing initiative. This report must include information regarding how the initiative has been established and regarding the activities of the Dakota manufacturing extension partnership, incorporated. The commissioner shall include in the report whether the state should continue this initiative or whether the goal of assisting manufacturers would be better served by alternative means. The commissioner shall report whether there are potential changes that could be made to improve the networking of manufacturing businesses and other suppliers in this state.

**SECTION 51. INTELLECTUAL PROPERTY RIGHTS STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce, in consultation with the state board of higher education, shall conduct a study of the state's intellectual property laws as they relate to the protection of intellectual property rights. The study must include a review of the state's intellectual property laws, including barriers that may inhibit research and development in the state, and must include consideration of successful actions taken by other states to improve the protection of intellectual property rights. The department shall contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommendations to improve the protection of intellectual property rights.

**SECTION 52. ECONOMIC DEVELOPMENT INCENTIVES STUDY - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the department of commerce shall conduct a study of the state's economic development incentives. The study must include an inventory of all of the state's economic development incentives, a review of the nature of each incentive, an indication of the targeted class of recipients of each incentive, an indication of the stage of business targeted by each incentive, an analysis of possible barriers to using the incentives, an analysis of possible gaps and overlaps in the state's economic development incentive system, a review of the effectiveness of each incentive and how to gauge the effectiveness of each incentive, and a review of economic development incentive best practices and how the state's incentives compare to best practices. The department of commerce may contract with a third party in performing this study. Before July 1, 2006, the commissioner of commerce shall report to the legislative council the outcome of the study and identify proposed legislative changes necessary to implement any recommended changes to

the state's economic development incentive system to make the state's business environment more effective, efficient, and competitive.

**SECTION 53. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2005-06 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life:
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per months.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.

- d. New private sector businesses in business services.
- e. Number of utility patents per one hundred thousand residents.
- 6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 54. EFFECTIVE DATE.** Section 43 of this Act is effective for taxable years beginning after December 31, 2004."

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**Senate Bill No. 2018 - Summary of Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
<b>Office of Management and Budget</b>						
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			36,000,000	36,000,000	31,000,000	5,000,000
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
<b>University System office</b>						
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
<b>Job Service North Dakota</b>						
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			20,000	20,000		20,000
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000
<b>Department of Commerce</b>						
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	105,432,496	55,423,044	1,991,950	57,414,994	60,274,994	(2,860,000)
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
<b>Department of Agriculture</b>						
Total all funds	\$0	\$0	\$0	\$0	\$0	\$0
Less estimated income						
General fund	\$0	\$0	\$0	\$0	\$0	\$0
<b>Transportation Institute</b>						
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
<b>Bill Total</b>						
Total all funds	\$128,561,660	\$76,541,020	\$36,611,527	\$113,152,547	\$110,937,547	\$2,215,000
Less estimated income	105,432,496	55,423,044	38,011,950	93,434,994	91,274,994	2,160,000
General fund	\$23,129,164	\$21,117,976	(\$1,400,423)	\$19,717,553	\$19,662,553	\$55,000



**Senate Bill No. 2018 - Office of Management and Budget - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses		\$50,000	\$100,000	\$150,000	\$150,000	
Centers of excellence			15,000,000	15,000,000	15,000,000	
Loan repayments			16,000,000	16,000,000	16,000,000	
Centers of excellence - contingency			5,000,000	5,000,000		\$5,000,000
Total all funds	\$0	\$50,000	\$36,100,000	\$36,150,000	\$31,150,000	\$5,000,000
Less estimated income			<u>36,000,000</u>	<u>36,000,000</u>	<u>31,000,000</u>	<u>5,000,000</u>
General fund	\$0	\$50,000	\$100,000	\$150,000	\$150,000	\$0
FTE	0.00	0.00	1.00	1.00	1.00	0.00

**Dept. 110 - Office of Management and Budget - Detail of Conference Committee Changes**

	ADDS FUNDING FOR PROCUREMENT WEB SITE <sup>1</sup>	ADDS CENTERS OF EXCELLENCE FUNDING <sup>2</sup>	ADDS CONTINGENT CENTERS OF EXCELLENCE FUNDING <sup>3</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Operating expenses	\$100,000			\$100,000
Centers of excellence		\$15,000,000		15,000,000
Loan repayments		16,000,000		16,000,000
Centers of excellence - contingency			\$5,000,000	5,000,000
Total all funds	\$100,000	\$31,000,000	\$5,000,000	\$36,100,000
Less estimated income		<u>31,000,000</u>	<u>5,000,000</u>	<u>36,000,000</u>
General fund	\$100,000	\$0	\$0	\$100,000
FTE	1.00	0.00	0.00	1.00

<sup>1</sup> Funding is increased by \$100,000 from the general fund to provide a total of \$150,000 for the Office of Management and Budget to establish and maintain a state procurement web site. Statutory changes added by the Senate relating to state procurement are removed. The House also made these changes.

<sup>2</sup> Sections are added providing funding for the centers of excellence program. The Office of Management and Budget is authorized to borrow up to \$15,000,000 from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. The loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77,000,000 of oil tax revenues has been received by the general fund, of which \$71,000,000 will be retained in the general fund and \$6,000,000 transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6,000,000 are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loans and interest, the total of which may not exceed \$16,000,000. A section is added providing that transfers from the general fund to the permanent oil tax trust fund may occur before the end of each biennium. The House also made these changes.

A section of legislative intent is added providing that the Legislative Assembly intends to provide a total of \$50,000,000 for centers of excellence during the 2005-07 and future bienniums, the same as the House version.

<sup>3</sup> A section is added authorizing an additional \$5 million of Bank of North Dakota loan proceeds to be used for centers of excellence grants if the \$15 million is not adequate for the 2005-07 biennium. The Office of Management and Budget must receive Emergency Commission and Budget Section approval before borrowing any of this \$5 million.

**Senate Bill No. 2018 - University System Office - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			\$50,000	\$50,000	\$50,000	
Total all funds	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
Less estimated income						
General fund	\$0	\$0	\$50,000	\$50,000	\$50,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding is provided for conducting a technology commercialization study, the same as the House version.

**Senate Bill No. 2018 - Job Service North Dakota - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			<u>\$40,000</u>	<u>\$40,000</u>		<u>\$40,000</u>
Total all funds	\$0	\$0	\$40,000	\$40,000	\$0	\$40,000
Less estimated income			<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
General fund	\$0	\$0	\$20,000	\$20,000	\$0	\$20,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Sections are added requiring Job Service to develop and implement a shared work demonstration project, appropriating \$40,000, of which \$20,000 is from the general fund and \$20,000 of funds to be collected by Job Service, and providing for a Legislative Council study regarding the project.

**Senate Bill No. 2018 - Department of Commerce - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Salaries and wages	\$7,169,321	\$7,139,998	\$559,372	\$7,699,370	\$7,699,370	
Operating expenses	8,722,128	8,722,128	809,840	9,531,968	9,331,968	\$200,000
Capital assets	25,000	25,000		25,000	25,000	
Grants	49,479,748	49,479,748	623,122	50,102,870	50,102,870	
Centers of excellence	5,000,000	2,500,000	(2,500,000)			
Agricultural products utilization	2,792,124	2,791,250	(250)	2,791,000	6,076,000	(3,285,000)
Discretionary funds	1,440,127	1,900,127	(450,000)	1,450,127	1,440,127	10,000
Lewis and Clark Bicentennial	3,933,212	3,932,769	(125)	3,932,644	3,932,644	
Centers of excellence - Borrowing	50,000,000					
Economic development grants			150,000	150,000	125,000	25,000
Economic development initiatives			644,568	644,568	644,568	
APUC - Animal identification grants			225,000	225,000		225,000
Total all funds	\$128,561,660	\$76,491,020	\$61,527	\$76,552,547	\$79,377,547	(\$2,825,000)
Less estimated income	<u>105,432,496</u>	<u>55,423,044</u>	<u>1,991,950</u>	<u>57,414,994</u>	<u>60,274,994</u>	<u>(2,860,000)</u>
General fund	\$23,129,164	\$21,067,976	(\$1,930,423)	\$19,137,553	\$19,102,553	\$35,000
FTE	59.00	59.00	3.00	62.00	62.00	0.00

**Dept. 601 - Department of Commerce - Detail of Conference Committee Changes**

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE	CHANGES FUNDING FOR ECONOMIC INITIATIVES <sup>1</sup>	CHANGES FUNDING FOR ECONOMIC GRANTS <sup>2</sup>	ADDS FUNDING FOR SALARIES <sup>3</sup>	ADDS FUNDING FOR DEVELOPMENT FUND FTE <sup>4</sup>	ADDS FUNDING FOR LEARNING VACATIONS <sup>5</sup>
Salaries and wages	(\$6,364)	\$105,432		\$120,000	\$118,994	\$80,000
Operating expenses						45,000
Capital assets						
Grants						
Centers of excellence						
Agricultural products utilization	(250)					
Discretionary funds		(460,000)				
Lewis and Clark Bicentennial	(125)					
Centers of excellence - Borrowing						
Economic development grants			\$150,000			
Economic development initiatives		644,568				
APUC - Animal identification grants						
Total all funds	(\$6,739)	\$290,000	\$150,000	\$120,000	\$118,994	\$125,000

**REPORT OF CONFERENCE COMMITTEE (420)**  
**April 22, 2005 9:57 p.m.**

**Module No: SR-75-8660**

**Insert LC: 58018.0228**

Less estimated income	<u>(2,044)</u>	<u>250,000</u>			<u>118,994</u>	
General fund	(\$4,695)	\$40,000	\$150,000	\$120,000	\$0	\$125,000
FTE	0.00	1.00	0.00	0.00	0.00	1.00
	ADDS FUNDING FOR INDIAN BUSINESS DEVELOPMENT <sup>6</sup>	ADDS FUNDING FOR TRADE OFFICE <sup>7</sup>	ADDS FUNDING FOR WORKFORCE DEVELOPMENT <sup>8</sup>	REMOVES FUNDING FOR CENTERS OF EXCELLENCE <sup>9</sup>	ADDS FUNDING FOR VISITOR RESCUES <sup>10</sup>	ADDS ADDITIONAL FUNDING FOR TRADE OFFICE <sup>11</sup>
Salaries and wages	\$105,432		\$35,878			
Operating expenses	23,840	\$500,000	41,000			\$200,000
Capital assets						
Grants			623,122			
Centers of excellence				(\$2,500,000)		
Agricultural products utilization						
Discretionary funds Lewis and Clark Bicentennial					\$10,000	
Centers of excellence - Borrowing						
Economic development grants						
Economic development initiatives						
APUC - Animal identification grants						
Total all funds	<u>\$129,272</u>	<u>\$500,000</u>	<u>\$700,000</u>	<u>(\$2,500,000)</u>	<u>\$10,000</u>	<u>\$200,000</u>
Less estimated income		<u>500,000</u>	<u>700,000</u>			<u>200,000</u>
General fund	<u>\$129,272</u>	<u>\$0</u>	<u>\$0</u>	<u>(\$2,500,000)</u>	<u>\$10,000</u>	<u>\$0</u>
FTE	1.00	0.00	0.00	0.00	0.00	0.00
	ADDS ANIMAL IDENTIFICATION GRANTS <sup>12</sup>	TOTAL CONFERENCE COMMITTEE CHANGES				
Salaries and wages		\$559,372				
Operating expenses		809,840				
Capital assets						
Grants		623,122				
Centers of excellence		(2,500,000)				
Agricultural products utilization		(250)				
Discretionary funds Lewis and Clark Bicentennial		(450,000)				
Centers of excellence - Borrowing		(125)				
Economic development grants		150,000				
Economic development initiatives		644,568				
APUC - Animal identification grants	<u>\$225,000</u>	<u>225,000</u>				
Total all funds	<u>\$225,000</u>	<u>\$61,527</u>				
Less estimated income	<u>225,000</u>	<u>1,991,950</u>				
General fund	<u>\$0</u>	<u>(\$1,930,423)</u>				
FTE	0.00	3.00				

<sup>1</sup> A total of \$750,000, of which \$500,000 is from the general fund and \$250,000 from funds to be raised by the department, is provided for the economic development initiatives listed below which were recommended by the Primary Sector Business Congress. The funding is increased from the \$460,000 provided by the Senate. Funding from the general fund for 1 FTE position is included in the salaries and wages line item and the remainder is included in a separate line item. The Senate had included funding in the discretionary funds line item and specified amounts for each initiative. In this amendment, specific amounts are not identified for each initiative. These changes are the same as the House version.

- Target industry identification and report.
- Image information program.
- Business hotline program.
- Local economic developer certification and training program.

- Dakota manufacturing initiative.
  - Intellectual property rights study and report.
  - Economic development incentives study and report.
  - Business climate initiative study.
- 2 A separate line item is added providing funding from the general fund for the life sciences sector development grant (\$100,000), the same as the House version. The Senate had designated funding from the discretionary funds line item for this grant. Funding of \$50,000 from the general fund is included in this line item and a section is added directing the department to provide a grant to the Rural Development Council. The funding of \$25,000 from the general fund included in both the Senate and House versions for a wind-to-hydrogen demonstration project grant is removed.
- 3 The salaries and wages line item is increased by \$120,000 from the general fund to provide funding for a vacant FTE position, the same as the House version.
- 4 Funding is added for the 1 FTE position recommended in the executive budget to be paid for from the Development Fund pursuant to a continuing appropriation. This amendment includes the funding and the FTE position in the Department of Commerce budget. The House also made this change.
- 5 This amendment adds \$125,000 from the general fund and 1 FTE position for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations. The House also made this change.
- 6 Funding and 1 FTE position are added for operating costs of the American Indian Business Development Office within the Department of Commerce. Sections are added making statutory changes and providing for a report to the Legislative Council relating to the American Indian Business Development Office. The House also made these changes.
- 7 The operating expenses line item is increased by \$500,000 from the Development Fund for costs associated with the International Business and Trade Office. The funds are not transferred from the Development Fund until 50 percent matching funds are available. Sections are added changing statutory provisions relating to the office, including establishing the purpose of the office and authorizing an advisory board. The House also made these changes.
- 8 This amendment adds funding available from a federal technical skills training grant for additional workforce training, the same as the House version.
- 9 This amendment removes funding and related statutory and reporting provisions relating to centers of excellence, the same as the House version.
- 10 The discretionary funds line item is increased by \$10,000 from the general fund for reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.
- 11 The operating expenses line item is increased by \$200,000 of other funds made available from the State Mill and Elevator for the international trade office.
- 12 A section is added appropriating \$225,000, of which \$75,000 is from the agricultural fuel tax fund and \$150,000 is federal funds for the Agricultural Products Utilization Commission to use for an animal identification grant program.

**A section is added providing for an economic development incentives study and report to the Legislative Council, the same as the House version.**

**Sections are added which:**

- Create an Office of Renewable Energy in the Community Services Division of the Department of Commerce.
- Reduce the taxable valuation for certain wind turbine electric generators.
- Transfer \$425,000 from the beginning farmer revolving loan fund to the agricultural fuel tax fund.

**Sections added by the Senate, but which the House removed relating to the following items, are also removed by the conference committee:**

- Changes to the seed capital investment tax credit - Moved to Senate Bill No. 2032.
- Directing a tax study.
- Directing a Legislative Council business climate initiative study - Moved to Senate Bill No. 2032.

The section and funding added by the House to specifically appropriate funding for ethanol production incentives is removed.

The section added by the Senate but which the House removed relating to the Agricultural Products Utilization Commission providing a \$100,000 wheat scab research grant to a private company is included in this amendment, with the \$100,000 subject to approval by the Agricultural Products Utilization Commission.

**Senate Bill No. 2018 - Department of Agriculture - Conference Committee Action**

Sections are added which amend the Agriculture Commissioner's appropriations bill (House Bill No. 1009, as approved) to remove \$150,000 of federal funds for costs associated with animal identification.

**Senate Bill No. 2018 - Transportation Institute - Conference Committee Action**

	EXECUTIVE BUDGET	SENATE VERSION	CONFERENCE COMMITTEE CHANGES <sup>1</sup>	CONFERENCE COMMITTEE VERSION	HOUSE VERSION	COMPARISON TO HOUSE
Operating expenses			<u>\$360,000</u>	<u>\$360,000</u>	<u>\$360,000</u>	
Total all funds	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
Less estimated income						
General fund	\$0	\$0	\$360,000	\$360,000	\$360,000	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> Funding is added for conducting a transportation study, the same as the House version.

Engrossed SB 2018 was placed on the Seventh order of business on the calendar.

2005 TESTIMONY

SB 2013

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018  
JANUARY 10, 2005, 1:30 P.M.  
SENATE APPROPRIATIONS COMMITTEE  
HARVEST ROOM  
SENATOR RAY HOLMBERG, CHAIRMAN

LEE PETERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE

Introduction

Mr. Chairman and members of the committee, good afternoon. I am Lee Peterson, Commissioner of the North Dakota Department of Commerce and I am here before your committee today in support in SB 2018, the 2005-07 budget for the Department of Commerce.

Before I begin this afternoon, please allow me to introduce the department's division directors:

- Paul Govig – Director of the Division of Community Services – is unable to be here today. Richard Gray, Program Manager within the division, will represent the Division of Community Services.
- Linda Butts – Director of the Division of Economic Development & Finance
- Sara Otte Coleman – Director of the Division of Tourism
- Jim Hirsch – Director of the Division of Workforce Development – is unable to be here today. Al Lukes, chairman of the North Dakota Workforce Development Council, will represent the Workforce Development Division.

Each of these individuals will provide testimony about the great work we are accomplishing every day to help diversify and grow our North Dakota economy, train and educate our workforce, grow both our tourism industry and our primary sector businesses and provide assistance to our low-to-moderate income families. They will tell you how we're improving the quality of life for all of the people of North Dakota.

Also here representing the North Dakota Economic Development Foundation will be Martin White, the chairman, and Mark Nisbet, chairman of Centers of Excellence Joint Committee. The Foundation is composed of private sector leaders and provides us with direction in a variety of ways:

1. To create and manage a statewide strategic plan for economic development
2. To provide direction for economic development activities
3. To provide a strategic plan for Value-Added Agriculture
4. Private-sector fundraising

Four years ago, we began to fundamentally change the way North Dakota carries out economic development. You enacted legislation to create the Department of Commerce to marshal all our state's resources into one common effort and goal.

We partner with the private sector and work closely with local and regional developers across North Dakota. Martin and Mark will both speak to our partnerships with the private sector. Our partners are many and varied, including local convention and visitors bureaus, private businesses, local community action agencies, city and county governments, volunteer and professional developers and our colleges and universities.

Before turning it over to our division directors this afternoon, let me take you through our presentation and the materials you have before you. At the top of your packet you will find an agenda of our presentation showing the order of presenters. As you will see, each presenter corresponds to an appendix that includes his or her testimony and any additional supporting documents and other materials. Some of us will be using PowerPoint during our hearing today and copies of those slides are included within the appropriate appendices as well. Any written testimony from our guest presenters will be provided separately.

Please take note that in Appendix A you will find information concerning three continuing appropriations utilized by the Department of Commerce. The information is required to be provided to you as a part of our budget hearing today, according to Section 34 of Senate Bill No. 2015 (2003). The three continuing appropriations are related to:

- Ethanol Production Incentive
- Jobs Opportunities Internet Web Site
- North Dakota Development Fund

By working together with all of our partners, we continue to make good things happen in North Dakota. As you hear some of those success stories from the division directors today, I hope that you will come to better understand the good things that are happening all across our state and recognize the importance in approving the department's budget.

I will now introduce the additional presenters as they provide their specific testimony:

- Rich Gray – Division of Community Services
- Linda Butts – Division of Economic Development & Finance
- Sara Otte Coleman – Division of Tourism
- Al Lukes – Division of Workforce Development
- Martin White – North Dakota Economic Development Foundation, Chairman
- Mark Nisbet – North Dakota Economic Development Foundation, Centers of Excellence



## Closing

Mr. Chairman and members of the committee, what we at the Department of Commerce are doing is working – and it shows:

- According to the latest statistics from the State Data Center, North Dakota's population is growing for the first time since 1996. And we're growing in the 24 to 64-year-old age group, a demographic critical to our economic vitality. (State Data Center and U.S. Census Bureau)
- We are stemming the flow of outmigration. Opportunities created by existing Centers of Excellence are helping to reduce this 70-year cycle. In fact, some of our native sons and daughters are returning home to North Dakota because of new and better opportunities here. (State Data Center)
- For 2003, the most recent year for which we have statistics, North Dakota led the nation in per capita personal income growth and was second in wage growth. In fact, North Dakota was the only state in the nation in 2003 to show both an increase in personal income and a decrease in poverty. (Bureau of Economic Analysis and US Census Bureau)
- North Dakota gained jobs while most states, including other states in this region, lost jobs. We added thousands of new jobs while the rest of the country struggled through a recession. In fact, Job Service North Dakota reported that North Dakota had an increase of more than 7,000 jobs in the second quarter of 2004 compared to the same quarter last year. (Job Service ND)
- Our average annual wage increased from \$23,750 in 1999 to \$27,629 in 2003...an increase of 16%. (Job Service ND)
- North Dakota also gained more than 500 new businesses in 2003 alone. (Job Service of ND)

Within the Community Services Division the "best practices" field standards developed for weatherization programs have earned national recognition. And the division's hard work and concerted effort has helped smaller cities benefit from the Renaissance Zone program. Currently, 11 of 20 cities with a Renaissance Zone have populations less than 3,000 and the smallest city has 209 residents.

Within the Tourism Division, in an effort to maximize the media budget, untraditional approaches have been used to purchase advertising time and space. This has resulted in more exposure for our ad dollars, as well as better feedback on the effectiveness of our ads. The Tourism Division has also worked hard to develop and strengthen our partnerships with local tourism promotion agencies, allowing us to leverage more resources through cooperative promotions and help local promoters shape their own tourism marketing programs.

Under the Workforce Development Division, 1,391 individuals have been trained for nursing occupations to help address the nursing shortage in rural North Dakota through the H 1B Technical Skills Training Program.

Along with these accomplishments, we are also seeing growth in businesses with a host of companies announcing plans for expansion, they include:

- Grizella Corporation, Hebron
- Holland America Line, Williston
- Feed Management Systems, Fargo
- Eagle Creek Software, Valley City
- Alien Technologies, Fargo
- Minot Milling, Minot
- Marvin Windows and Doors, Grafton
- Cardinal IG Glass, Fargo
- AWM Staffing, Hazen
- American Express, Dickinson
- Midwest Telemark International, Fessenden
- Verifications Inc., Mandan
- Spinal Designs, Cavalier
- Tarnell USA, Walhalla
- Goodrich Cargo Systems, Jamestown
- Amazon.com, Grand Forks
- Specialty Exports with expansion to E. Fairview, ND
- SEI Information Technology, Grand Forks

just to name a few.

In addition, we have 20 active Renaissance zones, particularly in Fargo. In May 2004, *Forbes* magazine ranked Fargo 2<sup>nd</sup>, Bismarck 7<sup>th</sup> and Grand Forks 23<sup>rd</sup> as best small places to launch a business or career. And four new Rural Sourcing Centers will soon be launched in Rugby, Valley City, Wishek, and Steele that will eventually employ up to 100 at home employees.

These are all measurements of the success we have enjoyed during the past two years and show the positive difference we are making in the lives of all North Dakotans. Together with local developers and forward-thinking private sector participants, the North Dakota Department of Commerce can show that our efforts are paying off. North Dakotans are enjoying a better quality of life.

And our economic growth has provided the resources we need to invest in our future and take our economic development efforts to the next level. We are growing and the future is ripe with new possibilities, including the proposed Centers of Excellence.

Centers of Excellence are partnerships between higher education, the State and private business to create engines of economic development on and around our university and college campuses – economic engines that will be the fuel to ignite our state's economy into the future and result in more career opportunities for us and our young people.

Centers of Excellence represent a significant force for future economic growth in North Dakota and they lay the foundation for the kind of business climate that will move our state and our people toward an even brighter future. I ask each of you to help us achieve the goal of improving the quality of life for the people of North Dakota by committing to Centers of Excellence. We need to have resources in place so that great research and great ideas can realize their true potential and become great initiatives, great businesses, great industries – here in North Dakota no matter where they originate across the state.

The Department of Commerce also supports SB 2032, the Interim Economic Development Committee's proposed legislation, which you will see later in this session. The legislation is designed to further enhance our economic development efforts, including:

- Venture capital.
- Investment tax credits for small business to support the kinds of entrepreneurial activities that produce new wealth and new opportunities for our people.
- Establishment of a North Dakota American Indian Business Development Office to help develop more Native American enterprises, both on and off the reservations.
- Development of a procurement information Web site, where potential vendors of products and services can find opportunities to secure state business.
- Establishment of a "Business Hotline" that will provide prospective companies both in North Dakota and elsewhere with practical information about our state's outstanding business climate.
- Establishment of a professional development training program for local economic developers to further support cities, counties, reservations and regional communities in their economic development efforts.

We have made great strides in the past four years and there is still more work to do. Our vision for the future is to provide a better quality of life for everyone who chooses to call North Dakota their home.

Now is the time to take advantage of the opportunities before us to move North Dakota's economy forward and bring more opportunity to our citizens. We have a golden opportunity to take our economic development efforts to a higher level. These are opportunities that may never come again. Together we can and will continue to succeed in advancing our state's economy and making North Dakota an even better place to live, go to school, to work, to play, to be in business, and to raise a family.

Thank you for your time and attention this afternoon and I once again urge your support of SB 2018. I will now ask the division directors to join me for your questions.

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**

**MARCH 1, 9:00 A.M.**

**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE  
BRYNHILD HAUGLAND ROOM  
REPRESENTATIVE AL CARLSON, CHAIRMAN**

**LEE PETERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE**

Mr. Chairman and members of the committee, good morning. I am Lee Peterson, Commissioner of the North Dakota Department of Commerce and I am here before your committee today in support of SB 2018, the 2005-07 budget for the Department of Commerce.

Before I begin this morning, please allow me to introduce the department's division directors:

- Sara Otte Coleman – Director of the Division of Tourism
- Linda Butts – Director of the Division of Economic Development & Finance
- Paul Govig – Director of the Division of Community Services – is unable to be here today. Richard Gray, Program Manager within the division, will represent the Division of Community Services.
- Jim Hirsch – Director of the Division of Workforce Development – is unable to be here today. Al Lukes, chairman of the North Dakota Workforce Development Council, will represent the Workforce Development Division.

Each of these individuals will provide testimony about the great work we are accomplishing every day to help diversify and grow our North Dakota economy, train and educate our workforce, grow both our tourism industry and our primary sector businesses and provide assistance to our low-to-moderate income families. They will tell you how we're improving the quality of life for all of the people of North Dakota.

Also here, representing the North Dakota Economic Development Foundation, are Martin White, the chairman, and Mark Nisbet, chairman of the Joint Committee on Centers of Excellence. The Foundation is composed of private sector leaders and provides us with direction in a variety of ways:

1. To create and manage a statewide strategic plan for economic development
2. To provide direction for economic development activities
3. To provide a strategic plan for Value-Added Agriculture
4. Private-sector fundraising

Four years ago, we began to fundamentally change the way North Dakota carries out economic development. You enacted legislation to create the Department of Commerce to marshal all our state's resources into one common effort and goal: Improving the lives of all North Dakotans.

We partner with the private sector and work closely with local and regional developers across North Dakota. Martin and Mark will both speak to our partnerships with the private sector. Our partners are many and varied, including local convention and visitors bureaus, private businesses, local community action agencies, city and county governments, volunteer and professional developers and our colleges and universities.

It is now my great pleasure to introduce Martin White, Chairman, President and CEO of MDU Resources Group, Incorporated. Martin will briefly discuss with you the role of the Economic Development Foundation and how that board works in tandem with our Department.

Thank you, Martin. Mr. Chairman, members of the committee, by working together with all of our partners, we continue to have a positive effect in North Dakota. As you hear some of those success stories from the division directors today, I hope that you will come to better understand all of the good things that are happening all across our state and recognize the importance in improving the department's budget.

Before turning it over to our division directors this morning, I would like to walk you through our presentation and the materials you have before you. At the top of your packet you will find an agenda of our presentation showing the order of speakers. As you will see, each speaker corresponds to an appendix that includes his or her testimony and any additional supporting documents and other materials. Some of us will be using PowerPoint during our hearing today and copies of those slides are included within the appropriate appendices as well. Any written testimony from our guest speakers may be provided separately.

After each speaker has taken the sub-committee through their testimony, highlighting the key points, they will respond to any questions related to their division before handing it over to the next speaker. We will begin this morning with Sara Otte Coleman, Director of Tourism followed by Linda Butts, Director of Economic Development and Finance. Sara and Linda are both participating in a panel discussion at 11:00 a.m. as a part of the state's annual tourism conference, and will therefore need to leave here by 10:30 a.m.

I will now introduce each of the presenters as they provide their specific testimony:

- Sara Otte Coleman – Division of Tourism
- Linda Butts – Division of Economic Development & Finance
- Rich Gray – Division of Community Services
- Al Lukes – Division of Workforce Development
- Mark Nisbet – North Dakota Economic Development Foundation, Centers of Excellence

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**LEE PETERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE**

Closing

Mr. Chairman and members of the committee, what we at the Department of Commerce are doing is working – and it shows:

- According to the latest statistics from the State Data Center, North Dakota's population is growing for the first time since 1996. And we're growing in the 24 to 64-year-old age group, a demographic critical to our economic vitality. (State Data Center and U.S. Census Bureau)
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- Cardinal IG Glass, Fargo
- AWM Staffing, Hazen
- American Express, Dickinson
- Midwest Telemark International, Fessenden
- Verifications Inc., Mandan
- Spinal Designs, Cavalier
- Tarnell USA, Walhalla
- Goodrich Cargo Systems, Jamestown
- Amazon.com, Grand Forks
- Specialty Exports with expansion to E. Fairview, ND
- SEI Information Technology, Grand Forks
- Xcel Wind Farm, Rugby

just to name a few.

In addition, we have 20 active Renaissance zones, particularly in Fargo. In May 2004, *Forbes* magazine ranked Fargo 2<sup>nd</sup>, Bismarck 7<sup>th</sup> and Grand Forks 23<sup>rd</sup> as best small places to launch a business or career. And four new Rural Sourcing Centers will soon be launched in Rugby, Valley City, Wishek, and Steele that will eventually employ up to 100 at home employees.

The successes described today by our division directors – the new business locations, jobs, tourists that we are bringing into the state – are a primary factor for the new revenues that are also coming into the state. Our efforts at the Department of Commerce are in fact helping to increase our state's tax base – to the benefit of all our citizens.

These are all measurements of the success we have enjoyed during the past two years and show the positive difference we are making in the lives of all North Dakotans. Together with local developers and forward-thinking private sector participants, the North Dakota Department of Commerce can show that our efforts are paying off. North Dakotans are enjoying a better quality of life.

And our economic growth has provided the resources we need to invest in our future and take our economic development efforts to the next level. We are growing and the future is ripe with new possibilities, including the proposed Centers of Excellence.

The Department of Commerce also supports various sections of the Interim Economic Development Committee's proposed legislation, SB 2032, which were incorporated into our appropriations bill by the Senate. They include:

1. Increase Discretionary Funds by \$460,000 for specified projects as noted below:
  - Removes dairy recruitment and retention funding - (\$50,000)
  - Adds funding for the following initiatives, programs, and studies:
  - Life science sector development - \$100,000
  - Wind to hydrogen demonstration project - \$25,000
  - Target industry identification and report - \$25,000
  - Image information program - \$50,000
  - Business hotline program - \$30,000
  - Local economic developer certification and training program - \$50,000
  - Dakota manufacturing initiative - \$100,000
  - Intellectual property rights study and report - \$50,000
  - Economic development incentives study and report - \$30,000
  
2. Increase Operating line for the Office of Management and Budget by \$50,000 to provide for a state procurement web site.

The Interim Economic Development Committee undertook a great task during the interim: the Business Congress. After holding forums around the state, and gaining valuable input from business leaders and constituents, the E.D. committee then prioritized the results into a set of legislative initiatives found in Senate Bill 2032. The committee asked our agency to assign fiscal amounts to each of the initiatives, which we did. However, when all was said and done, the initiatives they moved into our appropriations were given approximately 50% of the funding we recommended, as well as shorted the 1 FTE that was associated with the initiatives.

While we support the initiatives that have been moved into our appropriations bill, our resources are limited. We can only be expected to do so much. My hope is that we can dig deeper into this issue at the subcommittee level, and end up with a reasonable solution which everyone will be satisfied with.

We have made great strides in the past four years and there is still more work to do. Our vision for the future is to provide a better quality of life for everyone who chooses to call North Dakota their home.

Now is the time to take advantage of the opportunities before us to move North Dakota's economy forward and bring more opportunity to our citizens. We have a golden opportunity to take our economic development efforts to a higher level. These are opportunities that may never come again. Together we can and will continue to succeed in advancing our state's economy and making North Dakota an even better place to live, go to school, to work, to play, to be in business, and to raise a family.

Thank you for your time and attention this morning and I once again urge your support of SB 2018.



2005-07 DEPARTMENT OF COMMERCE - SENATE BUDGET

	Discretionary Devlpmt. Centers of Excellence						Lewis & Clark	Total	General Funds		Special Funds		FTE's (B)
	Salaries	Operating	Equipment	Grants	Funds (A)	Fund			Excellence	APUC	Funds	Funds	
DOC Administration	\$ 1,102,391	\$ 546,991							\$ 1,649,382	\$ 1,647,450	\$ 1,932		12.5
Tourism	\$ 984,449	\$ 2,866,533	\$ 110,000		\$ 3,932,769				\$ 7,893,751	\$ 7,527,797	\$ 365,954		9.5
Economic Development	\$ 2,434,948	\$ 3,080,183			\$ 1,900,127	\$ 2,500,000	\$ 2,791,250		\$ 12,706,508	\$ 10,462,690	\$ 734,583	\$ 1,509,235	18
Community Services	\$ 2,172,304	\$ 1,485,268	\$ 25,000	\$ 48,369,748					\$ 52,052,320	\$ 1,117,530	\$ 44,412,821	\$ 6,521,969	15
Workforce Development	\$ 445,906	\$ 743,153		\$ 1,000,000					\$ 2,189,059	\$ 312,509	\$ 1,676,550	\$ 200,000	3
<b>Total</b>	<b>\$ 7,139,998</b>	<b>\$ 8,722,128</b>	<b>\$ 25,000</b>	<b>\$ 49,479,748</b>	<b>\$ 1,900,127</b>	<b>\$ -</b>	<b>\$ 2,500,000</b>	<b>\$ 2,791,250</b>	<b>\$ 3,932,769</b>	<b>\$ 21,067,976</b>	<b>\$ 46,823,954</b>	<b>\$ 8,599,090</b>	<b>58</b>

(A) Discretionary Funds - Does not reflect the amendment being considered by the sub-committee that would reduce the Discretionary Funds line back to the Governor's recommendation of \$1,440,127, and creating a new separate line item called Economic Development initiatives to be funded by general and special funds, yet to be determined.

(B) FTEs - The 58 FTEs includes a new accountability position authorized by the Governor's recommendation and created by HB 1203. The 58 FTEs does not include the one new development fund FTE, which was also authorized by the Governor's recommendation, but is considered off-budget according to OMB. The 58 FTEs does not reflect the amendments being considered by the sub-committee that would authorize one additional FTE for the Native American Business Office or the one additional FTE to be shared between the Image Information Program and the Business Hotline. Adding these two FTEs would bring the total number of FTEs in the Department of Commerce for the 2005-07 biennium up to 60, not including the off-budget FTE authorized for the Development Fund.

2003-05 DEPARTMENT OF COMMERCE BUDGET

Salaries	Operating	Equipment	Grants	Discretionary Funds (A)	Dev Fund	APUC (B)	Lewis & Clark	Total	General Funds	Federal Funds	Special Funds	FTEs
\$ 1,009,522	\$ 562,106							\$ 1,571,628	\$ 1,536,078	\$ 36,550	\$ -	10.5
\$ 918,760	\$ 2,972,723	\$ -	\$ -			\$ 3,851,911	\$ 3,851,911	\$ 7,743,394	\$ 7,390,394	\$ 363,000		9.5
\$ 2,283,113	\$ 2,766,150			\$ 2,297,127	\$ 1,550,000	\$ 3,821,795		\$ 12,718,185	\$ 9,916,421	\$ 1,027,289	\$ 1,774,475	19
\$ 1,996,969	\$ 1,869,596	\$ -	\$ 49,280,455					\$ 53,147,040	\$ 1,048,596	\$ 46,204,144	\$ 5,894,300	15
\$ 544,556	\$ 829,032	\$ 1,900,000						\$ 3,273,588	\$ 302,362	\$ 2,771,226	\$ 200,000	3
\$ 6,752,940	\$ 8,999,607	\$ -	\$ 51,180,455	\$ 2,297,127	\$ 1,550,000	\$ 3,821,795	\$ 3,851,911	\$ 78,453,835	\$ 20,182,861	\$ 50,039,209	\$ 8,231,775	57

DOC - Administration, Financial, & Secretarial

Tourism - Administration, Outdoors, International, Lewis & Clark, Group Travel, Film Commission, & Marketing

Economic Development & Finance - Administration, Business Development, Marketing, Research, Development Fund, APUC, Trade Office, Manufacturing Extension Partnership, & State Rural Development Council

Community Services - Administration, Community Development, Energy, Self-sufficiency, & Technical Assistance

Workforce Development - Workforce Development Council, Workforce Development Division, State Commission on National & Community Services, & H1B Technical Skills Training

Total

(A) Discretionary Funds - Reflects \$850,000 of carryover authority from the 01-03 biennium.

(B) APUC - Reflects \$938,615 of carryover authority from the 01-03 biennium.

**2005-07 DEPARTMENT OF COMMERCE - PROPOSED HOUSE BUDGET (Govt Performance Accountability)**

	Salaries	Operating	Equipment	Grants	Discretionary Funds (A)	Econ Dev Initiatives (B)	Econ Dev Grants (C)	Dev Fund	APUC	Lewis & Clark	Total	General Funds	Federal Funds	Special Funds	FTE's (D)
<b>DOC - Administration, Financial, &amp; Secretariat</b>	\$ 1,098,071	\$ 546,991									\$ 1,645,062	\$ 1,643,130		\$ 1,932	12.5
<b>Tourism - Administration, Outdoors, International, Lewis &amp; Clark, Group Travel, Film Commission, &amp; Marketing</b>	\$ 1,064,449	\$ 2,911,533		\$ 110,000						\$ 3,932,644	\$ 8,018,626	\$ 7,652,672		\$ 365,954	10.5
<b>Economic Development &amp; Finance - Administration, Business Development, Marketing, Research, Development Fund, APUC, Trade Office, Manufacturing Extension Partnership, &amp; State Rural Development Council</b>	\$ 2,884,806	\$ 3,604,023			\$ 1,440,127	\$ 644,568	\$ 125,000	\$ 6,075,000			\$ 14,774,524	\$ 8,376,712	\$ 734,583	\$ 5,663,229	21
<b>Community Services - Administration, Community Development, Energy, Self-sufficiency, &amp; Technical Assistance</b>	\$ 2,170,260	\$ 1,485,268	\$ 25,000	\$ 48,369,748							\$ 52,050,276	\$ 1,117,530	\$ 44,410,777	\$ 6,521,969	15
<b>Workforce Development - Workforce Development Council, Workforce Development Division, State Commission on National &amp; Community Service, &amp; H1B Technical Skills Training</b>	\$ 481,784	\$ 784,153		\$ 1,623,122							\$ 2,889,059	\$ 312,509	\$ 2,376,550	\$ 200,000	3
<b>Total</b>	\$ 7,695,370	\$ 9,331,968	\$ 25,000	\$ 50,102,870	\$ 1,440,127	\$ 644,568	\$ 125,000	\$ -	\$ 6,075,000	\$ 3,932,644	\$ 79,377,547	\$ 19,102,553	\$ 47,521,910	\$ 12,753,084	62

(A) Discretionary Funds - The Discretionary Funds line was restored to the Governor's recommendation of \$1,440,127 and a separate line item titled Economic Development Initiatives was established to fund the economic development initiatives resulting from the

(B) Economic Development Initiatives - A new line item titled Economic Development Initiatives was established to fund the economic development initiatives resulting from the primary sector business congress.

(C) Economic Development Grants - A new line item titled Economic Development Grants was established to fund two separate economic development projects earmarked by the Senate.

(D) FTEs - The 62 FTEs includes: one (1) new FTE authorized in the Governor's recommendation to fulfill the accountability responsibilities by HB 1203; one (1) new FTE authorized in the Governor's recommendation for the North Dakota Development Fund; one (1) new FTE added by recommendation of the sub-committee to fulfill responsibilities of the Native American Business Office; one (1) new FTE added by recommendation of the sub-committee to fulfill the responsibilities of the Business Hotline and Image Information programs; and one (1) new FTE added by the recommendation of the sub-committee to fulfill the responsibilities of the Learning Based Vacations program. Adding these five (5) FTEs will bring the total number of FTEs in the Department of Commerce for the 2005-07 biennium up to 62, up from 57 FTEs during the 2003-05 biennium.

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 14, 2005, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE,**  
**GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**FT. UNION ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**Initiatives from SB 2032 Amended into SB 2018 with Funding Descriptions**

<b>Initiative from SB 2032</b>	<b>New Section of SB 2018</b>	<b>Initial Appropriation Request in SB 2032</b>	<b>Funding Included in SB 2018 (Discretionary Funds) by Senate</b>	<b>Variance</b>
Section 11 - Target Industry identification and report to legislative council	Section 24	\$50,000	\$25,000	-\$25,000
Section 12 - Image information program	Section 25	\$100,000	\$50,000	-\$50,000
Section 13 - Business hotline program	Section 26	\$30,000	\$30,000	\$0
Section 8 - Local economic developer certification and training program	Section 22	\$50,000 (general fund) \$100,000 (special fund)	\$50,000	-\$100,000 (special fund)
Section 24 - Dakota manufacturing initiative	Section 34	\$165,000	\$100,000	-\$65,000
Section 36 - Intellectual property rights study and report to legislative council	Section 43	\$50,000	\$50,000	\$0
Section 38 - Economic development incentives study and report		\$30,000	\$30,000	\$0
Section 22 - Business climate initiative	Section 35	\$50,000	\$50,000	\$0
<b>Total</b>			<b>\$385,000</b>	<b>-\$240,000</b>
Section 9 - Procurement web site (OMB)	Sections 4 and 23	\$150,000 (OMB)	\$50,000 (DOC to pass through to OMB)	-\$100,000
<b>Total</b>			<b>\$50,000</b>	<b>-\$100,000</b>

**Other Earmarks Made by Senate in SB 2018**

Description of Earmark	Earmark Funding Amount
Life Sciences Sector Development Grant	\$100,000 from Discretionary Funds
Wind to Hydrogen Demonstration Project Grant	\$25,000 from Discretionary Funds
Wheat Scab Research Grant	\$100,000 from APUC

Eagle Creek Software Services  
Lead Generation Activities  
February 23, 2005

1. CareerBuilders.com database – effective until February 28, 2005
2. CareerBuilder ad released for 30 days effective December 8th
3. Monster.com database (Ultimate Job Fair – February 7<sup>th</sup> – promoting during the Super Bowl) – Activated January 6<sup>th</sup> for 3 months
4. Hotjobs.com database – Hotjobsdirect (targeted emails) ad and database for 90 days effective December 14<sup>th</sup>
5. Dislocated worker offices in 12 states (California, Texas, South Dakota, North Carolina, Colorado, Illinois, Iowa, Michigan, Nebraska, Ohio, Oregon and Wisconsin)
6. Personal contacts to former Microsoft colleagues in CRM market for leads - Tony Frink and Manish Kumar.
7. Headhunters (about 6 different companies) - discontinued
8. Dept. of Commerce Ambassador Program (Ambassador Alert & Ambassador Newsletter – goes to 900 members nationwide – mailing date is Friday, January 21<sup>st</sup>)
9. Requested Dept. of Commerce contact USA Today for news story – print and on-line. Linda Butts has a friend there that writes for USA Today. February 2004 they published a story that had a lot of good info. but the headlines were about cold weather. I think Linda has them convinced a better story is due. We'll see.
10. Eagle Creek Website
11. Contracted with Sharon Miller, former Senior recruiter for Microsoft/Great Plains Software. Recruited for Siebel CRM nationally and MS CRM after Microsoft purchased GPS. Contract in place with a 45-day minimum and 90 day maximum.
12. Fargo Forum Ad - December 11<sup>th</sup> & 12<sup>th</sup>
13. Minneapolis Star Tribune Ad – December 11<sup>th</sup>
14. Working with the Siebel Center at University of IL (Champaign/Urbana) to post an ad for alumni candidates. The University of Illinois recently celebrated Tom Siebel's accomplishments.
15. Job Service North Dakota – America's Job Bank – found Jay Raghupathi
16. CareerBuilder's Career Fair, March 1<sup>st</sup> in the Twin Cities; about 1,800 candidates attend.
17. Marcia Foss, VCSU, Career Services: Received resumes from 71 people; 18 have received letters of rejection; gathering information on 53 candidates - - transcripts and making reference calls. As of 2/23/05 – about 35 candidates. Would like to see the training underway as soon as possible to minimize loss of quality candidates who cannot wait for an extended period of time.
18. VCSU Web Page: The consultant/developer and internal recruiter positions have been posted and also entered into the computerized job search database.
19. VCSU Alumni – mailing to 900 alumni
20. Mailing or contacts to Career Services in North Dakota, South Dakota and western Minnesota
21. Tri College Career Fair
22. NDSU Alumni – mailing to 1800 alumni going back 10 years (relevant degrees – computer science, electrical engineering (includes computer engineering), computer science, management information systems, and accounting)
23. UND Alumni – mailing to 2200 alumni going back 10 years (same degrees)

# ND Economic Development Foundation Strategic Plan Benchmark Update – January 10, 2005



Top	Target
Bottom	Latest Available

	2000	2001	2002	2003	2004
<b>GOAL 1: Develop a Unified Front for Economic Development Based on Collaboration and Accountability</b>					
% of local Economic Development organizations participating in state marketing strategy			--	30%	40%
				85%	63% (*btd)

Site Selection Magazine ranking on ND's Department of Commerce (See Footnotes for explanation)				N/A	N/A
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## GOAL 2: Strengthen Linkages Between the State's Higher Education System and Economic Development Organizations & Private Businesses

Academic R&D Expenditures as a percent of Gross State Product	0.38%	0.46%	0.4%	0.4%	0.4%
			0.54%	N/A	
Industry R&D Expenditures as a percent of Gross State Product	0.46%	1.88%	0.2%	0.4%	0.5%
			0.78%	N/A	

## GOAL 3: Create Quality Jobs that Retain North Dakota's Current Workforce and Attract New Skilled Labor

Net Job Growth	3,900	3,300	1,800	1,400	1,700
			-100	3,175	
New Private Sector Businesses	204	46	174	77	105
			57	526	
Average Annual Wage	\$24,683	\$25,707	\$26,252	\$27,389	\$28,688
			\$26,550	\$27,629	
Per Capita Personal Income	\$25,109	\$25,884	\$26,471	\$28,521	
Net Migration		-6,456	2,088	662	1,302
			-3,916	-1,334	-696
Population Change		-4,814	-2,527	-399	966

\* btd = biennium to date

# ND Economic Development Foundation Strategic Plan Benchmark Update – January 10, 2005

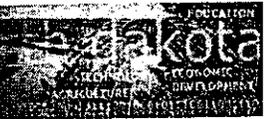


	2000	2001	2002	2003	2004
<b>GOAL 4: Create a Strong Marketing Image on the State's Numerous Strengths, Including Workforce, Education and Quality of Place</b>					
Positive National/Out of State Media Exposure (favorable mentions)			--	10	20
	2	7	5	12	30
Number of ND DOC Web Site Hits Per Month			10,920	11,466	12,039
	N/A	16,539	18,470	24,974	30,027
Number of Leads Generated by the ND DOC			140	160	175
		40		99	76 (*btd)
<b>GOAL 5: Accelerate Job Growth in Sustainable, Diversified Industry Clusters to Provide Opportunities for the State's Economy</b>					
Net Job Growth in Manufacturing			300	200	200
	1,100	150	-350	-250	
Net Job Growth in Business Services			400	200	300
	550	-250	1,150	750	
Net Job Growth in Leisure and Hospitality			450	150	
	300	50			
Net Job Growth in Healthcare Services			650	830	
	450	550			
New Private Sector Businesses in Mfg			5	3	3
	25	-6	-7	7	
New Private Sector Businesses in Business Services			19	9	14
	61 (est.)	62	97	83	
Number of Utility Patents per 100,000			17.9	19.5	21.2
	13.2	15.1	11.4	8.6	
<b>GOAL 6: Strengthen ND's Business Climate to Increase Global Competitiveness</b>					
Gross State Product (Annual Growth Rate)			2.3%	3.6%	3.5%
	5.2%	3.1%	6.9%	8.0% (est.)	
Venture Capital Investments (thousands)			\$700	\$2,734	\$5,658
	\$6,054	\$1,017	\$0	\$14,500	\$2,000 (ytd)
Merchandise Export Value (per capita based on 2000 census = 642,200)			\$1306	\$1329	\$1368
	\$975	\$1,255	\$1,338	\$1,330	

\* btd = biennium to date



# ND Economic Development Foundation Strategic Plan Benchmark Update – January 10, 2005



## Footnotes

### GOAL 1: Develop a Unified Front for Economic Development Based on Collaboration and Accountability

#### Share of local Economic Development organizations participating in statewide marketing strategy

- 85% for 2003 reflects the 2001-2003 biennium
- Marketing Team goal is to maintain 85% for the 2003-05 biennium
- From July 1, 2003 to December 31, 2004, 36 of 57 development organizations, or 63%, have partnered

#### Site Selection Magazine ranking on ND's Department of Commerce

- Selection Magazine's 2004 Competitiveness Award only lists top ten states – ND not listed and is dominated by larger states.
- In addition, we have identified several other rankings that recognize North Dakota's competitive advantages and performance. They include:

Date		Ranking Organization	ND Rank
1/9/2004	Sperling's BestPlaces ranks 331 Metro Areas with a New Stress Index	Bestplaces.net	Bismarck ranked first, F-M was ranked second, and Grand Forks ranked 10 <sup>th</sup> in the "Smallest-size Metro" section (117 cities)
March 2004	Top 25 Cities for doing Business in America	Inc. Magazine	Bismarck ranked 11th and Fargo 15th for Small Metros
5/10/2004	Best small places to launch a business or career	Forbes	Fargo #2, Bismarck #7, Grand Forks #23
7/18/2004	Mayor's Challenge™ competition for the best metro areas for business expansions and relocations.	Expansion Management Magazine	Fargo #9 (#1 in Quality of Life), Bismarck #48, Grand Forks #42

### GOAL 2: Strengthen Linkages Between the State's Higher Education System and Economic Development Organizations & Private Businesses

#### Academic R&D Expenditures as a percent of Gross State Product

- National Science Foundation latest available data

	FY 2000	FY 2001	FY 2002
ND Academic R&D Expenditures	\$67,406,000	\$84,574,000	\$106,078,000
ND Gross State Product	\$17,936,000,000	\$ 18,500,000,000	\$19,780,000,000
ND Academic R&D as % of GSP	0.38%	0.46%	0.54%

- ND ranked sixth for fiscal year 2002 in per capita Academic R&D Expenditures


**GOAL 3: Create Quality Jobs that Retain North Dakota's Current Workforce and Attract New Skilled Labor**

**Net Job Growth**

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment
  - o Data includes private and government as well as self-employed

**New Private Sector Businesses per 100,000**

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (QCEW – formerly ES202 – data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings)
- While Angelou Economics included the “per 100,000,” it is unclear how they applied this measure given the targets they also provided. Therefore, the numbers are provided straightforwardly without any application of the per 100,000.

**Average Annual Wage**

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (QCEW – formerly ES202 – data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings)
  - o Data includes private and government

**Per Capita Personal Income**

- Source: U.S. Bureau of Economic Analysis
- This measure includes income for self-employed, agriculture and other businesses not required to submit unemployment reports, and thus not counted in Average Annual Wage.

<b>Net Migration &amp; Population Change</b>
--

- Outmigration, "movement to other states," and net migration continue to drop
- 2000 figures appear as an anomaly due to census versus estimates
- Revised components of change for new estimates (2001-2003) were unavailable at the time of this printing

**Components of Population Change in North Dakota**

Year	Population Estimate (July)	Change from Previous Year	Births	Deaths	Natural Increase	International In-Population	Movement to other States	Net Migration
2000	641,140							
2001	636,326	-4,814						
2002	633,799	-2,527						
2003	633,400	-399						
2004	634,366	966	7,653	6,024	1,629	671	-1,367	-696

Source: U.S. Census Population Estimates

<b>GOAL 4: Create a Strong Marketing Image on the State's Numerous Strengths, Including Workforce, Education and Quality of Place</b>
---

<b>Positive National/Out of State Media Exposure (favorable mentions)</b>
---

- Advertising value impact from positive national stories (Economic Development & Finance only):
  - o 2003 - \$561,595
  - o 2004 - \$2,891,063
  - o Total - \$3,452,658
- ND Dept. of Commerce has hosted 18 business and industry journalists in 2003-04.

<b>Number of ND DOC Web Site Hits Per Month</b>
---

- While website "hits" are listed as the benchmark, unique visitors is a much more useful measure.
  - o Where one page with three files or graphics that load can count as three hits, a "unique visitor" is one individual who enters your site and is only counted once until they are inactive on the website for thirty minutes.
- Currently, the [www.ndcommerce.com](http://www.ndcommerce.com) website contains the Workforce Development and Community Services division and is a portal to Economic Development & Finance and Tourism divisional websites.

**Average Monthly Web Site Hits**

		2000	2001	2002	2003	2004
Commerce Dept. Portal	<a href="http://www.ndcommerce.com">www.ndcommerce.com</a>	N/A	16,539	18,470	24,974	30,027
ED&F	<a href="http://www.growingnd.com">www.growingnd.com</a>	129,521	285,261	364,881	389,756	434,578
Ambassadors	<a href="http://www.luvnd.com">www.luvnd.com</a>					5,615
Tourism	<a href="http://www.ndtourism.com">www.ndtourism.com</a>				2,423,817	4,019,543

**Average Monthly Unique Visitors**

		2000	2001	2002	2003	2004
Commerce Dept. Portal	<a href="http://www.ndcommerce.com">www.ndcommerce.com</a>			3,405	3,421	4,181
ED&F	<a href="http://www.growingnd.com">www.growingnd.com</a>			4,746	4,455	5,327
Ambassadors	<a href="http://www.luvnd.com">www.luvnd.com</a>					260
Tourism	<a href="http://www.ndtourism.com">www.ndtourism.com</a>				15,794	25,450

## GOAL 5: Accelerate Job Growth in Sustainable, Diversified Industry Clusters to Provide Opportunities for the State's Economy

### Number of Leads Generated by the ND DOC

- Numbers represent the 1999-2001, 2001-2003 and 2003-2005 (as of January 1, 2005) biennium totals.
- Lead, in this case, is identified as a real project where either a Request for Proposal or site visit was made by a company representative.

	1999-2001	2001-2003	2003-2005
Lead referrals to local economic developers and communities	40	99	58 (btd)

### 2001-2004 Out-of-State Company Expansions\* in North Dakota

\*note: out-of-state company expansion = expansion where company headquarters or decision-making is made outside North Dakota's borders.

- |   |   |
|---|---|
| 1. Alien Technologies – Fargo                   | 19. NavTeq - Fargo                                    |
| 2. American Express - Dickinson                 | 20. Northwest Airlines - Minot                        |
| 3. AWM Staffing -Hazen                          | 21. Northwest Alfalfa -Tioga                          |
| 4. Bobcat - Bismarck                            | 22. Pemstar - Dunseith                                |
| 5. Buhler - Fargo                               | 23. Pepsi Americas - Fargo                            |
| 6. CBF Group - Fargo                            | 24. Phase 2 Solutions - Minot                         |
| 7. Cirrus Design - Grand Forks                  | 25. Remington Hybrid Seed - Mapleton                  |
| 8. DataTic Technologies – Langdon and Fargo     | 26. Ritescreen - Fargo                                |
| 9. Direct Response Technologies - Beulah        | 27. SEI Information Technologies - Grand Forks        |
| 10. Eagle Creek Software - Valley City          | 28. Specialty Export Productions – Hatton             |
| 11. Goodrich Corporation – Jamestown            | 29. Specialty Export Productions –Watford City Region |
| 12. Grizella Corp - Hebron                      | 30. Spinal Designs - Cavalier                         |
| 13. Holland America - Williston                 | 31. Sysco Food Services - Fargo                       |
| 14. Imation - Wahpeton                          | 32. Tarnell Industries - Walhalla                     |
| 15. Infinity Windows - Fargo                    | 33. Unisys Bismarck Shared Service Center – Bismarck  |
| 16. Marvin Window and Doors – Grafton and Fargo | 34. Verifications Inc - Mandan                        |
| 17. M&K Welding - Beulah                        | 35. Western Polymer – Grand Forks                     |
| 18. Minot Milling - Minot                       |   |

- North Dakota's economic development efforts took on a new direction in 2001 with the formation of the Department of Commerce, a comprehensive marketing plan and the strategic plan the North Dakota Economic Development Foundation prepared. From November 2001 to January 2005, the following results related to our marketing efforts have been achieved, in partnership with several groups (outlined below):

1. Twelve out-of-state business events were held with nearly 1,600 guests attending.
2. Four new companies have expanded their operations in North Dakota. (Either company executives attended one of these events or a guest who attended an event referred a company executive to the DOC to begin a relationship.)
3. More than 20 local or regional economic development organizations have partnered with DOC to host and sponsor these business events.
4. More than 800 individuals have signed up to be North Dakota Ambassadors.
5. Fifteen business executives representing eight different North Dakota communities have spoken on behalf of the state and publicly discussed with event guests how their companies grow and prosper in North Dakota.
6. Twenty-three businesses have contributed financially to these out-of-state marketing efforts.

### Net Job Growth in Manufacturing

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment
  - o Data includes private and government as well as self-employed
- Expansion Announcements since July 1, 2003

Alien Technology Corp.	Fargo	Around 300 employees; opening in 2006
Hebron Brick	Hebron	\$15 million expansion
Sioux Manufacturing	Fort Totten	20 employees
La Rinascente Pasta	Hope	15-20 employees
Cavendish Farms	Jamestown	\$2 million equipment expansion
Soaring Eagle Outerwear	Minot	30 employees
Northland Products	Finley	6-15 employees
Minot Milling	Minot	8 employees + \$7.9 million expansion
Goodrich Corporation	Jamestown	100-150 employees + \$4 million expansion
Fargo Assembly	Fargo, Lisbon, Edgeley, Ellendale, Michigan, Lehr	60 added in Fargo and 40 among other ND plants
Summer's Harvest	Colgate	10-12 employees
Superior Grains	Williston	13-40 employees
Steffes Corporation	Dickinson	45 already hired in 2004
Summers Manufacturing	Devils Lake	38,000 sf addition with 13-20 new staff
Mid-America Aviation Inc.	West Fargo	20 new employees with new contract
Spinal Designs	Grafton	20-25 employees
Metro-Trak	Cooperstown	10 employees
Tarnel USA	Walhalla	6-16 employees
Marvin Windows and Doors	Grafton, Fargo	40-80 new employee expansion
Cardinal Glass	Fargo	25-50 employee expansion; 100,000 sf
LM Glasfiber	Grand Forks	100 employee expansion

### Net Job Growth in Business Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment
  - o Data includes private and government as well as self-employed
- Due to the recent conversion to the North American Industrial Classification System (NAICS), we are forced to make some educated inclusions of sectors formerly under the Business Services Standard Industrial Classification (SIC) that this originally measured.
- Expansion Announcements since July 1, 2003

Navteq	Fargo	60 employee expansion
Grizella Corp	Hebron	3-14 eventual employees
Phase II	Minot	100 employees
Phase II	Minot	20-100 for second call center
ING Minot Service Ctr	Minot	30 employees
American Express	Dickinson	5 expansions with 170 new employees
SEI Information Tech	Grand Forks	60 & 30 employee expansions
Datatic Technologies	Langdon	Up to 12 employees
AWM Staffing	Hazen	4 to start with more after a year

I C System Inc.	Fargo	100 employees and add 5,000 sf
Laducer & Associates	Belcourt	Opened with 40, 150 by 2005
Noridian Administrative Services	Fargo	\$7.1 million addition and 44 staff
Upstream	Fargo	20 employee expansion
Midwest Telemark Int'l	Fessenden	24-30 employees
Verifications Inc.	Mandan	150-250 employees
Amazon.com	Grand Forks	100-200 employee expansion
Eagle Creek Software	Valley City	20-100 employees
Holland America	Williston	34 + 15 employees

#### Net Job Growth in Arts, Entertainment, Recreation, Accommodations and Food Services

- Most tourism businesses are found in this sector.
- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment
  - o Data includes private and government as well as self-employed.

#### Net Job Growth in Healthcare Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Current Employment Statistics (CES) – NonFarm Wage & Salary Employment
  - o Data includes private and government as well as self-employed.

#### New Private Sector Businesses in Mfg

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (QCEW – formerly ES202 – data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings)

#### New Private Sector Businesses in Business Services

- Source: Provided by Job Service North Dakota's Labor Market Information – Quarterly Census of Employment & Wages (QCEW – formerly ES202 – data derived from Employee Contribution Report, as required by the ND Unemployment Insurance filings)
- Due to the recent conversion to the North American Industrial Classification System (NAICS), we are forced to make some educated inclusions of sectors formerly under the Business Services Standard Industrial Classification (SIC) that this originally measured.

#### Number of Utility Patents per 100,000

- Source U.S. Patent and Trademark Office
- It is assumed that the "per 100,000" by Angelou is relative to population. 6.42 was used for the per 100,000 conversion (642,000 - 2000 Census)

**GOAL 6: Strengthen ND's Business Climate to Increase Global Competitiveness**  
**Gross State Product (Annual Growth Rate)**

Year	ND GSP (Millions of current dollars)	Annual \$ Change (Millions)	Annual % Change	Notes
2000	\$ 17,936	\$ 885	5.2%	
2001	\$ 18,500	\$ 564	3.1%	
2002	\$ 19,780	\$ 1,280	6.9%	
2003*	\$ 21,365	\$ 1,585	8.0%	* Estimate - 3rd largest percentage growth over 2002 among states in U.S.
2004	\$ 21,662	\$ 893	4.3%	Economy.com Projection

**2002 North Dakota Industry Detail** (latest available)

	<u>2002</u>	<u>%</u>
Total Gross State Product	\$ 19,780	100%
Agriculture, forestry, fishing, and hunting	\$ 1,269	6%
Mining	\$ 398	2%
Utilities	\$ 526	3%
Construction	\$ 813	4%
Manufacturing	\$ 2,034	10%
Wholesale trade	\$ 1,522	8%
Retail trade	\$ 1,633	8%
Transportation and warehousing, excluding Postal Service	\$ 752	4%
Information	\$ 640	3%
Finance and insurance	\$ 1,307	7%
Real estate, rental, and leasing	\$ 1,669	8%
Professional and technical services	\$ 596	3%
Management of companies and enterprises	\$ 220	1%
Administrative and waste services	\$ 339	2%
Educational services	\$ 86	0%
Health care and social assistance	\$ 1,822	9%
Arts, entertainment, and recreation	\$ 130	1%
Accommodation and food services	\$ 491	2%
Other services, except government	\$ 493	2%
Government	\$ 3,041	15%

Source: U.S. Bureau of Economic Analysis

Venture Capital Investments
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Venture Capital Investments in North Dakota Companies
---

Year - Qtr	Investment Amount	# of Deals
2000 - 3	\$ 6,054,000	1
2001 - 2	\$ 1,017,000	1
2003 - 1	\$ 7,000,000	1
2003 - 4	\$ 7,500,000	1
2004 - 1	\$ 2,000,000	1

PricewaterhouseCoopers/Venture Economics/National Venture Capital Association MoneyTree(tm) Survey

Merchandise Export Value (per capita)
---------------------------------------

U.S. Merchandise Exports by State
-----------------------------------

Year	ND Merchandise Exports	Annual Percent Change	2000 Population	Merchandise Export Value Per Capita
2000	\$ 625,917,000	-10.48%	642,200	\$ 975
2001	\$ 806,100,000	28.79%	642,200	\$ 1,255
2002	\$ 859,383,000	6.61%	642,200	\$ 1,338
2003	\$ 854,072,000	-0.62%	642,200	\$ 1,330

Sources: Office of Trade and Economic Analysis (OTEA), Trade Development, International Trade Administration, U.S. Department of Commerce





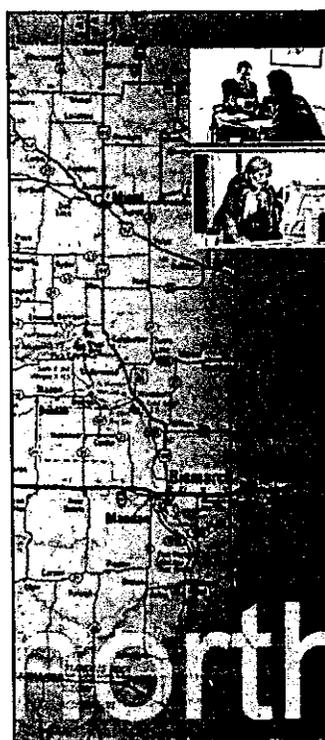
North Dakota  
Economic Development Foundation

# Strategic Plan for Growth & Prosperity

**Martin A. White**  
MDU Resources Group, Inc.  
Chairman of the Board, President and CEO.  
Chairman of North Dakota Economic Development Foundation



# North Dakota



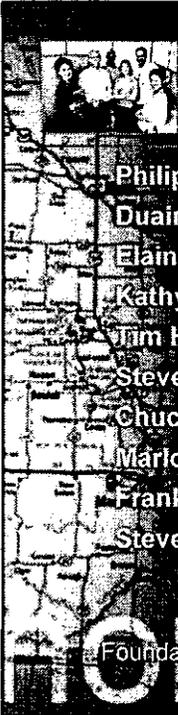
## Background

In a proactive effort to accelerate North Dakota's economic growth rate, Governor Hoeven proposed, and the General Assembly legislatively enabled:

- The creation of the Department of Commerce, uniting formerly disconnected efforts in economic development, and;
- The Foundation is made up of corporate executives and accomplished professionals from across the state.

- The Foundation has raised over \$161,000 of private funding

# North Dakota





## Current Members

<ul style="list-style-type: none"> <li>Philip Boudjouk, Fargo</li> <li>Duaine Espegard, Grand Forks</li> <li>Elaine Fremling, Fargo</li> <li>Kathy Gaddie, Minot</li> <li>Tom Hennessy, Bismarck</li> <li>Steve Hett, Mohall</li> <li>Chuck Hoge, Fargo</li> <li>Marlowe Johnson, Jamestown</li> <li>Frank Keogh, Williston</li> <li>Steve Kuhlman, Grand Forks</li> </ul>	<ul style="list-style-type: none"> <li>Bob Mau, Kenmare</li> <li>Shirley Montgomery, Fargo</li> <li>Guy Moos, Dickinson</li> <li>Harold Newman, Jamestown</li> <li>Mark Nisbet, Fargo</li> <li>Judith Paukert, Grand Forks</li> <li>Bill Shalhoob, Bismarck</li> <li>Bruce Smith, Grand Forks</li> <li>Linda Steve, Dickinson</li> <li>Bruce Thom, Fargo</li> <li>Martin White, Bismarck</li> </ul>
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Foundation members are appointed by the Governor for two-year terms

# north dakota





## Timeline

- **January 2002:** A nationally recognized strategist helped the Foundation and its stakeholders with North Dakota's first statewide strategic plan for economic development.
- **September 2002:** Plan was unveiled, and the Foundation, along with the stakeholders began the implementation.
- **Under the direction of the Foundation, numerous milestones have already been realized, including:**
  - A formal performance measurement system for the economic indicators in the plan.
  - The Annual Benchmark Status Report has been developed, and presented to the legislative assembly.

# north dakota



## Partners/Stakeholders

- Governor Hoeven
- North Dakota Legislative Assembly
- North Dakota Economic Development Foundation
- North Dakota Department of Commerce
- Bank of North Dakota
- Economic Development Association of North Dakota
- Greater North Dakota Association
- North Dakota Job Service
- North Dakota University System
- Small Business Development Center

North Dakota



## In Summary

**Foundation's Commitment:**

- Held community forums across the state in conjunction with quarterly board meetings
  - To date, forums have been held in Dickinson, Langdon, Fargo, Grand Forks, Wahpeton and Williston.
  - Will continue to visit communities throughout 2005.

North Dakota

*One of these pages went to the House - one to the Senate*





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north dakota

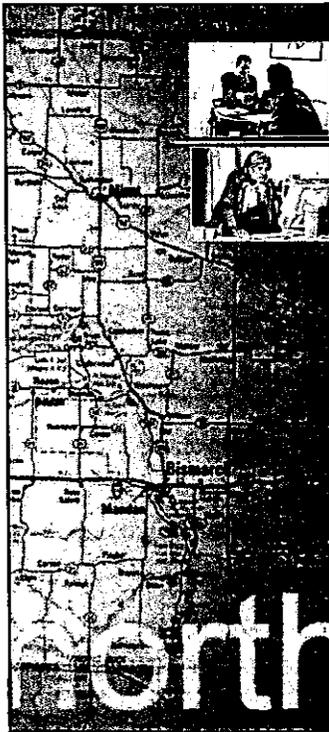


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  - To date, forums have been held in Dickinson, Langdon, Fargo, Grand Forks, Wahpeton and Williston.
- Will continue to visit communities throughout 2005, because the focused work IS making a difference.
- Please do not give DOC/Foundation more to do without the appropriate human and financial resources to do it.

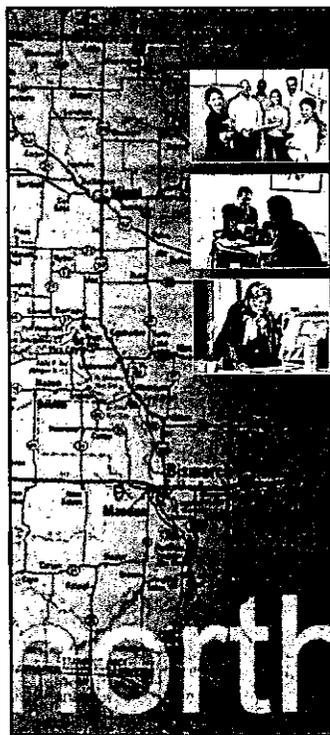
north dakota



## In Summary

- Thanks to all the local developers, community leaders, and legislators who have participated in those meetings.
- MDU's commitment to North Dakota

# North dakota



*The people across the state of North Dakota have come together shoulder-to-shoulder, to make North Dakota a better place for all its citizens.*



# North dakota

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018  
JANUARY 10, 2005, 1:30 P.M.  
SENATE APPROPRIATIONS COMMITTEE  
HARVEST ROOM  
SENATOR RAY HOLMBERG, CHAIRMAN

**LINDA BUTTS – DIRECTOR, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE**

Mr. Chairman, members of the committee. My name is Linda Butts. I am the Director of the Economic Development and Finance Division of the North Dakota Department of Commerce.

In years past, I have come before you to discuss specific programs within my division.

Today, I am going to talk more about strategy and strategic initiatives on which we are working to grow the economy of the state. I am not going to spend much time on existing programs, but rather discuss the new initiatives.

However a complete listing of the programs can be found in Appendix C.

ND Trade Office:

In the 2003 session, you asked us to conduct a study to identify the barriers for international trade and to make recommendations to improve trade for our state's exporters. This has been accomplished and much, much more. Through an RFP process, the contract was awarded to the District Export Council. Today, we have established the North Dakota Trade Office, governed by a new board of private and public sector members.

The North Dakota Trade Office conducted phone interviews and held regional meetings to identify both companies exporting and the issues with which they deal. Besides this report that I have in my hand documenting their findings, the trade office managed two trade missions resulting in over \$14 million in new sales for our state's exporters.

You will find the Trade Office's recommendations in Appendix C

Guided by these recommendations, the Trade Office plans to build the infrastructure and information systems for a collaborative trade organization networking with state and federal agencies, current exporters, potential exporters and export service providers.

Through this public private partnership. The plan calls for assisting North Dakota export expansion through five service areas.

- 1) research and education
- 2) export service networking
- 3) trade mission and events coordination
- 4) communications
- 5) advocacy and systems administration.

Today we have over 850 ambassadors in 10 states as part of our giant "intelligence" system. And we are already finding, this program has a far greater potential. This program taps the loyalty of former North Dakotas and offers them a vehicle by which to give back their talents to their beloved state.

You'll find the story of ambassador Kirk Lanterman in Appendix C

We've also taken the ambassador attitude to the four corners of North Dakota, challenging our citizens to embrace small changes, tolerate moderate risk, measure the positive attributes we possess....and then share this good news with their sphere of influence. These efforts mirror the findings of the Business Congress, an interim committee that studied the business climate of our state. An opinion expressed over and over was the need to enhance our image, both internally and externally.

As a result of our strategic media relations efforts on a national level, we have garnered positive stories in over 40 national publications. Governor John Hoeven and other North Dakota leaders were featured on NBC's Today Show, Commissioner Lee Peterson was interviewed on CNBC's Closing Bell, and several businesses have been prominently featured in many trade journals.

We've had positive stories in newspapers and magazines like the Financial Times, LA Times, Newsweek and numerous trade journals. And news begets news. The national economic development community tells us they continually hear about North Dakota as a business location. The advertising equivalency of these stories is over \$689,000 and the advertising impact over \$2 million.

Again, you will find samples of these stories in Appendix C

#### Partners in Marketing:

As encompassing as our marketing and ambassador's program is, we recognize there is still a need for communities and regions to customize their marketing efforts and so we created the Partners in Marketing program.

We recently pitched a story to CNNmoney online about the Prairie Opportunity website, a collaborative effort of 6 counties in northwest North Dakota, that our partners in Marketing program supports financially. This site invites people to move to the region and telecommute from home. After the article appeared online, the coordinator received over 440 email inquiries, many asking for more information on the area.

You will find a copy of the article and an email from the director thanking us for our support in Appendix C

#### Energy

We've also begun a strategic initiative for the energy industry. Working with a University, we are studying successful industrial parks globally and identifying companies that would be a good fit for industrial parks in our region.

### Research Corridor

In 2003, you also asked us to market the Research Corridor. We took the state dollars earmarked for this purpose and won a three-year University Center EDA grant for \$465,000. This was a collaborative effort between UND Center for Innovation, NDSU Research Technology Park, and the North Dakota Department of Commerce's EDF Division.

Under that umbrella, DOC staff has accompanied UND to an economic development conference in Canada, has traveled with NDSU to meet with a private company to raise dollars for a Center of Excellence project, and my staff has completed familiarization tours of both campuses, the first time university and Commerce staff have invested a day in learning from each other to benefit all.

Working together, we developed a marketing blueprint that calls for increased activity in four areas to position the Research Corridor for greater positive national exposure and subsequent investment:

1. National Media Relations
2. Media Tours
3. Site Visits by business executives and location advisors, and
4. Ambassador Connections and idea application

To date, positive articles have appeared in The Financial Times; Plants, Sites & Parks magazine; Aircraft Maintenance Technology and Advanced Manufacturer.

Other activity being conducted under the umbrella of this grant include technical support for emerging entrepreneurs, monthly seminars designed to meet their educational needs and interests, and mentoring support.

Bruce Gjovig at the Center for Innovation, Tony Grindberg from the NDSU Technology Park, and I sit on the committee formed by Senator Dorgan and interface regularly with his coordinator, Delore Zimmerman.

### Venture Capital

We have been working to create a \$15 million dollar venture capital fund for North Dakota. Two former North Dakotans and nationally respected venture capitalist have given generously of both their time and money to create this fund. We are currently interviewing candidates for the general manager of the fund and have been delighted in the national response of 17 candidates for the position. Once hired, the group will seek additional investments from a variety of sources.

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The goal of the study is to find companies that could use and add value to the by-products of the coal plants in our state. Once the companies have been identified, we will then begin a formal recruitment process for development in North Dakota.

We are also working on projects that involve ethanol, bio diesel, geothermal and wind.

#### Value Added Ag

Commissioner Peterson mentioned the strategic plan for value added ag. This is a collaborative effort between DOC's Foundation, our Agricultural Products Utilization Commission, and the Value Added board. Value-added agriculture is one of our five targeted industries, and our ED&F staff works on a regular basis with business executives to expand and diversify our agriculture base.

#### Other Programs:

At the end of the day, roughly 80% of our ED&F budget is allocated to programs that help existing businesses grow and prosper.

I am not going to mention them, but rather again refer you to Appendix C.

We invest in 4 programs, which, in turn, leverage these dollars with federal and private sector dollars to deliver a plethora of services through a public private partnership.

For example, The Dakota Manufacturing Extension Partnership brings a national network of about 2000 service providers that deliver sophisticated services to the shop floor of our state's manufacturers with the goal of improving their competitiveness, productivity and profitability. Besides Lean Manufacturing, they work in areas such as succession planning and strategic realignment so our manufacturer's find new markets.

Or the Small Business Development Center -- it has completed its turnaround strategy begun in 2002. The SBDC added 5 additional centers across the state. In total, 10 centers now serve over 1000 entrepreneurs each year with one-to-one counseling, and another 1000 North Dakotans through a variety of training events.

The Center for Technology and Business offers a broad range of technology classes and support, primarily to rural residents. To date this program has trained 13,000 citizens across the state.

The North Dakota Trade Office is the fourth program in which we invest.

The Development Fund remains on sound footing and is leveraging \$7 for every \$1 invested. Last year they invested in 26 start-ups, 14 expansions, and 5 relocations for a total of 45 projects.

The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. As of December 31, 2004, APUC had awarded over \$1.1 million to 53 agricultural projects throughout ND.

Our research, business development, and marketing teams continue to recruit businesses to the state. 2004 company expansion announcements include AWM Staffing in Hazen, DataTic Technologies in Langdon, Eagle Creek Software in Valley City and Holland America Line in Williston.

Governor John Hoeven has been very clear in his instructions to us regarding economic development. We are to partner and support the existing development efforts instead of duplicating or competing.

To this end, we offer regular professional development training for our local partners and regional councils; we have successfully teamed with the University system in ways that have never been done before; and whenever we host an out-of-state marketing event, we feature company CEOs who are growing and prospering in the state as our keynote speakers.

New developers are invited to our office for a day's orientation to help them acclimate more quickly to the state's programs. A new certification class for developers is being planned. Paul Govig, director of the Division of Community Services, is spearheading this two-year class.

We have worked hard the last four years to build bridges and partnerships. Economic development is always a team effort. So when we reflect on the numbers Commissioner Peterson presented, we must realize that it is by many working together for a common goal that this has been accomplished.

And to you we owe a debt of gratitude for the funding you have given us that makes this all possible. We stand before you today to ask for continuing funding for the work we have begun.

Mr. Chairman, thank you. This concludes my remarks. I will now ask one of our partners, a representative from the Economic Development Association of North Dakota to speak.

Department of Commerce  
Division of Economic Development and Finance  
January 10, 2005

### **NORTH DAKOTA TRADE OFFICE**

Susan Geib 701-541-0735

The purpose of the North Dakota Trade Office is to increase exports of North Dakota products to international markets. Research conducted throughout 2004, by the North Dakota Trade Office, the ND Department of Commerce and the North Dakota District Export Council reveals there is great potential for export expansion in North Dakota. Increased exporting will strengthen and diversify the economy, plus create new, interesting career opportunities.

The North Dakota Trade Office, once funded, will assist North Dakota export expansion through **five** service areas. These areas are 1) **research and education**, 2) **export service networking**, 3) **trade mission and events coordination**, 4) **communications** and 5) **advocacy and systems administration**. The North Dakota Trade Office expects to develop a collaborative organization by networking with state and federal agencies, current exporters, potential exporters and export service providers.

### **MARKETING**

Tracy Finneman 328-5352

Since 2001 when the legislature first appropriated funds for ED&F to market North Dakota for business recruitment, we've held 12 out-of-state business events with nearly 1,600 guests attending. More than 20 local economic development organizations, 15 business executives and 23 private-sector organizations have partnered with us to host these events which have assisted six new companies in choosing North Dakota for their next location.

In 2003, we launched a strategic effort to secure positive stories in national media outlets and targeted trade publications. To date, we have placed 41 positive stories in media outlets from CNBC, to the Los Angeles Times, to Software Development magazine. Equivalent paid advertising space of all these stories would have cost us \$689,932 or nearly 70% of the 2003 appropriation for marketing.

Do these kinds of efforts pay off? Rock Clapper, CEO of Datatic Technologies – now located in Langdon, ND – read a business interview with Gov. Hoeven in the San Jose Mercury News. He called our office, attended one of our business events and announced the location of his company in Langdon three months later. Just two weeks ago, a writer for CNN Money online contacted our office

about a story she was writing. We referred her to individuals with the Northwest North Dakota Marketing Alliance – Tressy Heinle in Tioga and David Olson in Crosby. The story appeared on Dec. 23 and by Dec. 27, the marketing alliance had received 440 inquiries off of their web site – [www.prairieopportunity.com](http://www.prairieopportunity.com).

The answer is yes, the dollars you have provided us are being used in targeted areas, before a targeted audience and they are generating real-time results for North Dakota.

### **THE DAKOTA MANUFACTURING EXTENSION PARTNERSHIP**

Randy Schwartz 328-5314

The mission of The Dakota Manufacturing Extension Partnership (TD MEP) is to help new wealth creating companies grow our economy and improve our standard of living.

As one of sixty five Centers in the national MEP system, TD MEP is a partnership of federal, state, local and private sector resources designed to help improve the ability of small to medium size manufacturers to compete in a global economy.

Since it's reintroduction in 2001 to North Dakota, TD MEP has assisted hundreds of manufacturing companies and introduced several thousand manufacturing employees to Lean Manufacturing (focusing on how best to add value while reducing waste). Independent evaluation studies confirm that MEP assisted companies experience productivity gains more than **four** times greater than firms not receiving MEP assistance. TD MEP has helped two person manufacturing shops as well as plants with hundreds of employees boost their productivity, increase their on-time delivery, improve customer service, cut defects, and reduce inventories and lead times.

In addition to Lean Manufacturing, TD MEP and the national MEP provides assistance to companies in adoption of new technologies, developing supply chains, financial management, sales - marketing, innovation - new product development, strategic planning, quality systems and in human resource - workforce development.

TD MEP also contracts with the University of North Dakota to deliver assistance to several hundred small companies and manufacturers each year through the Small Business Development Center program.

As a result of MEP 3rd party follow-up, the year end customer goal thru 1<sup>st</sup> qrt 04:

- Increased & Retained Sales totaled \$22 mil
- Cost Savings totaled \$9.5 mil
- Investment was \$14.6 mil
- Jobs created/retained was 163

**SMALL BUSINESS DEVELOPMENT CENTER**

Christine Goldsmith 328-5375

The turnaround strategy undertaken by the SBDC program in 2002 has successfully wrapped up, with the addition of 5 more centers across the state. Ten centers now serve over 1,000 entrepreneurs each year with one-on-one counseling and advising, and another 1,000 through a variety of training events. **This is a 70% increase in activity achieved since 2002 with the same level of state dollars invested**, primarily accomplished through changes in staff and leadership.

The SBDC is more accountable and reports economic impacts clients accomplished such as business starts, expansions, jobs created, and taxable sales. Over the last 2 year period, 325 businesses were either started, expanded, or retained, they accessed \$43.5 million in loans, and created or retained over 1300 full and part time jobs. The estimated state taxes paid by these businesses will be over \$5 million.

SBDC client success stories include all types of businesses. Teresa and Theresa Kuhn, new owners of *T "N" T Foods* in Richardton say "We didn't really know where to start . . . the SBDC helped us all the way." Sharon Plecity, Fargo, dreamed for years about being her own boss. After working with the SBDC, she successfully purchased *Good Feet*, a retail franchise, and encourages others to take advantage of the services offered by the SBDC. Jim Savaloja, owner of the new *Jackalope Conversions* in Leeds looks towards the future and sees his company creating quality jobs and products that North Dakota can be proud of, with the SBDC right by his side.

The SBDC programs continues to be managed by UND with oversight by an Advisory Board composed of private and public sector leaders. The SBDC has leveraged its assets and fueled its growth by forming partnerships with almost 60 other economic development entities across the state, including regional councils, colleges and universities, state, local, and regional agencies, and the private sector. Plans over the next 2 years include introducing more technology efficiencies to the service delivery process, expanding the available training topics, focusing on long range planning, and seeking additional sponsorships.

**THE CENTER FOR TECHNOLOGY AND BUSINESS/WOMEN AND TECHNOLOGY**

Tara Holt 223-0707

The Center for Technology and Business wrote and implemented a simplified technology curriculum for the rural adult computer learner. The program has trained more the 13,000 individuals in every county in the state. Specialty projects include technology lab set-up and trainings in Regent, hands-on

registration for 263 farmers in and around Rugby (8 counties), Excel curriculum development and training for city and county auditors, business technology assessments and computer upgrades in the CONAC/REAP. The staff also develops curriculum for the Government Rural Outreach Project at UND, which assists senior citizens to sign up for government programs online. CTB also certifies Women-owned businesses for state and federal contracting opportunities.

### DEVELOPMENT FUND

Dean Reese 328-5334

#### FINANCIAL PERFORMANCE SUMMARY

December 31, 2004

- Over \$50 million invested in 350 companies.  
(Since inceptions \$27.4 million appropriated)
- Total repayments: \$36.4 million (6/30/03)
- Current portfolio: 69% debt, 31% equity.
- Default rate has decreased from 32% in 1994 to 12.5% today.
- \$9.8 million in charge-offs (19.62%) since startup in 1992.
- Leverage of outside funds: From 2001 to 2003, for every dollar invested in a project by the Development Fund there was \$7.01 invested from another source of funding (leverage ratio: \$7.01 to 1).

#### Projects Funded by Fund:

1) Rural Revolving Loan Fund:	\$ 2,754,967
Development Fund:	<u>3,251,300</u>
Total Funded	\$6,006,267

#### Business Type Started:

- 1) Start-ups – 26\*
- 2) Expansions – 14
- 3) Relocations – 5

\*18 of 26 start-ups still operating (70%)

**AGRICULTURAL PRODUCTS UTILITZAITON COMMISSION**

John Schneider 328-5350

The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. They accomplish this by administering four grants: **Farm Diversification, Marketing and Utilization, Prototype Development and the Basic and Applied Research grants.** As of December 31, 2004 APUC had awarded over \$1.18 mil to 53 agricultural projects throughout ND.

**Grant type financial summary:**

Basic and Applied Research – 7 projects =	\$131,346.00
Marketing and Utilization - 31 projects =	\$904,714.00
Farm Diversification – 9 projects =	\$38,050.00
Prototype Development – 3 projects =	\$44,150.00
International Marketing – 3 projects =	\$62,000.00
	-----
Total	\$1,180, 260

**RESEARCH**

Cory Finneman 328-5328

The Research Team within the ED&F Division of Commerce provides daily services to marketing, business development and administration. Their primary responsibilities are the collection, management, design, and presentation of information to improve the quality of life of all North Dakotans. Their vital services range from collection of information on existing primary sector companies, to due diligence services for business development and local developers, to the design and maintenance of our internet websites. Other examples include hosting national and international journalists, creation of business development proposals, and identifying prospects for marketing events. The Research Team acts as utility staff in backing up other programs when necessary and filling the gaps that arise within ED&F's mission.

**BUSINESS DEVELOPMENT**

Linda Butts 328-5300

**These are the companies that either expanded or relocated to North Dakota whose decision makers did not live in ND. Other expansions are not listed here. For further information visit our website at [www.growingnd.com](http://www.growingnd.com)**

1. Alien – Fargo
2. American Express - Dickinson
3. AWM Staffing-Hazen

4. Bobcat - Bismarck
5. Buhler-Fargo
6. CBF Group-Fargo
7. Cirrus Design-Grand Forks
8. DataTic – Langdon and Fargo
9. Direct Response Technology-Beulah
10. Eagle Creek Software- Valley City
11. Goodrich Corporation – Jamestown
12. Grizella Corp- Hebron
13. Holland America- Williston
14. Imation-Wahpeton
15. Infinity Windows- Fargo
16. Marvin Window and Doors – Grafton and Fargo
17. M&K Welding- Beulah
18. Minot Milling- Minot
19. NavTeq - Fargo
20. Northwest Airlines-Minot
21. Northwest Alfalfa-Tioga
22. Pemstar-Dunseith
23. Pepsi Americas- Fargo
24. Phase 2 Solutions - Minot
25. Remington Hybrid Seed-Mapleton
26. Ritescreen- Fargo
27. SEI Information Technologies-Grand Forks
28. Specialty Export Productions – Hatton
29. Specialty Export Productions –Watford City Region
30. Spinal Designs- Cavalier
31. Sysco – Fargo
32. Tarnell Industries- Walhalla
33. Unisys Bismarck Shared Service Center – Bismarck
34. Verifications Inc - Mandan
35. Western Polymer – Grand Forks



**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 2005, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**LINDA BUTTS – DIRECTOR, THE DIVISION OF ECONOMIC DEVELOPMENT & FINANCE**

Mr. Chairman, members of the committee. My name is Linda Butts. I am the Director of the Economic Development and Finance Division of the North Dakota Department of Commerce.

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I am not going to mention them, but rather again refer you to the attachments.

We invest in 4 programs, which, in turn, leverage these dollars with federal and private sector dollars to deliver a plethora of services through a public private partnership.

For example, The **Dakota Manufacturing Extension Partnership** brings a national network of about 2000 service providers that deliver sophisticated services to the shop floor of our state's manufacturers with the goal of improving their competitiveness, productivity and profitability. Besides Lean Manufacturing, they work in areas such as succession planning and strategic realignment so our manufacturer's find new markets.

Or the **Small Business Development Center** -- it has completed its turnaround strategy begun in 2002. The SBDC added 5 additional centers across the state. In total, 10 centers now serve over 1000 entrepreneurs each year with one-to-one counseling, and another 1000 North Dakotans through a variety of training events.

The **Center for Technology and Business** offers a broad range of technology classes and support, primarily to rural residents. To date this program has trained 13,000 citizens across the state.

The **North Dakota Trade Office** is the fourth program in which we invest.

The **Development Fund (NDDF)** remains on sound footing and is leveraging \$7 for every \$1 invested. The NDDF in the last biennium (01 to 03) invested in 26 start-ups, 14 expansions, and 5 relocations totaling 45 different businesses. The NDDF from July 1, 2003 to June 30, 2004 invested in 22 "Primary Sector" businesses for a total investment of \$2,199,267. Of the 22 businesses the NDDF invested in, 10 were start-ups and 8 of the 10 were located in rural communities. There were 10 expansions and 2 relocations.

The mission of the **Agricultural Products Utilization Commission (APUC)** is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. As of December 31, 2004, APUC had awarded over \$1.1 million to 53 agricultural projects throughout ND.

Our research, business development, and marketing teams continue to recruit businesses to the state. 2004 company expansion announcements include AWM Staffing in Hazen, DataTic Technologies in Langdon, Eagle Creek Software in Valley City and Holland America Line in Williston.

Governor John Hoeven has been very clear in his instructions to us regarding economic development. We are to partner and support the existing development efforts instead of duplicating or competing.

To this end, we offer regular professional development training for our local partners and regional councils; we have successfully teamed with the University system in ways that have never been done before; and whenever we host an out-of-state marketing event, we feature company CEOs who are growing and prospering in the state as our keynote speakers.

New developers are invited to our office for a day's orientation to help them acclimate more quickly to the state's programs. A new certification class for developers is being planned. Paul Govig, director of the Division of Community Services, is spearheading this two-year class.

We have worked hard the last four years to build bridges and partnerships. Economic development is always a team effort. So when we reflect on the numbers Commissioner Peterson presented, we must realize that it is by many working together for a common goal that this has been accomplished.

And to you we owe a debt of gratitude for the funding you have given us that makes this all possible. We stand before you today to ask for continuing funding for the work we have begun.

Mr. Chairman, thank you. This concludes my remarks. I will now ask one of our partners, a representative from the Economic Development Association of North Dakota to speak.

Department of Commerce  
Division of Economic Development and Finance Programs  
March 1, 2005

### **BUSINESS DEVELOPMENT**

Contact: Linda Butts 328-5300

This team serves as the state's business recruiters, supports the efforts of the local developers, and interfaces with the University system.

Below are the companies that either expanded or relocated to North Dakota whose decision makers did not live in ND. Other expansions are not listed here. For further information visit our website at [www.growingnd.com](http://www.growingnd.com)

1. Alien -- Fargo
2. American Express - Dickinson
3. AWM Staffing-Hazen
4. Bobcat - Bismarck
5. Buhler-Fargo
6. CBF Group-Fargo
7. Cirrus Design-Grand Forks
8. DataTic -- Langdon and Fargo
9. Direct Response Technology-  
Beulah
10. Eagle Creek Software- Valley City
11. Goodrich Corporation -- Jamestown
12. Grizella Corp- Hebron
13. Holland America- Williston
14. Imation-Wahpeton
15. Infinity Windows- Fargo
16. Marvin Window and Doors --  
Grafton and Fargo
17. M&K Welding- Beulah
18. Minot Milling- Minot
19. NavTeq - Fargo
20. Northwest Airlines-Minot
21. Northwest Alfalfa-Tioga
22. Pemstar-Dunseith
23. Pepsi Americas- Fargo
24. eTelecare Global Solutions- Minot
25. Remington Hybrid Seed-Mapleton
26. Ritescreen- Fargo
27. SEI Information Technologies-  
Grand Forks
28. SEI- Steele, Rugby, Valley City &  
Wishek
29. Specialty Export Productions --  
Hatton
30. Specialty Export Productions --  
Watford City Region
31. Spinal Designs- Cavalier
32. Sysco -- Fargo
33. Tarnell Industries- Walhalla
34. Unisys Bismarck Shared Service  
Center -- Bismarck
35. Verifications Inc -- Mandan
36. Western Polymer -- Grand Forks

### **MARKETING**

Contact: Tracy Finneman 328-5352

Since 2001 when the legislature first appropriated funds for ED&F to market North Dakota for business recruitment, we've held 13 out-of-state business events with nearly 1,700 guests attending. More than 20 local economic development organizations, 16 business executives and 23 private-sector organizations have partnered with us to host these events.

In 2003, we launched a strategic effort to secure positive stories in national media outlets and targeted trade publications. To date, we have placed 41 positive stories in media outlets from CNBC, to the Los Angeles Times, to Software Development magazine. Equivalent paid advertising space of all these stories would have cost us \$694,429 or nearly 70% of the 2003 appropriation for marketing.

Do these kinds of efforts pay off? Rock Clapper, CEO of Datatic Technologies – now located in Langdon, ND – read a business interview with Gov. Hoeven in the San Jose Mercury News. He called our office, attended one of our business events and announced the location of his company in Langdon three months later. A writer for CNN Money Online contacted our office about a story she was writing. We referred her to individuals with the Northwest North Dakota Marketing Alliance – Tressy Heinle in Tioga and David Olson in Crosby. The story appeared on Dec. 23 and by early January, the marketing alliance had received more than 1,200 inquiries off of their web site – [www.prairieopportunity.com](http://www.prairieopportunity.com).

The answer is yes, the dollars you have provided us are being used in targeted areas, before a targeted audience and they are generating real-time results for North Dakota.

### **Partners in Marketing**

As encompassing as our marketing and ambassador's program is, we recognize there is still a need for communities and regions to customize their marketing efforts and so we created the Partners in Marketing program. Communities, counties or regional groups may request grants from \$5,000 to \$30,000 to create marketing materials, attend business client meetings or create a unique event that highlights the strengths of their region for a targeted group of business prospects.

### **RESEARCH**

Contact: Cory Finneman 328-5328

The Research Team within the ED&F Division of Commerce provides daily services to marketing, business development and administration. Their primary responsibilities are the collection, management, design, and presentation of information to improve the quality of life of all North Dakotans. Their vital services range from collection of information on existing primary sector companies, to due diligence services for business development and local developers, to the design and maintenance of our internet websites. Other examples include hosting national and international journalists, creation of business development proposals, and identifying prospects for marketing events. The Research Team acts as utility staff in backing up other programs when necessary and filling the gaps that arise within ED&F's mission.

**DEVELOPMENT FUND**

Contact: Dean Reese 328-5334

**FINANCIAL PERFORMANCE SUMMARY**  
December 31, 2004

- Over \$50 million invested in 350 companies.  
(Since inceptions \$27.4 million appropriated)
- Total repayments: \$36.4 million (6/30/03)
- Current portfolio: 69% debt, 31% equity.
- Default rate has decreased from 32% in 1994 to 12.5% today.
- \$9.8 million in charge-offs (19.62%) since startup in 1992.
- Leverage of outside funds: From 2001 to 2003, for every dollar invested in a project by the Development Fund there was \$7.01 invested from another source of funding (leverage ratio: \$7.01 to 1).

Projects Funded by Fund (01 to 03):

1) Rural Revolving Loan Fund:	\$ 2,754,967
Development Fund:	<u>3,251,300</u>
Total Funded	\$6,006,267

Business Type Started:

- 1) Start-ups – 26\*
- 2) Expansions – 14
- 3) Relocations – 5

\*18 of 26 start-ups still operating (70%)

The NDDF from July 1, 2003 to June 30, 2004 invested in 22 "Primary Sector" businesses for a total investment of \$2,199,267. Of the 22 businesses the NDDF invested in, 10 were start-ups and 8 of the 10 were located in rural communities. There were 10 expansions and 2 relocations.

**ESTIMATED AVAILABLE FOR INVESTMENT  
IN THE 05-07 BIENNIUM**

Beginning balance July 1, 2005	\$3,281,051
Appropriations	-0-
Administrative overhead	(899,008)
Mandated Expenses NDTO	(500,000)
Estimated earnings	4,250,000
Total	\$6,132,043



## AGRICULTURAL PRODUCTS UTILITZAITON COMMISSION

Contact: John Schneider 328-5350

The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. They accomplish this by administering four grants: **Farm Diversification, Marketing and Utilization, Prototype Development and the Basic and Applied Research grants.** As of February 28, 2005 APUC had awarded over \$1.28 mil to 60 agricultural projects throughout ND.

### **Grant type financial summary:**

Basic and Applied Research – 8 projects	\$147,096.00
Marketing and Utilization – 35 projects	\$963,798.00
Farm Diversification – 10 projects	\$43,050.00
Prototype Development – 4 projects	\$67,950.00
International Marketing – 3 projects	\$62,000.00
	-----
Total	<b>\$1,283,894.00</b>

## NORTH DAKOTA TRADE OFFICE

Contact: Susan Geib 701-541-0735

The purpose of the North Dakota Trade Office is to increase exports of North Dakota products to international markets. Research conducted throughout 2004, by the North Dakota Trade Office, the ND Department of Commerce and the North Dakota District Export Council reveals there is great potential for export expansion in North Dakota among some 400 identified exporters. Increased exporting will strengthen and diversify the economy with new money, create new, interesting career opportunities that pay 13-18% higher wages (on average), and prepare businesses to become more globally competitive with higher growth.

The North Dakota Trade Office, once funded, will assist North Dakota export expansion through **six** service areas.

These areas are:

1. **EXPORT RESEARCH** that identifies *best market opportunities* and *product requirements* for overseas markets
2. **EXPORT EDUCATION** through *on-line curriculum* and associated export *assistant internships*
3. **EXPORT SERVICE EXPANSION** to aid exporters in *closing export business*
4. **TRADE MISSION coordination** to introduce *qualified buyers* to ND businesses
5. **ADVOCACY** through *public relations and events/conferences*
6. **INFORMATION SYSTEMS** development and administration to *track Exporter growth and (client) satisfaction*

The North Dakota Trade Office expects to develop a collaborative organization by networking with state and federal agencies, current exporters, potential exporters and export service providers.

The NDTO office coordinated two trade missions in the last biennium that resulted in \$22 million in new orders for our state's exporters.

### **THE DAKOTA MANUFACTURING EXTENSION PARTNERSHIP**

Contact: Randy Schwartz 328-5314

The mission of The Dakota Manufacturing Extension Partnership (TD MEP) is to help new wealth creating companies grow our economy and improve our standard of living.

As one of sixty five Centers in the national MEP system, TD MEP is a partnership of federal, state, local and private sector resources designed to help improve the ability of small to medium size manufacturers to compete in a global economy.

Since it's reintroduction in 2001 to North Dakota, TD MEP has assisted hundreds of manufacturing companies and introduced several thousand manufacturing employees to Lean Manufacturing (focusing on how best to add value while reducing waste). Independent evaluation studies confirm that MEP assisted companies experience productivity gains more than **four** times greater than firms not receiving MEP assistance.

TD MEP has helped two person manufacturing shops as well as plants with hundreds of employees boost their productivity, increase their on-time delivery, improve customer service, cut defects, and reduce inventories and lead times.

TD MEP Success Stories include Agri-Cover (Jamestown), Bobcat Company (Bismarck and Gwinner), DMI (West Fargo), Glenmac (Jamestown), Minnkota Windows (Fargo) and Turtle Mountain Corporation (Dunseith). See [www.dakotamep.com](http://www.dakotamep.com) and <http://www.360vu.com/> for more information.

In addition to Lean Manufacturing, TD MEP and the national MEP provides assistance to companies in adoption of new technologies, developing supply chains, financial management, sales - marketing, innovation - new product development, strategic planning, quality systems and in human resource - workforce development.

TD MEP also contracts with the University of North Dakota to deliver assistance to several hundred small companies and manufacturers each year through the Small Business Development Center program.

As a result of MEP 3rd party follow-up, the year end customer goal thru 1<sup>st</sup> qrt 04:

- Increased & Retained Sales totaled \$22 mil
- Cost Savings totaled \$9.5 mil
- Investment was \$14.6 mil
- Jobs created/retained was 163
- Investment was \$14.6 mil
- Jobs created/retained was 163

### **SMALL BUSINESS DEVELOPMENT CENTER**

Contact: Christine Goldsmith 328-5375

The turnaround strategy undertaken by the SBDC program in 2002 has successfully wrapped up, with the addition of 5 more centers across the state. Ten centers now serve over 1,000 entrepreneurs each year with one-on-one counseling and advising, and another 1,000 through a variety of training events. This is a **70% increase in activity achieved since 2002 with the same level of state dollars invested**, primarily accomplished through changes in staff and leadership.

The SBDC is more accountable and reports economic impacts clients accomplished such as business starts, expansions, jobs created, and taxable sales. Over the last 2 year period, 325 businesses were either started, expanded, or retained, they accessed \$43.5 million in loans, and created or retained over 1300 full and part time jobs. The estimated state taxes paid by these businesses will be over \$5 million.

SBDC client success stories include all types of businesses. Teresa and Theresa Kuhn, new owners of *T "N" T Foods* in Richardton say "We didn't really know where to start . . . the SBDC helped us all the way." Sharon Plecity, Fargo, dreamed for years about being her own boss. After working with the SBDC, she successfully purchased *Good Feet*, a retail franchise, and encourages others to take advantage of the services offered by the SBDC. Jim Savaloja, owner of the new *Jackalope Conversions* in Leeds looks towards the future and sees his company creating quality jobs and products that North Dakota can be proud of, with the SBDC right by his side.

The SBDC programs continues to be managed by UND with oversight by an Advisory Board composed of private and public sector leaders. The SBDC has leveraged its assets and fueled its growth by forming partnerships with almost 60 other economic development entities across the state, including regional councils, colleges and universities, state, local, and regional agencies, and the private sector. Plans over the next 2 years include introducing more technology efficiencies to the service delivery process, expanding the available training topics, focusing on long range planning, and seeking additional sponsorships.

**CENTER FOR TECHNOLOGY AND BUSINESS/WOMEN AND TECHNOLOGY**

Contact: Tara Holt 223-0707

The Center for Technology and Business wrote and implemented a simplified technology curriculum for the rural adult computer learner. The program has trained more the 13,000 individuals in every county in the state. Specialty projects include technology lab set-up and trainings in Regent, hands-on registration for 263 farmers in and around Rugby (8 counties), Excel curriculum development and training for city and county auditors, business technology assessments and computer upgrades in the CONAC/REAP. The staff also develops curriculum for the Government Rural Outreach Project at UND, which assists senior citizens to sign up for government programs online. CTB also certifies Women-owned businesses for state and federal contracting opportunities.

DEPARTMENT OF COMMERCE  
EDF BUDGET OVERVIEW

	<u>03-05 Adjusted Appropriation</u>	<u>05-07 Senate Budget</u>
Development Fund	\$ 1,550,000	
APUC	\$ 3,821,794	\$ 2,791,250
Trade Office	\$ 75,000	
Manufacturing Extension Partnership	\$ 639,101	\$ 639,101
Business Development	\$ 457,599	\$ 476,312
Marketing	\$ 1,105,327	\$ 1,251,614
Research	\$ 232,712	\$ 254,037
State Rural Development Council	\$ 84,850	\$ 84,850
Administration - Salaries	\$ 2,283,113	\$ 2,434,948
Administration - Operating	\$ 171,561	\$ 374,269
Discretionary Fund	\$ 2,297,127	\$ 1,900,127
Centers of Excellence		\$ 2,500,000
TOTAL BUDGET	<u>\$ 12,718,184</u>	<u>\$ 12,706,508</u>
General Fund	\$ 9,916,421	\$ 10,462,690
Federal Fund	\$ 1,027,289	\$ 734,583
Special Fund	\$ 1,774,475	\$ 1,509,235

**NORTH DAKOTA TRADE OFFICE**  
Susan Geib 701-541-0735

**\$75,000 appropriated in 03-05**  
**(w/ability to access an additional \$75,000)**

The purpose of the North Dakota Trade Office is to increase exports of North Dakota products to international markets. Research conducted throughout 2004, by the North Dakota Trade Office, the ND Department of Commerce and the North Dakota District Export Council reveals there is great potential for export expansion in North Dakota among some 400 identified exporters. Increased exporting will strengthen and diversify the economy. Exporting jobs pay 13-18% higher wages (on average), and prepare businesses to become more globally competitive with higher growth.

**EDF invested \$75,000 in the NDTO in 2004. As a result of two trade missions it managed in the last biennium, \$22 million in new orders resulted for our state's exporters.**

### **THE DAKOTA MANUFACTURING EXTENSION PARTNERSHIP**

Randy Schwartz 328-5314

**\$639,101 appropriated in 03-05**

The mission of The Dakota Manufacturing Extension Partnership (TD MEP) is to help new wealth creating companies grow our economy and improve our standard of living.

As one of sixty-five Centers in the national MEP system, TD MEP is a partnership of federal, state, local and private sector resources designed to help improve the ability of small to medium size manufacturers to compete in a global economy.

For every state dollar invested in TD MEP, the program is able to leverage an equal number of federal and private dollars.

**As a result of MEP 3rd party surveys of companies receiving services, the following measurement have been achieved from 2002-2004:**

- Increased & Retained Sales totaled \$32.1 mil
- Cost Savings totaled \$16.615 mil
- Investment was \$11.702 mil
- Jobs created/retained was 191

## **BUSINESS DEVELOPMENT**

**\$457,599 appropriated in 03-05**

Linda Butts 328-5300

This team serves as the state's business recruiter, supports the efforts of the local developers, and interfaces with the University system. This biennium there have been 31 out-of-state companies that have expanded or relocated due to this team's efforts. This list includes only those companies where company headquarters or decision-making is made outside of ND borders. Additional projects that accessed other EDF programs are not listed here.

To show the impact of this team's effort, we have prepared a REMI modeling for 3 of the 31 businesses. The number of employees a business hires and their rate of pay are input into the REMI model. The model, in turn, makes assumptions of both company and employee spending patterns, takes this data and predicts additions to Gross State Product and resulting taxes generated.

**Holland America (startup):** Located in Williston, they currently employ 50 agents with indirect employment of 19 others. These 69 employees will generate, new tax revenues of **\$350,000**. By 2006 the total with direct and indirect employment projections are 140. This will generate new tax revenues of **\$750,000**.

**Bobcat (expansion)** recently announced it had created 500 new jobs last year and plans a \$10 million facility in the new Northern Plains Commerce Center employing an additional 100 workers. This will result in **\$7.1 million** in new tax revenues in 2005 and **\$8.9 million** in 2006.

**Grizella (relocation)**, a startup in Hebron, designs and sells software for the trucking industry. It plans to add 8 employees in the next year. Based on this expansion, it will produce **\$78,000/year** in new tax revenues over the next two years.

## 2003-2005 Out-of-State Company Expansions in North Dakota

\*note: out-of-state company expansion represents any company expansion where company headquarters or decision-making is made outside North Dakota's borders.

1. Alien Technology, Fargo
2. American Express, Dickinson (3)
3. AWM Staffing, Hazen
4. Bobcat Company, Bismarck
5. Cirrus Design, Grand Forks
6. DataTic Technology, Langdon
7. DataTic Technology, Fargo
8. Eagle Creek Software, Valley City
9. eTelecare Global Solutions, Minot
10. Goodrich Corporation, Jamestown
11. Grizella Corp., Hebron
12. Hensley Aircraft, Devils Lake
13. Holland America Line, Williston
14. IDA Corp., Fargo
15. La Rinascente, Hope
16. Marvin Windows and Doors, Grafton
17. Minot Milling, Minot
18. NavTeq, Fargo
19. Northland Products, Finley
20. SEI, Grand Forks (2)
21. SEI, Wishek
22. SEI, Steele
23. SEI, Rugby
24. SEI, Valley City
25. Specialty Export Productions, Watford City Region
26. Spinal Designs, Cavalier
27. Tarnell USA, Walhalla
28. Unisys Shared Service Center, Bismarck
29. UpStream, Fargo
30. Verifications, Inc., Bismarck
31. Vanguard Mfg., Cavalier



## MARKETING

**\$1,105,327 appropriated in 03-05**

Tracy Finneman 328-5352

Since 2001 when the legislature first appropriated funds for ED&F to market North Dakota for business recruitment, we have held 13 out-of-state business events with nearly 1,800 guests attending. More than 20 local economic development organizations, 17 business executives and 23 private-sector organizations have partnered with us to host these events.

In 2003, we launched a strategic effort to secure positive stories in national media outlets, and targeted trade publications to enhance the **image** of North Dakota as a great place to do business. To date, we have placed 41 positive stories in media outlets from NBC's Today to CNBC's Closing Bell; from the Los Angeles Times to Software Development magazine.

**Equivalent paid advertising space of all these stories would have cost \$694,429, or nearly 70% of the 2003 appropriation for marketing.**

## RESEARCH

**\$232,712 appropriated in 03-05**

Cory Finneman 328-5328

The Research Team within the ED&F Division provides daily services to marketing, business development, administration and many other Commerce programs. The team's primary responsibilities are the oversight and preparation of our strategic plan and other accountability measures. As well, the Research Team collects, manages, designs, and presents information that enhances the credibility and marketability of North Dakota's competitive advantages.

This team acts as the academic arm of ED&F, providing critical intelligence services from the collection of information on existing primary sector companies to due diligence services on potential clients for the ED&F business developers, as well as our local development partners. In addition, the Research Team is responsible for maintenance and the planned redesign of the ED&F and Ambassador's web sites.

## Rural Development Council

**\$84,850 appropriated in 03-05**

State Rural Development Councils are a key part of this partnership. Each state council brings together state, federal, local and tribal governments and nonprofit sectors, offering a unique opportunity to join forces and cooperate in new ways for a strengthened rural America. The partnership views all of North Dakota as rural including our larger communities.

The state councils were charged to:

- Develop broad-based collaborative relationships among federal, state, local and tribal governments and private and nonprofit organizations at the state level;
- Foster and facilitate innovative and strategic approaches to rural development on all levels of government and within the private sector;
- Ensure that the benefits of rural development are widely shared among all rural citizens; and
- Identify, resolve or eliminate intergovernmental and interagency impediments that hinder effective rural development efforts.

## THE CENTER FOR TECHNOLOGY AND BUSINESS

Tara Holt 223-0707

**\$105,000 appropriated from  
discretionary fund in 03-05**

The Center for Technology and Business wrote and implemented a statewide simplified technology curriculum for the rural adult computer learner. Students included participants from more than 202 communities. The program has trained more the 13,000 small business owners, farmers, and community members in every county in the state.

For every state dollar invested, three dollars of federal money is leveraged.  
**\$50,000 leverages \$150,000 (Federal) annually**

### Equipment and Service Purchases by students (minimal)

- |                                     |             |
|-------------------------------------|-------------|
| • 33% bought new computer equipment | \$6,435,000 |
| • 25% signed up for Internet access | \$ 975,000  |

### Jobs and Employment

- |                                    |      |
|------------------------------------|------|
| • 5% acquired new jobs (full-time) | 650  |
| • 7% started working part-time     | 910  |
| • 8% earned more or promoted       | 1040 |

## **SMALL BUSINESS DEVELOPMENT CENTER**

Christine Goldsmith 328-5375

**\$329,500 appropriated from  
discretionary fund in 03-05**

Ten centers now serve over 1,000 existing and potential entrepreneurs each year with one-on-one counseling and advising, and another 1,000 through a variety of training events. A 70% increase in activity achieved since 2002 with the same level of state dollars invested, primarily accomplished through changes in structure, strategies and developing funding relationships with over 60 regional partners.

For every state dollar invested, one federal dollar is accessed.

**Over the last 2-year period, 325 businesses were started, expanded, or retained; they accessed \$43.5 million in loans, and created or retained over 1300 full and part time jobs. The estimated property, sales and employment taxes paid by these businesses next year will be over \$5 million.**

**2003-2005  
Director's Discretionary Grants**

Project	Committed	Paid	Balance to Pay
SBDC	\$329,500.00	\$ 165,182.45	\$164,317.55
Women & Technology	105,000.00	91,875.00	\$13,125.00
Entrepreneur Centers of ND	24,125.00	24,125.00	\$0.00
Administration Costs	157,002.00	15,085.27	\$141,916.73
Red River Valley Research Corridor	200,000.00	107,916.00	\$92,084.00
Alien Technology	500,000.00		\$500,000.00
Partners in Marketing	175,000.00	118,660.66	\$56,339.34
New Economy Strategies	8,924.30	8,924.30	\$0.00
Champion REAP Alliance	70,358.00	70,358.00	\$0.00
Parks & Recreation	10,000.00	10,000.00	\$0.00
City of Rugby	6,570.00	6,570.00	\$0.00
Sponsor-R&D Showcase (NDSU)	5,000.00	5,000.00	\$0.00
ND Trade Office, Inc.	75,000.00	0.00	\$75,000.00
Taiwan/Japan Trade Mission	3,900.00	3,900.00	\$0.00
Verification Inc. - Mandan	62,500.00		\$62,500.00
Kulm (Feasibility Study)	25,000.00	10,360.50	\$14,639.50
Trillium contract MOU w/ Beulah	15,000.00	15,000.00	\$0.00
Bio-Synergies Group, LLC	20,000.00	20,000.00	\$0.00
China Trade Mission	6,024.40	6,024.40	\$0.00
U of Mary - S. Egeland Scholarship Fund	500.00	500.00	\$0.00
SEI Technology	27,500.00		\$27,500.00
Williston - Holland America Project	300,000.00	300,000.00	\$0.00
Grand Forks Economic Development	45,000.00	45,000.00	\$0.00
Venture Capital Fund	50,000.00		\$50,000.00
<b>Total</b>	<b>\$2,221,903.70</b>	<b>\$ 1,024,481.58</b>	<b>\$1,197,422.12</b>
<b>Adjusted Appropriation w/carryover</b>	<b>\$2,297,127.00</b>		
<b>Less Expenditures</b>	<b>\$1,024,481.58</b>		
<b>Balance</b>	<b>\$1,272,645.42</b>		
<b>Less Balance to Pay</b>	<b>\$1,197,422.12</b>		
<b>Mandatory River Rescue Turnback (if not accessed)</b>	<b>\$25,000.00</b>		
<b>Balance Available to Spend</b>	<b>\$50,223.30</b>		

**2005 - 2007**

**Director's Discretionary Grants Budget**

Project	Committed
<b>Earmarks made by Senate</b>	
Targeted Industry Identification Report	25,000.00
Image Information program	50,000.00
Business hotline program	30,000.00
Local Developer certification & training	50,000.00
Dakota manufacturing initiative	100,000.00
Intellectual property rights study & report	50,000.00
Economic development incentive study	30,000.00
Business climate initiative study	50,000.00
Red River Valley EDC (Life Science Sector Development)	100,000.00
Wind to Hydrogen (city > 75,000 population)	25,000.00
<b>Subtotal</b>	<b>510,000.00</b>
<b>Removed by Senate</b>	
Dairy recruitment and retention	50,000.00
<b>Earmarks by SB 2018 and ED&amp;F</b>	
SBDC	\$329,000.00
Center for Technology and Business	155,000.00
Partners in Marketing	250,000.00
Champion REAP Alliance	70,000.00
Red River Valley Research Corridor	400,000.00
<b>Subtotal</b>	<b>1,204,000.00</b>
<b>Total</b>	<b>\$1,764,000.00</b>
<b>Executive Recommendation Appropriation</b>	<b>\$1,440,127.00</b>
<b>Additions made by Senate</b>	<b>\$510,000.00</b>
<b>Removed by Senate</b>	<b>-\$50,000.00</b>
<b>Adjusted Appropriation</b>	<b>\$1,900,127.00</b>
<b>Earmarks by Senate</b>	<b>\$510,000.00</b>
<b>Earmarks by ED&amp;F and SB 2018</b>	<b>\$1,204,000.00</b>
<b>Balance Available to Spend</b>	<b>\$186,127.00</b>

## **ECONOMIC DEVELOPMENT & FINANCE DIVISION**

### **Strategic Media Relations Samples**

In 2003, the Economic Development & Finance Division of the North Dakota Department of Commerce launched a strategic effort to secure positive stories in national media outlets and targeted trade publications. Through Dec. 31, 2004, we have placed 41 stories in media outlets from CNBC to the Los Angeles Times to Software Development magazine.

**If we bought ad space that was the equivalent of all these stories, it would have cost us \$689,932 or nearly 70 percent of the 2003 appropriation for marketing.**

What follows are a few samples of media stories that tell – from a third-party perspective – why business grows and prospers in North Dakota.

# FINANCIAL TIMES

www.ft.com

Thursday August 26 2004

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## State hopes to reap innovative harvest

With its relatively small population, North Dakota is still representative of the type of constant reinvention that marks the hope of continued US prosperity



NANCY DUNNE

As harvest time approaches, the fields of North Dakota look like an artistic reproduction of a rural landscape but painted in more dazzling shades of green, gold and brown. The farmers, who own the land, are descendants of early Norwegian and German settlers, representing prairie populism and a tradition of uniting to overcome hardship. However, the peaceful scenes obscure the realities of the farm slumps of the last two decades - new competition, lost markets, debt and bankruptcies.

"We are the most agricultural state in the US," says Jack Dairymple, the state lieutenant governor. "We have more tillable land than any other. We are number one in 11 different commodities."

With consolidations and urban

sprawl, the number of farms and farmers has been sliding, but agriculture remains the largest goods and services export sector. Farm production and agribusiness totals nearly 13 per cent of total economic output.

"To be the largest producer of commodities such as durum and spring wheat, sunflowers and honey, is not necessarily a recipe for wealth, considering the ups and downs of the markets and the constant shifts in consumer preferences. The state's median income is \$34,604, compared with the national average of \$41,984.

"We grow problem solvers here because of our culture. Many of our people have become titans of industry," says Linda Butts, state director of economic development and finance.

With its relatively small population of about 650,000, North Dakota is still representative of the type of constant innovation that marks the hope of continued US prosperity. Breeding new crops for new uses is a long-held practice and an ingenious agribusiness sector, following

Dakota Growers Pasta of Carrington, N.D., distributes profit back to the growers.

It has overcome many challenges. In 2000, with consumers demanding organic products and increasingly worried about farm chemicals and genetically altered crops, it launched organic pasta. This year, with carbohydrates the new diet demon, it rolled out low carb pasta.

But how long will the Atkins/South Beach low carb craze last? "I think we'll see the fad self-destruct," says Tim Dodd, chief executive of Dakota Growers. But he has already started work on Plan B. "We want to be able to make the claim that it is high fibre. Doctors see this as an answer to health issues."

North Dakota's unemployment rate now stands at 3.2 per cent, which is fortunate, because the new mills are so technologically advanced that they do not provide many new jobs. Minot Milling set up operation in 1998 and with 23 employees grinds 24,000 bushels of durum wheat daily. A \$7.9m expansion, to process 13,500 bushels of hard red spring wheat into flour, will create just eight new jobs.

Many agribusiness enterprises

have sprung up in recent years to take advantage of the state's crop diversity. Small specialty mills provide jobs here and there. One mill produces only organic products; another, special flour for a large frozen dough factory. Cavendish Farms produces hash brown potato patties and best molasses with vitamins, protein and minerals for animal feed; The North American Bison Cooperative processes meat and

**About 500 engineers a year graduate from Dakota State University and they are increasingly finding jobs locally**

by-products: Healthola (Safflower Technologies) brand safflower oil, and Earth-Kind, aromatic products.

Phil Boudjouk, vice-president of North Dakota State University research technology park, says the potential for oil seeds is vast: "We are learning to look at some plants as little oil wells," he adds. They can be used in perfumes,

nylons, plastics, paints and fuel oil.

He is overseeing development of high frequency radio identification tags which can track the diets of individual cows from birth to steak. It represents a new generation of devices to guard the safety of the food supply.

If technology is reducing employment opportunity in mills and factories, the opportunities are boundless for scientists and engineers to create new products, says Mr. Boudjouk. The North Dakota State University turns out about 500 engineering graduates a year, and they are increasingly finding jobs locally.

"I see agribusiness relying more heavily on technology," says Mr. Boudjouk. "Electronics will be embedded in nearly every area - from monitoring crops, having sensors out on the field, to improve quality. We have to get the costs down but the [payback] will be enormous."

A large part of US competitiveness is boosted by the research the US can use for research and development. Many of the new products and uses are the outcomes of funding provided by state and federal agencies

through government or university laboratories.

Among the state's vast food commodities, a company owes its prominence to a sunflower promotion program and the national growers' organisation. It produces oils as well as bird seed. Majkczak, president of Red River has been glowing over the success of its new Sunbitt tasty substitute for those with peanut allergies. It was developed in River River's sunflower research lab, with government assistance. "We were going to patent it," says Mr. Majkczak "but we decided to treat it the recipe for Coca-Cola."

Despite foreign competition Majkczak is convinced the sun is sunny for US agriculture points to recent prediction: the world population will grow by 90m people by 2050 and the growing number of research facilities.

"We have to develop our infrastructure to get out products less expensively than many other countries never get. The farmers are to be more productive than in the past," he says.

### RECRUITMENT

# MANUFACTURING TODAY

WWW

INDUSTRY LEADERS ■ MAY/JUNE 2004 ■ \$4

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ERICA GALLAGHER

**A**

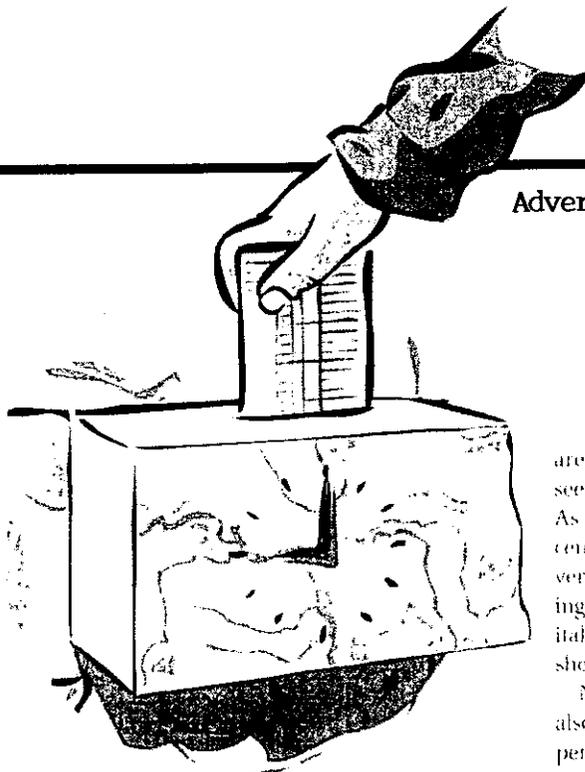
**HH, NORTH DAKOTA. IF YOU** were to ask me to spill every thing I know about the state, I'd probably have to cite my best and only source, the black comedy cult hit "Fargo." From that I'd tell you North Dakota is a vast land with brutal, whiteout winters, funny accents and lots of conversations begun with "yah."

But if I were a U.S. manufacturer ready to jump on the globalization bandwagon, I'd begin doing more homework on North Dakota, which I discovered offers much more than Hollywood has let on. North Dakota has been lauded as a potential domestic alternative to offshore

outsourcing, a trend that many U.S. manufacturers have either begun or are including in their short-term business strategies. "Much of North Dakota's manufacturing growth came in the 1990s as the U.S. economy expanded and U.S. manufacturers began expanding their markets and looking for alternative domestic locations," says Linda Butts, director of economic development and finance for the North Dakota Department of Commerce. "A lot of North Dakota's manufacturing growth also resulted from home-grown companies, such as Bobcat—a world leader in loaders and excavators and North Dakota's largest manufacturer with 2,000 employees."

Despite its footprint in the middle of nowhere, North Dakota is becoming a destination for manufacturers attracted to its low taxes; abundant, low-cost energy; zero deficit; good schools and a strong work ethic. The state also has the nation's lowest workers compensation rates and the nation's only state-owned bank, which can offer unique assistance to companies.

In North Dakota, manufacturers that use advanced technology would find a large pool of trainable workers, many of whom



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## STATE OF OPPORTUNITY

are "underemployed" now and seeking better wages and benefits. As for higher education, 25 percent of North Dakota State University students are in engineering. "We have the intellectual capital that people are looking for," she says.

North Dakota college students also have a continuation rate of 69 percent vs. the U.S. average of 57 percent, she explains. "What they will find in North Dakota," Butts said of manufacturers, "is a thoughtful work force that is intelligent, highly trainable, well-educated and very loyal."

Several manufacturers are thriving there today, and many are

expected to follow as more companies realize the state's potential. For example, Global Electric Motorcars, the largest U.S. producer of street-legal electric vehicles, has seen significant production increases from fewer than 500 vehicles in 1998 to more than 5,000 vehicles last year. Goodrich Corp. is a global aerospace and defense supplier that manufactures aircraft cargo handling systems and recently added 150 new jobs in North Dakota, which beat out California for the expansion.

Phoenix International, a John Deere subsidiary, manufactures highly ruggedized electronic components and systems for equipment used in agriculture, heavy construction, industrial control and material handling. Alien Technology is a Silicon Valley-based leader in radio frequency identification products that is building a research and manufacturing facility in Fargo that will produce "smart tags" the size of a pepper flake and employ up to 1,100 people as the industry grows.

With large and small manufacturers experiencing the benefits of North Dakota, it's clear the state is a strong contender for manufacturing jobs. **ME**

ILLUSTRATION: ERICAN COOPER



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## Wanted: Food Processors

(Baking & Snack, September 1, 2003)  
by Shane Whitaker  
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North Dakota is actively pursuing economic development opportunities in hopes of adding new jobs. Baking & Snack recently participated in a barnstorming tour of the state, in which the state's Department of Commerce highlighted its economic development efforts, while showcasing a handful of baking-related companies across the state.

The tour began at Bismarck, where we met with Lee Peterson, commissioner of the Department of Commerce, and two members of his staff, Cory Finneman and Mark Jennings.

Mr. Peterson, who is originally from Idaho, was genuinely passionate about North Dakota. He was positive yet frank about what the state has to offer, including year-round 80°F weather — OK, so it's not 80° year-round, he quickly retracted.

Prior to being appointed Department of Commerce commissioner by Gov. John Hoeven, Mr. Peterson was involved in developing legislation that created the department two years ago. It was formed when the state's Department of Economic Development and Finance was combined with the Division of Community Services, workforce development programs and the Tourism Department.

Having all these various pieces under the umbrella of one department allows the state to be more strategic in its economic development efforts, Mr. Peterson noted. "Everyone in the office is involved in economic development in one way or another," he added.

**INCENTIVES INCLUDED.** To attract new companies to the state, the Department of Commerce can offer a variety of incentives to businesses, including job training assistance, tax and permitting incentives, and financing assistance.

Even though North Dakota is the third least populated state and has low unemployment rates (3.6% in July 2003), Mr. Peterson said employers do not have to worry about searching for a workforce if they locate in North Dakota. "We can almost always find new employees at no cost for employers," he said.

Job-training assistance. The state features two job-training assistance programs.

Workforce 2000 is designed to assist businesses in upgrading current workers' skills. The state-funded program will train workers in new



technologies and processes. And a new jobs program provides funding for education and training services for employees. The no-cost program is paid for using employee withholding tax.

**Tax incentives.** North Dakota offers significant tax advantages for food processing companies that decide to locate within the state, Mr. Peterson noted. While there is a 5-year property tax exemption that can be granted to new and expanding businesses of any kind, agriculture processors can be granted an exemption up to five additional years. The state also offers sales and use tax exemptions for building materials used to construct agricultural commodity processing facilities.

In addition, the state does not have sales or use taxes on the purchase of machinery or equipment used in processing or manufacturing. Additional sales and use tax exemptions are available for electricity and interstate communication over phone lines, as well as a discounted 2% rate on natural gas.

Another major incentive is the fact new businesses can negotiate payments in lieu of property tax for up to 20 years from the date the project operations begin. And the state can grant a 5-year corporate income tax exemption for new businesses.

**Financing.** And if all this is not enough to encourage businesses to consider North Dakota, the state also operates the only state-owned bank in the nation, which allows it to offer extraordinary financing assistance. The Bank of North Dakota was established by legislative action in 1919 to promote agriculture, commerce and industry. To that end, the Bank of North Dakota, in participation with an originating lender, provides loan programs to businesses that create new jobs in the state.

Economic development programs include the PACE and the MATCH programs. PACE is an interest rate buy-down loan program providing financing for purchasing equipment or real estate as well as certain working capital requirements. The program is a partnership between local lenders, local governments and the Bank of North Dakota. The program can lower the borrower's rate of interest by as much as 5% below the bank's rate or 3% lower than the national prime rate.

Through the MATCH program, the Bank of North Dakota provides loans at some of the lowest interest rates available. The program is designed to support the borrowing needs for financially sound businesses. Qualifying borrowers can receive loans at an interest rate equal to an equivalent term U.S. Treasury Note rate plus 0.25% to 0.5%.

"We have built our incentives to get a business up and profitable as quickly as possible," Mr. Peterson said. "An unprofitable company is not going to be good for anyone."

**TAX STUDY.** The Department of Commerce commissioned Eide Bailly, a Bismarck-based business consulting and accounting firm, to conduct two tax analysis studies comparing a North Dakota community to 10 communities in other states that it often competes against when recruiting new businesses. One study focused on a food processing facility, and the other dealt with a manufacturing company.

In both studies, North Dakota was found to be the most advantageous location based on a 10-year analysis of taxes. The study evaluated property tax, workers' compensation insurance, state and local sales tax,

unemployment insurance and corporate income tax.

North Dakota far surpassed other states in its tax advantages for the hypothetical food processing facility, which opened with approximately \$25 million in food processing equipment and \$1 million in nonprocessing equipment. After 10 years, the facility, if located in Bismarck, had a tax liability of \$2.9 million, or \$4.4 million less than its nearest competitor, Sioux Falls, S.D.

"North Dakota's 10-year 100% abatement for a new or expanding agricultural processing facility had a huge impact on the state's overall standing," stated the executive summary of the report. "Several of the communities offer abatement programs but none to the extent of North Dakota."

Workers' compensation insurance was also significantly lower in North Dakota, less than half the cost of the next closest community.

"We believed we had a competitive edge when we talked to prospective businesses about North Dakota's low tax burden, but we lacked real evidence," said Mr. Peterson. "Now we do."

**MATERIALS MECCA.** North Dakota is a major producer of many different grains used in baking. "We would like to see not one kernel of grain leaving the state that we have not added value to."

According to 2002 figures, North Dakota ranked first in the United States in production of spring and durum wheat, flaxseed, canola, sunflowers, barley and honey. In fact, the state was responsible for 97% of all flaxseed harvested and 92% of all canola grown in this country.

North Dakota ranked second in all wheat production, harvesting more than 216 million bu, and the state ranked third in production of sugar beets and rye. It was fourth in oat production. North Dakota also is the top producer for many different edible beans.

Not only does North Dakota produce a lot of grains, but those doing business in the state seemed pleased with the quality of the materials.

Richard (Dick) Earle, c.o.o. and senior vice-president of sales and marketing at Dakota Brands International, Inc., Jamestown, N.D., said the company uses as much North Dakota-produced materials as possible. He said the company buys 100% of its flour from the North Dakota Mill, a state-owned mill established in 1922 to add value to wheat grown in the state.

"The quality of ingredients that we are able to get from right here in North Dakota is second to none," he said.

Why did Dakota Gourmet decide to locate its roasted sunflower operation in Wahpeton, N.D.? Because that is where the product is grown, said Lucy Spiekermeier, general manager. "We want to add value to locally grown product," she added.

Red River Commodities, Fargo, N.D., wants to be near its suppliers because "when you require specialty grain, such as sunflower seed, you must be able to talk directly to your suppliers," said Bob Majkrzak, president.

The one commodity manufacturers praised the most was the state's workforce. "The biggest asset North Dakota are its people, especially in terms of work ethic," Mr. Earle said. And to ensure that its citizens have ample opportunity to be gainfully employed, the state's Department of Commerce is doing its due diligence to attract new employers.

### **A Whirlwind Tour of Five**

During a 2-day barnstorming tour of North Dakota, we toured five plants in three cities. We sat down with one or more key managers of these companies to discuss why they located in North Dakota and what impact state and local economic development programs had on their company. In addition, we learned about each of the companies and the products they make.

While the tour started in Bismarck, we did not see any plants in the state's second-largest city. And Bismarck was as far west as we got. Instead, we headed east in a twin-propeller airplane.

We toured plants at Jamestown and Wahpeton, and three plants at the state's largest city, Fargo.

### **Dakota Brands International, Inc., Jamestown**

Dakota Brands was started at Jamestown in 1992. The company began by making one bagel product for a miniature bagel snack. Today, it makes more than 75 different products. It produces frozen and refrigerated bagels in variety of flavors. The company specializes in the production of private label and specialty bagels. The 22,000-sq-ft plant features one fully automated bagel line, two semi-automated lines and a roll line. The company added more than \$600,000 in equipment during the past few years, including four new ovens, two proof boxes and the automated bagel line. "We are an old plant with new ideas and new products," said Richard (Dick) Earle, c.o.o. and senior vice-president of marketing. "We think we have come a long way, and we want to go further."

### **Dakota Gourmet, a division of Sonne Inc., Wahpeton**

Since 1987, Dakota Gourmet has been roasting sunflower seeds, soybeans and toasted corn. The privately held company uses only non-GMO commodities, and it also produces some organic-certified products. The company employs 25 people at its 40,000-sq-ft facility. Approximately one-third of its products are private label. It produces both shelled and in-shell styles, including its own Giants brand of in-shell sunflower seeds. Additionally, all of Dakota Gourmet's products are trans fat free. "We were very pleased about the trans fat label ruling," said Lucy Spiekermeier, general manager.

### **Roman Meal Milling Co., Fargo**

Founded in 1969, Roman Meal Milling Co. supplies ingredients and mixes for the baking industry. The company operates a small flour mill that

primarily produces organic flour and organic whole-wheat flour. The company was a division of the Roman Meal Co., which makes Roman Meal bread, until 1988. Today, the privately held company provides packaging services and produces private label cereals. The company has 50 employees.

### **Red River Commodities, Inc., Fargo**

Red River Commodities purchases specialty crops such as sunflower seeds, millet and flaxseed and processes them for its customers. The company was founded in 1973 to produce birdseed, but by 1982, it began getting into confectionery sunflower seed products. Its subsidiary, SunGold Foods, markets a new product, Sunbutter, for the consumer market. "We're trying to trick sunflowers into tasting like peanut butter," said Dan Hofland, vice-president of marketing. Sunbutter was looked upon as a way for the company to re-invent itself now that a significant portion of its market — Europe — has virtually disappeared because the Chinese sell sunflower seeds for about one-third of what Red River prices its products.

### **Drayton Enterprises, L.L.C., Fargo**

Drayton Enterprises is a pre-proofed frozen dough manufacturer that produces more than 100 different items, mostly for chain restaurants and food service distributors. It recently introduced a microwaveable cinnamon roll and also makes breads and pizza doughs. The company has grown relatively fast since getting its start in the mid-1990s, and Tom Caron, president and c.e.o., said the company will most likely double its business within 10 years. "Our goal is to always be bigger, better and stronger than the day before," he said.

#### **Related Stories**

[Unconventional: Drayton Enterprises pioneers pre-proofed frozen 'Old World' bread.](#) (Baking & Snack, January 1, 1998)

[The North Dakota Mill achieves ISO certification](#) (Baking & Snack, October 1, 2002)

[Alliance creates solutions](#) (Baking & Snack, April 1, 2003)

[North Dakota Mill's annual profits increase 4%](#) (Bakingbusiness.com, September 19, 2003)

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-----Original Message-----

**From:** Bernie Arcand [mailto:berniea@nccray.com]

**Sent:** Monday, December 27, 2004 3:32 PM

**To:** tfinneman@state.nd.us

**Subject:** Our many many thanks

Tracy,

If there were a way to send you a virtual hug & kiss, I would. This is what we have dreamed about for years. And now, like the proverbial dog chasing the car...we've caught it, and now have to deal with it.

The flood gates opened from the CNN Money webpage story, and we are scrambling to answer 440 e-mail inquiries generated by the story. I can't believe there are so many people out there who want to move away from the big city into rural America. Now if we can just help them somehow.

Thank you, Thank you for thinking of Prairie Opportunity & the Northwest North Dakota Marketing Alliance and for steering Sarah over to Tressy Heinle in Tioga, who sent her to David Olson, who referred her to SEO Precision, our first success story.

We appreciate all you and the Dept of Commerce has done for us, and expect even greater success now with this momentum.

Happy New Year.

Bernie Arcand,  
Secretary, Prairie Opportunity



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## Free land in the heartland

Small towns in Kansas, North Dakota and other states are rolling out the red carpet for newcomers.

December 23, 2004: 4:36 PM EST

*Sarah Max, CNN/Money senior writer*

**(CNN/Money) – In June, Kimberly and Paul Bayless sold their house in Las Vegas and moved their family to the tiny town of Ellsworth, Kansas seeking a better quality of life - a parcel of free land didn't hurt either.**

The family had been looking for an escape route out of the city, where their commutes were long and quality time was scarce, but didn't know how they could manage such a move. "Each year I felt more and more claustrophobic," said Kimberly.

Then, after Paul was downsized from his job as a software engineer, Kimberly read a newspaper article about free land in Kansas.

Ellsworth, population of 2,900, is one of many communities throughout the Great Plains looking to reverse decades of population decline by offering free parcels of land. Not only that, they're also giving down payment assistance, tax rebates, breaks for small business and even the promise of high-speed Internet access.

Although the federal government stopped giving away free land when it repealed the Homestead Act in 1976, cities, school districts, economic development groups and individuals in rural communities have been donating land for the cause.

In Ellsworth County, for example, there are 23 lots available for free to individuals, assuming they're pre-qualified to build a house that is at least 1,000 square feet and agree to build a house on the land within two years time.

In addition to the land, families with children stand to receive \$1,500 to \$3,000 toward a down payment when they buy in the area. "Each new child is worth an additional \$6,000 to our school district from the state," said Anita Hoffhines, executive director of Ellsworth County Economic Development.

In nearby Marquette, 80 building lots became available for the taking in May, according to Carol Gould, director of the Kansas Center for Rural Initiatives at Kansas State University, and nearly half have been claimed. In Minneapolis, Kan., newcomers not only have dibs on free land, they qualify for a 75-percent rebate on city and school taxes for five years.

Some rural communities in North Dakota have similar incentives. New residents of Crosby, N.D., for example, are eligible for free land and a welcome package that includes free memberships to the golf club, hockey club and curling club, as well as \$500 worth of gift certificates redeemable at local businesses.

These efforts may be paying off. According to Census statistics released this week, North Dakota's population between July 2003 and 2004 grew for the first time since 1996.

Of course, city slickers need to look past the freebies and make sure they really do want to live in a small town.

Six months after their move, the Bayless family is happy with their decision. Kimberly substitute teaches and stays home with her youngest of four children, while Paul is enjoying a new career as a long-haul truck driver. "He's loving it," said Kimberly. "It's not the high stress of the computer field."

Still, the family has had to make some adjustments. "I sometimes forget that I can't just run out and buy anything I want any hour of the day," she said.

### Calling all entrepreneurs

You don't need to become a truck driver to move to a small town.

At the same time rural communities are recruiting new homeowners, they are also going out of their way to attract entrepreneurs and telecommuters who, they think, can benefit from the low cost of living, tax incentives, skilled labor pool and the do-anything spirit of a small town.

"People out here are willing to try new things," said Hoffhines. "When you have fewer resources you have to be more creative."

When Shawn and Esther Oehlke decided to quit their day jobs in Albuquerque, N.M. to work on their start-up company, SEO Precision Inc., they found Northwest North Dakota. "We targeted five of the most rural states looking for business incentives," said Esther, who grew up in Long Island, NY. "North Dakota came out on top because of all of its tax incentives."

In August, the Oehlkes moved to the town of Crosby, population 1,200, and began leasing a 16,000-square-foot downtown building from the city for a "sweetheart of a deal."

The hundred-year-old mercantile building seems like an unlikely place for a company that makes precision steering mirrors for laser beams, but with the help of locals the Oehlkes have set up shop on the main floor and converted the basement into class-10,000 clean room. They live in two apartments on the second floor and have turned the rest of the upstairs into short-term rentals, which have been popular with people in town for business in the oil industry.

Under their lease agreement, the town will convert part of the main floor into a community tech center with 12 desktop computers with high-speed Internet.

"High-speed Internet is one of the ways small places are overcoming isolation," said Gould. "In North Central Kansas there is even a system of antennas on grain elevators and water towers for wireless Internet."



## So you want to move to Kansas?

It should go without saying that if you're serious about quitting the city or suburbs for the simplicity of a small town, you'll want to make sure you can handle life without Starbucks and the multi Cineplex.

Meanwhile, you can get more information about free land and other small-town goodies online.

In Nebraska, 60-year-old sisters Betty Sayers and Nancy Herhahn are getting ready to send thousands of postcards to former residents of their hometown, Holdrege, in an effort to drive traffic to their site Business Beyond the Farm and, ultimately, persuade town alumni to move back.

Launched last week, KansasFreeLand.com has links to a handful of communities offering free land in Kansas.

Six counties in Northwestern North Dakota, meanwhile, have joined forces and launched the site, Prairie Opportunity with the tag line "Do you have what it takes to be a 21st Century pioneer?"

"Odds are, you are not a candidate for NW North Dakota," the site discloses.

On the off chance you are a candidate, have they got a deal for you. ■

**Find this article at:**

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# North Dakota Ambassador Gateway

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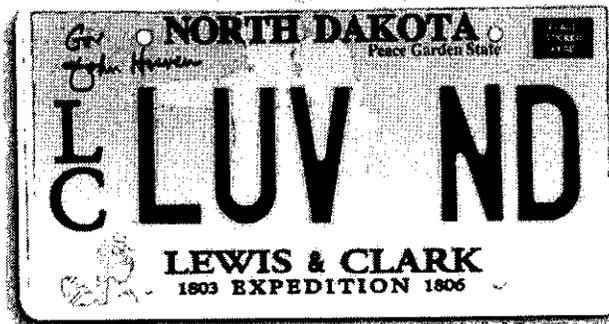
Ambassadors are men and women interested in helping us improve the quality of life for the people of North Dakota. Help can be provided in a number of ways. They include becoming knowledgeable on the competitive advantages North Dakota holds for businesses and families creating North Dakota enthusiasm in and out of our great state and spreading the North Dakota good news whenever possible. Our ultimate goal is to grow our state with new or returning residents and new North Dakota businesses.

This website is intended to assist in all of the above. We appreciate any and all comments to make this the best tool possible.



Linda Butts Director Economic Development & Finance Division North Dakota Department of Commerce

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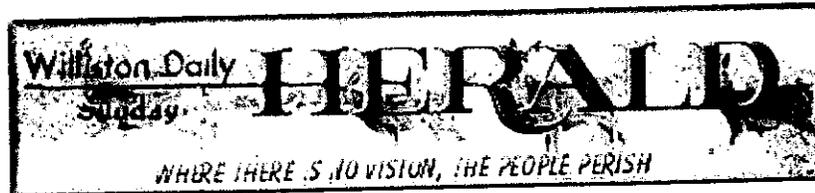


The most prized possession of an Ambassador can be seen at left. North Dakota Gov. John Hoeven will sign a "LUV ND" license plate for each Ambassador that submits a quality business lead to the North Dakota Department of Commerce.

Please use the "Submit a Business Lead" link on the left-hand menu for your chance to grow North Dakota and receive a sign of our recognition.

NORTH DAKOTA Department of Commerce

Linda Butts, Director, Economic Development & Finance [www.ndcommerce.com](http://www.ndcommerce.com) [4dakota@state.nd.us](mailto:4dakota@state.nd.us) phone: 701-328-5300 or 1-866-4DAKOTA



Saturday, December 04, 2004

## Holland America cruises in

*By Tim Pederson,  
Managing Editor*

"For several years, we have been looking to create a satellite reservations center for redundant capabilities," said A. Kirk Lanterman, chairman of Holland America Line. "The ability to take over an existing center, along with a stable, trained workforce, made this opportunity very attractive."

Gov. John Hoeven, Williston Mayor E. Ward Koeser and other officials welcomed Lanterman Friday as he announced the purchase of the former Rosenbluth building.

In a \$1.2 million deal, the Seattle-based company bought the facility.

Holland America Line Inc. has a fleet of 12 ships



Joe Palermo, project director for the Seattle-based Holland America Lines, tells how the company came to know about Williston at a Friday news conference. The company's chairman, Kirk Lanterman, is a North Dakota native and approached to become a 'North Dakota Ambassador' by Linda Butts, background, director of North Dakota Economic Development and Finance.  
- Photo by Tim Pederson

that offer nearly 500 cruises worldwide from 27 ports. It is considered a premier vacation with destinations to Alaska, Asia, the Caribbean, Canada, Europe, Hawaii, Central America and more, including a 116 day world voyage that docks in 43 ports across five continents.

"This should be a win-win for employees in Williston and for Holland America Line. We are excited for this opportunity for local employees to find good reliable employment with an industry leader such as Holland America Line," said Williston Mayor Ward Koester. "We are very pleased ... They have made a substantial investment in our community."

The city has been working since August with representatives of the Holland America company. Koester said he is confident that without the facility, the company would not have come here.

Holland America had considered three other sites around the nation before choosing Williston.

Holland America Line, a 115-year-old cruise travel company, began operating from the facility Wednesday. They currently employ 14,000 employees globally.

"Holland America Line's expansion to Williston is a success story for our state and our ambassador program," Hoeven said. "Our Department of Commerce connected with Kirk Lanterman and he agreed to be an ambassador for North Dakota. He has a solid commitment to his North Dakota roots and is now investing in our state through his business. We welcome Kirk Lanterman and Holland America Line to Williston."

The state is giving Holland America \$300,000 for the building purchase, job training and new equipment to link the center with Seattle, Hoeven said. The state is getting back the \$300,000 it invested in the center during the Rosenbluth era.

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Lanterman was approached by Linda Butts, director of North Dakota Economic Development and Finance at the University of North Dakota Homecoming events last year. She facilitates the ambassador program which trains former North Dakotans to recruit people to move back to North Dakota.

Lanterman is a North Dakota native, having grown up in Bismarck and attended Bismarck schools and the University of North Dakota.

Kathy Daves, manager of the Williston reservation center, is an Enderlin native.

"Kirk did one step better ... he expanded his company to North Dakota," stated Hoeven. "We will do everything we can to help support you and your goals of making this a success."

At the time of purchase, the American Express had employed 28 people at the center. Thirty-four people now work at the site. They plan to add another 15 employees in March.

"We did not buy a building that will fit 220 people to employ 34," stated Lanterman.

"This is good news for North Dakota. These jobs were created in 1988, back when I convinced Hal Rosenbluth that he had to bring Rosenbluth Travel to North Dakota. When American Express bought Rosenbluth, I know there was some nervousness," stated Sen. Kent Conrad, D-N.D. "Holland America is now bringing its excellent reputation to Williston. Holland America is one of the few tourism companies that did not lay anybody off after 9-11. That says a lot about the quality of this company."

Conrad was instrumental in bringing the first Rosenbluth Travel jobs to North Dakota in 1999. Because of the Sept. 11, 2001, terror attacks, the travel industry slowed and employees were furloughed. American Express purchased the call centers last year.

The Williston center will take reservations for the line beginning Jan. 3.

### **Holland America cruises in**

"For several years, we have been looking to create a satellite reservations center for redundant capabilities," said A. Kirk Lanterman, chairman of Holland America Line.

"The ability to take over an existing center, along with a stable, trained workforce, made this opportunity very attractive."

### **First Union to close doors**

First Union Church has gone through several changes the past 115 years, but they will hold final services Dec. 12.

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# North Dakota TRADE OFFICE

Date: December 22, 2004

## Research methodology/findings:

The State of ND researched trade statistics; conducted 2 successful trade missions; telephone surveyed several hundred exporters; held 8 roundtable meetings across the state (encompassing exporters, educators, legislators, trade related organizations, and export service professionals); to identify the following:

### 1. ND Export Opportunities:

- a. Identified 400 qualified Exporters across ND, primarily exporting to Canada, who desire to expand their export business bringing incremental revenue to ND from outside the state.
- b. Discovered small increments in growth in North Dakota's \$ 3Bln annual export volume can return large incremental volumes across all industry sectors: Example: A 1% rise in ND Export volume will ignite +\$30Mln in incremental revenue to state.
- c. Export volumes are split 1/3, 2/3 between merchandise exports (higher value exports) and agriculture commodity exports. ND service exports are also high value but are not measured in standard export research statistics. Trade Office/TPA concentration should be on growing higher value exports.
- d. ND Ranks 46/50 states in merchandise export volume and is significantly outranked by states with similar export products who ship 5-10X greater volume (MN, IA, WS); in particular to Canada, Japan, Mexico, China ... indicating significant marketshare opportunities in these countries.
- e. ND's export volume is significantly outranked by similar geographies indicating populace and geography are not real export barriers: Manitoba has \$12Bln in annual export volume; Vermont \$2Bln
- f. ND exports are highly concentrated in a few industries for easy access and focus: 46% machinery, 33% food processing, 6% transport equipment, 14% other ("other" holds high growth/high diversity companies for ND economy),
- g. High Growth exists in value-added agriculture/processed food exports: corn +13%; soybeans +20%, sunflowers +21%, Peas/Lentils +96%. Past 2 trade missions have revealed significant demand for these areas with approximately \$3.1 million in overseas value added ag orders.
- h. High growth in machinery parts (airplane parts, oil derrick parts) and service exports (tourism and pharmaceuticals) reveal a significant opportunity in several overseas markets that would continue to diversify our economy and grow jobs in these important sectors.
- i. Exports and Foreign Direct Investment can rise with current low dollar value – with US products less expensive overseas
- j. Trade Missions can be one viable source of economic benefit if market/product/company research is done wisely prior to mission. Past 2 trade missions have provided \$14MM in incremental revenue for approximately 9 ND companies. Many of these were in rural areas (Crosby, Rolla, Tioga, Casselton).

### 2. ND Export Barriers:

- a. Transport: Road Weight Limits, Intermodal Transport (applies to large machinery & commodities exporters who ship in containers). Advocacy work is currently being carried out in these areas.
- b. Lack of Reliable Export Service Network who have the expertise to service export oriented clients (bankers, accountants, freight forwarders, export managers, researchers). NDTO/TPA have identified this network and needs to make it "accessible" to Exporters as a next step.
- c. Lack of export educated staff within Exporter companies. NDTO/TPA has identified on-line curriculum that can be acquired and administered for education & certification in both the commercial and food processing export processes. NDTO/TPA has also developed an internship model that will educate students on the export process and send them to Exporters as export assistants for one semester, and are likely to turn into full time jobs

given their unique skill requirement/training. Internships will be administered through universities.

- d. **Lack of strong market research to illustrate opportunities for ND products.** UND and NDSU have agreed to staff and administer this area within the Innovation Center, NCI, and International Economics divisions. A grant for development of this program has also been applied for within NDSU's international business department.
- e. **Excessive paperwork/regulation that extends export process to excessive length.** Export professionals will assist in expediting this process.
- f. **Lack of capital to finance expansion.** Consideration should be given to Bank of ND providing short term capital to enable companies to develop new markets.

### 3. Recommendation:

**Over the next five months the state of ND plans to develop the infrastructure and information systems for a collaborative trade organization. Once up and running, this trade organization will be able to address the above barriers and proactively provide North Dakota's 400 qualified Exporters with:**

1. **Proactive trade expansion efforts through advocacy, education, collaboration, and export management expertise** to include such issues as intermodal transport, road weight limits, etc.
2. **Market opportunity research staff** who proactively match ND companies/products to countries best suited to purchase those products. **Product Research staff & systems will also be developed** to overcome regulation and paperwork barriers. This staff would consist of student interns overseen by a qualified research director. The internship program and process must be developed along with a pilot run.
3. **On-line export certification process/curriculum** that will be used to educate and certify exporter staff on the export process with a certificate from the USA Export Institute for commercial products or MIATCO/ND Dept of Ag for food products. Curriculum must be reviewed, tested, and certification processes put in place. **Goal: Certify 100 exporter staff over 1 year time period.**
4. **Research/contacts for future trade missions** to countries with highest market potential for ND products.
  - a. **NOTE: 2 Trade Missions over the past 6 months have generated \$14MM in incremental revenue.**

**Develop easily accessible, reliable, network of Export Service Professionals who can manage the export process for and with exporters.** This would encompass everything from research to regulations to financing to freight forwarding to distribution development. We have identified a number of these professionals and must continue to recruit and gather them into an easily accessible database so as to be up and running in 6 months.

**Public Relations and advocacy** efforts must continue to highlight company trade success and advocate and educate on trade issues. Publicity efforts to date have been widespread and helpful to exporters in expansion. Continued advocacy is critical to the effort to enable a higher profile for ND companies and thus greater international business possibilities.

**Event planning will be detailed over the next 6 months and, when executed, will bring exporters together with export service professionals and key legislators to discuss trade issues, opportunities, and cultural benefits. Goal: Plan 8 roundtable events across ND.**

**Information Systems must be developed** to measure export volume, opportunities, client satisfaction and key contacts. Highly searchable database and website with strong search engine will also be put in place to attract leads and enable peer networking.

#### Summary:

**Trade efforts have failed in the past due to lack of research identifying qualified exporters and export service professionals, lack of professional international business experience/skills, lack of adequate funding to constitute a team to affect/expedite trade, lack of collaboration among trade related entities, lack of systems to measure success. It is critical that we allocate funding to developing this collaborative organization and pilot run so as not to repeat past mistakes.**



House Appropriations Government Performance Division  
March 9<sup>th</sup> 2005  
Economic Development and Finance Division Programs

**DEVELOPMENT FUND**  
Dean Reese 328-5334

**No state appropriations in 03-05  
for program support**

**\$1,550,000 appropriated as a pass-through for COE**

Through the management of Dean Reese, this fund has reduced default rate from 32% in 1994 to 12.5% today. Since its inception, over \$50 million has been invested in 350 companies, with \$27.4 million appropriated. The fund is no longer the only investor in a deal, but rather one of many partners. The fund has achieved a leverage ratio of \$7 of partner investment to every \$1 of Development Fund investment. Another strategy has been to get equity requirements for each project to a level that an SBA or UDSA guarantee can be used, thereby reducing the risk for all.

Since 2000, the Development Fund has invested in 89 projects and 74 different companies for \$13,360,181, with 89% of the companies still in operation. Of the dollars invested in these companies, \$282,842 or 2.12% of the dollars have been written-off.

**Estimated available for investment in the 05-07 biennium**

Beginning balance July 1, 05:	\$3, 281,051	
Appropriations	-0-	
Administrative overhead	(899,008)	(includes \$100,000 for rural incentive program grants)
Mandated Expenses NDTO	(500,000)	
Estimated earnings	4,250,000	
Total	\$6,132,043	

**NDCC 10-30.5-10 North Dakota Development Fund Continuing  
Appropriation**

This is the statutory authority giving the Development Fund continuing appropriation. Please see the balance sheet below for the most recent audited financial information.

**NORTH DAKOTA DEVELOPMENT FUND, INC.**  
**BALANCE SHEETS**  
**JUNE 30, 2004, AND 2003**

ASSETS	<u>2004</u>	<u>2003</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents - Note 2	\$ 1,464,383	\$ 12,187,962
Interest receivable on deposits and loans	122,222	89,948
Investments	11,550,000	-
Current portion of loans receivable	<u>2,289,072</u>	<u>2,597,137</u>
Total current assets	<u>15,425,677</u>	<u>14,875,047</u>
<b>NONCURRENT ASSETS</b>		
Equity investments, net - Notes 3 and 4	1,700,541	1,597,828
Loans receivable, net of current portion - Notes 5 and 6	3,604,935	4,762,906
Equipment, net - Note 7	<u>4,271</u>	<u>16,231</u>
Total noncurrent assets	<u>5,309,747</u>	<u>6,376,965</u>
Total assets	<u>\$ 20,735,424</u>	<u>\$ 21,252,012</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued expenses	<u>\$ 15,154</u>	<u>\$ -</u>
<b>NET ASSETS</b>		
Invested in capital assets	4,271	16,231
Unrestricted	<u>20,715,999</u>	<u>21,235,781</u>
Total net assets	<u>20,720,270</u>	<u>21,252,012</u>
	<u>\$ 20,735,424</u>	<u>\$ 21,252,012</u>

NORTH DAKOTA DEVELOPMENT FUND  
Investments July 1, 2000 to June 30, 2003

Business Name	Investment Amount	Operating/Not Operating
Abrasives, Inc. (Glen Ullin)	\$150,000	Operating
Agri Imagis (Maddock)	33,333	Operating
All-In-One Products (Watford City)	125,000	Operating
BeAtHome.Com (Fargo)	140,000	Paid Out
Botanical Silks (Bismarck)	100,000	Operating
Buffalo City Wood (Jamestown)	125,000	Operating
Bullinger/Wil-Rich (Wahpeton)	376,000	Operating
CADgraphics (Devils Lake)	60,000	Operating
CD Sound (Bismarck)	125,000	Operating
Convexity, LLC (Fargo)	150,000	Operating
Cross Consulting (Watford City)	60,000	Operating
Dacco, Inc. (Hebron)	800,000	Operating
Dakota Aero (Devils Lake)	75,000	Not Operating
Earth Kind (New Town)	50,000	Operating
FarmNet Services (Harvey)	75,000	Operating
Federal Machine (Fargo)	150,000	Operating
Financial Business System (Fargo)	291,000	Operating
GlassBusters (Fargo)	300,000	Paid Out
Hoselton, Terry (Rolla)	300,000	Paid Out/Operating
Intellisol (Fargo)	300,000	Paid Out
Killdeer Mountain (Killdeer)	500,000	Operating
Minot Area Development (Minot)	500,000	Paid Out
Minot Area Development (Minot)	125,000	Paid Out
Napoleon Future Fund (Napoleon)	30,000	Operating
Pump Systems (Dickinson)	31,250	Operating
Pump Systems (Dickinson)	20,000	Operating
Ray Mac Inc. (Gwinner)	250,000	Operating
Rosenbluth (Dickinson)	20,000	Operating
Sakakawea Lake Cabins (Hazen)	64,600	Paid Out/Operating
Schultz Creamery (Bismarck)	33,333	Paid Out
Sonne Labs (Wahpeton)	225,000	Paid Out/Operating
SpaceAge Synthetics (Fargo)	400,000	Operating
Steffes ETS (Dickinson)	20,000	Operating
TRAX/Raging River (Mandan)	200,000	Operating
TRAX/Raging River (Mandan)	500,000	Operating
TSR Parts (Colgate)	50,000	Operating
Ultra Tech (Dickinson)	3,333	Operating
Ultra Tech (Dickinson)	20,000	Operating
United Spring Wheat (Fargo)	300,000	Paid Out
Telecare Global Solutions (Minot)	300,000	Operating
Red River Software (Fargo)	125,000	Paid Out/Operating

Data Tranz (Valley City)	100,000	Operating
NSX Technologies (Fargo)	75,000	Not Operating
Dakota Welding & Mfg. (Bismarck)	36,300	Not Operating
United Spring Wheat (Fargo)	300,000	Paid Out
Contact Centers (Grenora)	100,000	Not Operating
Sew Worthy (Bottineau)	40,000	Operating
Dakota Sno Blade (Linton)	100,000	Paid Out/Operating
Ashley JDA/Blumhardt Equipment (Ashley)	50,000	Operating
Automotive Safety Auto (Valley City)	30,000	Operating
Stratacom, Inc. (Fargo)	200,000	Operating
Veracity Comm. (Grafton)	75,000	Not Operating
LAS International (Carrington)	50,000	Operating
Botanical Silk (Mandan)	200,000	Paid Out/Operating
Lisbon Area Development (Lisbon)	75,000	Operating
M&K Welding (Beulah)	144,000	Operating
Bushel 42 Pasta Company (Crosby)	50,000	Not Operating
National Info Solutions (Mandan)	100,000	Operating
Amber Waves (Richardton)	50,000	Operating
All-In-One Products (Watford City)	62,500	Operating
Midwest Truck Eq. (Mayville)	50,000	Operating
Grand Forks Growth, Cirrus Bldg. (Grand Forks)	250,000	Operating
Northwestern Dairy (Parshall)	275,000	Operating
Heartland Feed (Tioga)	300,000	Operating
Specialty Export (Hatton)	78,000	Operating
Composite America (Fargo)	290,000	Operating
This Old Hat (Mandan)	30,000	Operating
Peragon Enterprises (Grand Forks)	75,000	Operating
Harvest Board, LLC (Lisbon)	108,333	Not Operating
Weather Modification(Fargo)	500,000	Operating
Feed Management Systems (Fargo)	150,000	Operating
Agri-Cover, Inc. (Jamestown)	300,000	Operating
M&K Welding (Beulah)	50,000	Operating
Bushel 42 (Crosby)	64,999	Not Operating
Minot Lodging Expo (Minot)	120,000	Operating
Kidco Farms (Steele)	100,000	Operating
Mo8 Designs(Butte)	25,000	Operating
Dakota Fresh (Medina)	25,000	Not Operating
N.A. Bison Coop. (New Rockford)	85,000	Operating
Watford City Ready Mix (Watford City)	162,500	Operating
Direct Response Tech. (Beulah)	150,000	Operating
Stratacom, Inc. (Fargo)	175,000	Operating
Pond Doctor (Bismarck)	20,000	Operating

Amber Waves (Richardton)	60,700	Operating
Samsara Cues, Inc. (Rugby)	40,000	Operating
Integra Castings (Cando)	100,000	Operating
BG Fire, Inc. (Elgin)	35,000	Operating
GP Star, Inc. (Devils Lake)	100,000	Not Operating
PDA LLP (Fargo)	300,000	Operating
	\$13,360,181	

89 Investments:

1) Operating	65
2) Paid Out/Operating	14
3) Not Operating	<u>10</u>
Total	89 Investments

% of projects operating to total projects (79/89): 89%

% of projects not operating to total projects (10/89): 11%

Charge-offs to total investments: (\$282,842/\$13,360,181): 2.12%

NORTH DAKOTA DEVELOPMENT FUND  
Investments July 1, 2000 to June 30, 2003

Business Name	Investment Amount	Operating/Not Operating	Dev. Fund/DF Rural Fund/RF
Abrasives, Inc. (Glen Ullin)	\$150,000	Operating	RF
Agri Imagis (Maddock)	33,333	Operating	RF
All-In-One Products (Watford City)	125,000	Operating	RF
BeAtHome.Com (Fargo)	140,000	Paid Out	DF
Botanical Silks (Bismarck)	100,000	Operating	DF
Buffalo City Wood (Jamestown)	125,000	Operating	DF
Bullinger/Wil-Rich (Wahpeton)	376,000	Operating	DF
CADgraphics (Devils Lake)	60,000	Operating	RF
CD Sound (Bismarck)	125,000	Operating	DF
Convexity, LLC (Fargo)	150,000	Operating	DF
Cross Consulting (Watford City)	60,000	Operating	RF
Dacco, Inc. (Hebron)	800,000	Operating	RF
Dakota Aero (Devils Lake)	75,000	Not Operating	RF
Earth Kind (New Town)	50,000	Operating	RF
FarmNet Services (Harvey)	75,000	Operating	RF
Federal Machine (Fargo)	150,000	Operating	DF
Financial Business System (Fargo)	291,000	Operating	DF
GlassBusters (Fargo)	300,000	Paid Out	DF
Hoselton, Terry (Rolla)	300,000	Paid Out/Operating	RF
Intellisol (Fargo)	300,000	Paid Out	DF
Killdeer Mountain (Killdeer)	500,000	Operating	RF
Minot Area Development (Minot)	500,000	Paid Out	DF
Minot Area Development (Minot)	125,000	Paid Out	DF
Napoleon Future Fund (Napoleon)	30,000	Operating	RF
Pump Systems (Dickinson)	31,250	Operating	DF
Pump Systems (Dickinson)	20,000	Operating	DF
Ray Mac Inc. (Gwinner)	250,000	Operating	RF
Rosenbluth (Dickinson)	20,000	Operating	DF
Sakakawea Lake Cabins (Hazen)	64,600	Paid Out/Operating	RF
Schultz Creamery (Bismarck)	33,333	Paid Out	DF

Sonne Labs (Wahpeton)	225,000	Paid Out/Operating	DF
SpaceAge Synthetics (Fargo)	400,000	Operating	DF
Steffes ETS (Dickinson)	20,000	Operating	DF
TRAX/Raging River (Mandan)	200,000	Operating	DF
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TSR Parts (Colgate)	50,000	Operating	RF
Ultra Tech (Dickinson)	3,333	Operating	DF
Ultra Tech (Dickinson)	20,000	Operating	DF
United Spring Wheat (Fargo)	300,000	Paid Out	DF
Telecare Global Solutions (Minot)	300,000	Operating	DF
Red River Software (Fargo)	125,000	Paid Out/Operating	DF
Data Tranz (Valley City)	100,000	Operating	DF
NSX Technologies (Fargo)	75,000	Not Operating	DF
Dakota Welding & Mfg. (Bismarck)	36,300	Not Operating	DF
United Spring Wheat (Fargo)	300,000	Paid Out	DF
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Sew Worthy (Bottineau)	40,000	Operating	RF
Dakota Sno Blade (Linton)	100,000	Paid Out/Operating	RF
Ashley JDA/Blumhardt Equipment (Ashley)	50,000	Operating	RF
Automotive Safety Auto (Valley City)	30,000	Operating	RF
Stratacom, Inc. (Fargo)	200,000	Operating	DF
Veracity Comm. (Grafton)	75,000	Not Operating	DF
LAS International (Bismarck)	50,000	Operating	DF
Botanical Silk (Mandan)	200,000	Paid Out/Operating	DF
Lisbon Area Development (Lisbon)	75,000	Operating	RF
M&K Welding (Beulah)	144,000	Operating	RF
Bushel 42 Pasta Company (Crosby)	50,000	Not Operating	RF
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All-In-One Products (Watford City)	62,500	Operating	RF
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Direct Response Tech. (Beulah)	150,000	Operating	RF
Stratacom, Inc. (Fargo)	175,000	Operating	DF
Pond Doctor (Bismarck)	20,000	Operating	DF
Amber Waves (Richardton)	60,700	Operating	RF
Samsara Cues, Inc. (Rugby)	40,000	Operating	RF
Integra Castings (Cando)	100,000	Operating	RF
BG Fire, Inc. (Elgin)	35,000	Operating	RF
GP Star, Inc. (Devils Lake)	100,000	Not Operating	RF
PDA LLP (Fargo)	300,000	Operating	DF
	\$13,360,181		



89 Investments:

- 1) Development Fund – 45
- 2) Rural Fund – 44

Investments: Dollars – (\$13,360,181)

- 1) Development Fund - \$7,926,216
- 2) Rural Fund - \$5,433,965

1) Operating	65
2) Paid Out/Operating	14
3) Not Operating	<u>10</u>
Total	89 Investments

% of projects operating to total projects (79/89): 89%

% of projects not operating to total projects (10/89): 11%

Charge-offs to total investments: (\$282,842/\$13,360,181): 2.12%

- 1) Development Fund: \$ 60,302
- 2) Rural Fund: 222,540
- \$282,842

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018  
JANUARY 10, 2005, 1:30 P.M.  
SENATE APPROPRIATIONS COMMITTEE  
HARVEST ROOM  
SENATOR RAY HOLMBERG, CHAIRMAN

**RICHARD GRAY FOR DIRECTOR PAUL GOVIG – PROGRAM MANAGER, THE DIVISION OF  
COMMUNITY SERVICES**

Good afternoon. I'm Richard Gray, Program Manager within the Division of Community Services. I'm sorry but Paul Govig, Director of the Division of Community Services, cannot attend the hearing today. The goal of the Division is to provide the people of North Dakota with effective, efficient and customer oriented administration of Federal and State programs for Community Development, Energy Efficiency and Renewable Energy and Self Sufficiency. These programs help create a quality of life that makes North Dakota a good place in which to live, work and do business. I'll start off with a brief overview of the Division and then I'll ask one of our partners to describe how we work together to provide our services. I'll close with a few comments on accountability and a description of the funding within the Division.

The Division of Community Services consists of four different program areas:

- 1) Community Development
  - Community Development Block Grant (CDBG)
  - HOME Investment Partnership (HOME)
  - Emergency Shelter Grant (ESG)
  - Renaissance Zones
  - Consolidated Plan
- 2) Energy Efficiency/Renewable Energy
  - State Energy Plan
  - State Buildings/Performance Contracting
  - Weatherization
- 3) Self-Sufficiency
  - Community Services Block Grant (CSBG)
- 4) Technical Assistance
  - ADA/Building Codes
  - Third-party Inspections
  - State Administrative Agency
  - Manufactured Housing Installation
  - Executive Order 12372

The key to successful implementation of all of our programs is the organizations with whom we partner. Our primary partners for our grant programs are the Community Action Agencies and the Regional Planning Councils. They are directly involved in the implementation of the CSBG, CDBG, HOME, ESG, and Weatherization programs. At this time I would like to introduce Don Longmuir from one of our partners, the Souris Basin Planning Council in Minot. North Dakota's eight Regional Councils are multi-county development organizations, located in Bismarck,

Devils Lake, Dickinson, Fargo, Grand Forks, Jamestown, Minot and Williston. They are vital to the delivery of the Community Development Block Grant program because they have developed a delivery system to serve the unique needs of each region of the state. Don will provide an overview of his organization and describe how we partner to deliver services to low-to-moderate income people. Following Don's presentation I will discuss accountability of our programs and provide an overview of our budget.

Accountability and performance measures are standard operating procedures for us. We have always measured results and have always been accountable for our performance, especially to the Federal agencies. Some of the measurements associated with the community development and housing programs include: number of rental units created, homes rehabilitated, home ownership assistance for families, jobs created, homeless shelters provided assistance, public facility projects assisted and housing projects funded; and number of low and moderate income and minorities served. Measurements associated with the energy efficiency/renewable energy programs and low income assistance programs include: number of households weatherized, households receiving furnace repair or replacement services, individuals receiving self-sufficiency and case management services, number of persons reached with energy educational materials, state institutions/agencies assisted with energy efficiency improvements and demonstration projects promoting alternative energy production and use. In the technical assistance section some of the measures include: number of Renaissance Zones designated, Renaissance Zone projects approved and building code training provided.

As far as the budget is concerned, the total Division of community Services executive biennium budget request is \$52,061,580. Of that amount, 98% or approximately \$50.9 million comes from federal sources or other special funds (see accompanying pie chart). \$1,118,986 will be needed from the General Fund, most of which will be needed as a match requirement to access the federal dollars. Funding by program area is broken down in the following manner: Community Development-49%, Energy Efficiency and Renewable Energy-35%, Self Sufficiency-14% and Technical Assistance/Administration-2% (see accompanying pie chart). Funding request by line item involves 93% for grants, 4% for salary and wages and 3% for operating expenses (see accompanying pie chart).

As you can see, the Division of Community Services is involved in a wide variety of programs and services, all of which are geared to improving the quality of life for the citizens of North Dakota and making this a good place in which to live, work and be in business. We recognize that excellent service to our clients all across the state will continue to be intricately linked to good working relationships between the Division of Community Services, the eight Regional Councils, the seven Community Action Agencies and the other organizations that directly deliver or assist with our programs and services. We will remain committed to ensuring that we have superior working relationships with all our valued partners. With your help, we can and will succeed. Thank you. I will try to answer any questions you may have.

## EXECUTIVE SUMMARY

### **PROPOSED USE OF FY2006 AND FY2007 COMMUNITY SERVICES BLOCK GRANT (CSBG) FUNDS**

- The Community Services Block Grant is a federal block grant program, created by the Omnibus Budget Reconciliation Act of 1981, that is used by states to fight poverty and address the needs of low income people. For FY2006 and FY2007, it is estimated that ND will receive approximately \$3,140,000 each year. No state funds are required to match the federal funds.
- 91% of the State's allocation is passed through from the State to the Community Action Agencies.
- All 53 counties in the eight regions of the state are served through the seven Community Action Agency offices located in Minot, Devils Lake, Grand Forks, Fargo, Jamestown, Bismarck and Dickinson.
- Each Community Action Agency is unique in prioritizing needs and providing services and programs within their region based on unmet needs and the availability of other services.
- Local boards, composed of members who represent public officials, low income people and private or community organizations, administer the Community Action Agencies as they address the needs of low income people in their service area.
- CSBG funds can be used to provide direct services, develop new programs, and coordinate funding from other funding sources to deliver various programs including Head Start, Weatherization, surplus commodity food distributions, Energy Share, housing programs, etc., that serve low income people.
- Programs provided through the CSBG include education, employment, income management, adequate housing, emergency needs, nutrition, self sufficiency, and health services.
- Community Action Agencies are nonprofit entities that establish linkages with other public and private entities in their service areas to address needs collaboratively.
- Under CSBG, Community Action Agencies track and report to the state on their fiscal activities, performance objectives, outcomes of their service delivery, demographics of clients served and client and agency successes.
- Community Action Agencies leverage CSBG funds with other federal, state and local resources to stretch the funding available. In 2003, \$3,396,168 in CSBG funds (15%) were used with \$19,896,622 in other public and private funds (85%) to deliver services to low income individuals and families in ND.
- In 2003, more than 16,200 individuals, from over 13,100 low income families, received at least one CAA service or participated in at least one program provided by a CAA. In addition, almost 15,000 other individuals received information and/or referral services, or participated in a CAA meeting or community effort in 2003.

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 2005, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**RICHARD GRAY FOR DIRECTOR PAUL GOVIG – PROGRAM MANAGER, THE DIVISION OF COMMUNITY SERVICES**

Good morning Mr.Chairman, committee members. I am Richard Gray, Program Manager within the Division of Community Services. I'm sorry but Paul Govig, Director of the Division of Community Services, cannot attend the hearing today. The goal of the Division is to provide the people of North Dakota with effective, efficient and customer oriented administration of Federal and State programs for Community Development, Energy Efficiency and Renewable Energy and Self Sufficiency. These programs help create a quality of life that makes North Dakota a good place in which to live, work and do business. I'll start off with a brief overview of the Division and close with a few comments on accountability and a description of the funding within the Division.

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  - Manufactured Housing Installation
  - Executive Order 12372

The key to successful implementation of all of our programs is the entities with whom we partner. Our primary partners for our grant programs are the Community Action Agencies and the Regional Planning Councils. They are directly involved in the implementation of the CSBG, CDBG, HOME, ESG, and Weatherization programs. Other partners assisting in implementing programs include such entities as the North Dakota Building Officials Association, Interstate Compact on Industrialized Buildings, North Dakota Manufactured Housing Association, North Dakota Association of Builders, Institute for Building Technology and Safety, and each city with a Renaissance Zone.

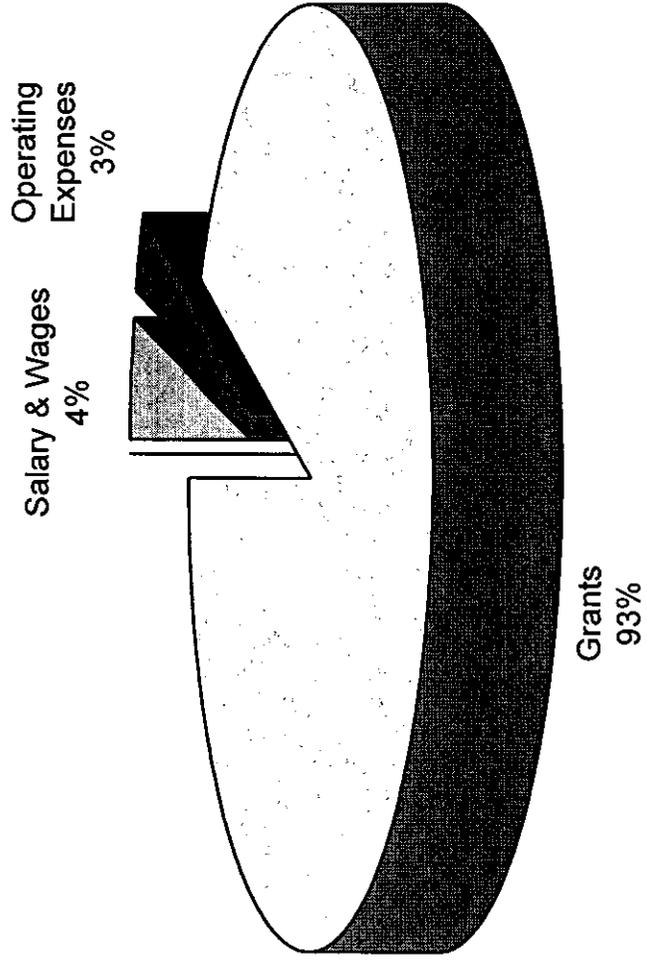
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The Division of Community Services executive biennium budget request is \$52,061,580. Attached to my testimony are three pie charts depicting the budget request. The first pie chart, funding request by funding source, shows that 98%, or approximately \$50.9 million, of the Division's funds come from federal sources or other special funds. The Division will need \$1,118,986 from the General Fund, most of which is necessary to meet the match requirements to access the federal dollars. The next pie chart, funding by program area, shows how the Division's budget is allocated: Community Development-49%, Energy Efficiency and Renewable Energy - 35%, Self Sufficiency - 14% and Technical Assistance/Administration - 2%. The final pie chart, funding request by line item, shows that 93% of the budget is for grants, 4% for salary and wages, and 3% for operating expenses.

As you can see, the Division of Community Services is involved in a wide variety of programs and services, all of which are geared to improving the quality of life for the citizens of North Dakota and to making the state a good place in which to live, work and do business. We recognize that excellent service to our clients all across the state will continue to be intricately linked to good working relationships between the Division of Community Services, the eight Regional Councils, the seven Community Action Agencies and the other organizations that directly deliver or assist in the delivery and design of our programs and services. We will remain committed to ensuring that we have superior working relationships with all our valued partners. With your help, we can and will succeed. Thank you. I will try to answer any questions you may have.

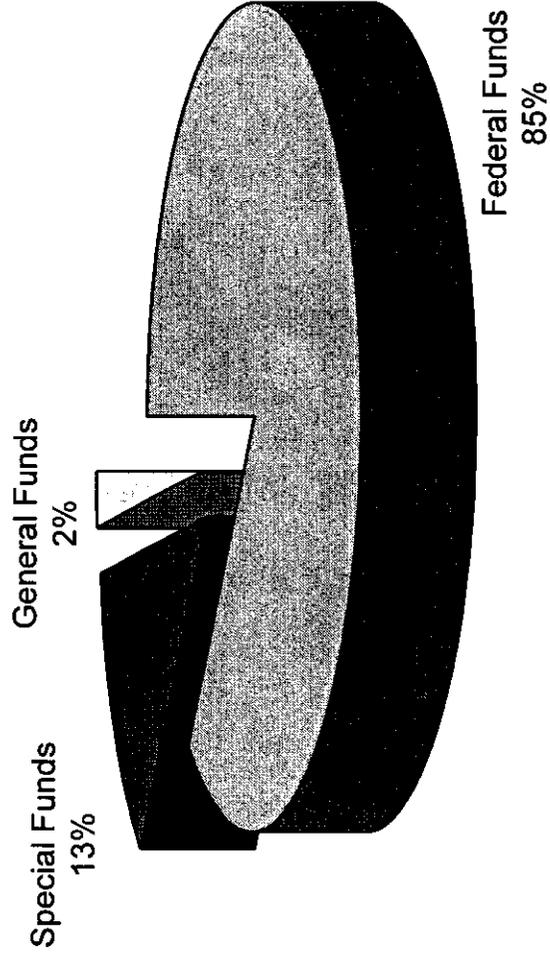
# Division of Community Services 2005-2007

## Funding Request by Line Item



# Division of Community Services 2005 - 2007

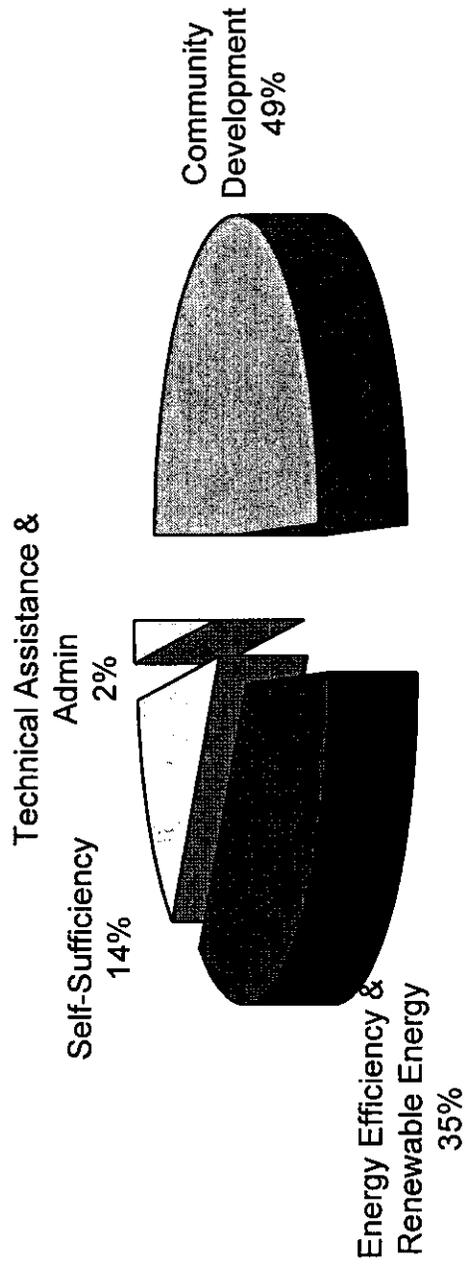
## Funding Request by Funding Source





# Division of Community Services 2005 - 2007

## Funding Request by Program Area



DEPARTMENT OF COMMERCE  
DIVISION OF COMMUNITY SERVICES BUDGET

	<u>03-05 Adjusted Appropriation</u>	<u>05-07 Senate Budget</u>
DCS Administration	\$ 922,248	\$ 943,500
Community Development	\$ 25,720,692	\$ 25,642,982
Energy	\$ 18,785,265	\$ 18,222,535
Self-Sufficiency	\$ 7,524,491	\$ 7,029,580
Technical Assistance	\$ 194,344	\$ 213,723
TOTAL BUDGET	<u>\$ 53,147,040</u>	<u>\$ 52,052,320</u>
General Fund	\$ 1,048,596	\$ 1,117,530
Federal Fund	\$ 46,204,144	\$ 44,412,821
Special Fund	\$ 5,894,300	\$ 6,521,969

Department of Commerce  
Division of Community Services  
March 14, 2005

Re: Responses to the questions generated at the GPD Committee hearing on March 1, 2005.

**1) Is the general fund request more or less than for the current biennium?**

Answer: Essentially the same except for the increase related to Governor Hoeven's proposed salary package.

**2) What is included in Special Funds?**

Answer: Oil overcharge funds (\$2,521,969)  
Community Development Revolving Loan funds (\$4,000,000)

**3) How are salaries split between state and federal funds?**

Answer: The total salary request is \$2,181,564. Of that, 64% or \$1,396,201 is the federal share; 32% or \$698,100 is from general funds and 4% or \$87,263 is from special funds.

**4) How much of the general fund request of \$1,118,986 is required as a match for the federal programs?**

Answer: 59% or \$660,202 is for the direct matching requirements and 26% or \$290,936 is for the necessary administrative support of the following federal programs: Community Development Block Grant, HOME, Emergency Shelter Grants, Consolidated Plan, Weatherization, Executive Order 12372 and State Energy Plan programs.

15% or \$167,848 is for support of the following state programs: Renaissance Zone, ADA/Building Codes, Third-party Inspections, State Administrative Agency, Manufactured Housing Installation programs and supplemental grants to homeless shelters.

SUMMARY OF  
THE PROPOSED USE OF 2006 AND 2007  
COMMUNITY SERVICES BLOCK GRANT FUNDS  
JANUARY 2005

Prepared for the Public Legislative Hearing  
Before The  
Senate Appropriations Committee  
January 10, 2005

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## COMMUNITY SERVICES BLOCK GRANT LEGISLATIVE REVIEW REPORT FY 2006-2007

### I. Program Description

#### A. Origin of the Program

The Community Services Block Grant (CSBG) represents the third generation of community-based anti-poverty programs, which began with the Economic Opportunity Act of 1964. The Economic Opportunity Act of 1964 created a vehicle for local anti-poverty initiatives: nonprofit, private corporations called community action agencies (CAAs). The CAA board of directors, which govern CAA activities, is required to consist of one-third elected public officials, currently holding office or their designated representative; at least one-third democratically-selected representatives of low-income persons; and the remainder of the members to be representatives of business, industry, labor, law enforcement, religious, educational groups or other major groups or interests in the service area.

CAAs were established throughout the country, serving jurisdictions of various sizes and populations. Urban CAAs often were confined to municipal boundaries; while rural CAAs encompassed multi-county areas. Initial CAA funding in North Dakota permitted the establishment of four tribal CAAs and the Southeastern North Dakota Community Action Agency, which served Steele, Traill, Cass, Richland, Ransom, and Sargent counties. In 1973, a second regional CAA was established in Devils Lake to serve Benson, Cavalier, Eddy, Ramsey, Rolette and Towner counties.

The Community Services Act of 1974 replaced the federal Office of Economic Opportunity (OEO) with the Community Services Administration (CSA). Subsequent changes in the national allocation formula increased North Dakota's share of CAA funds, permitting the establishment of five new CAAs. By 1976, all of the counties in the state, except the three counties in Region I, were served by a CAA.

Except for a brief period in the late Seventies, CAAs were directly funded and supervised by the federal government, through the OEO and later, the CSA. North Dakota's state economic opportunity office, also funded by OEO and CSA, had limited administrative authority and little influence on CAA activities within the state.

The Omnibus Budget Reconciliation Act of 1981 (OBRA) radically altered the relationship between the state and the CAAs. Categorical block grants, to be administered by the states, replaced many federally-administered, grant-in-aid programs. OBRA eliminated the Community Services Administration, substituting the Community Services Block Grant (CSBG).

North Dakota assumed the administration of the CSBG in 1982, with the Office of Intergovernmental Assistance (OIA), within the Office of Management and Budget, being delegated responsibility for administering several block grants created by OBRA, including the CSBG. OIA has now become the Division of Community Services, and the division was made a part of the ND Department of Commerce when that department was created in 2001.

When the North Dakota State Legislature reviewed the proposed CSBG State Plan in 1981, they requested that all 53 counties be served by a CAA, since the three counties in Region I continued to remain unserved by a CAA. Following the procedures outlined in the CSBG Act at that time, the CAAs in Region II and Region VIII, at the request of the State, made presentations to the three county commissions in Divide, McKenzie and Williams counties which make up Region I. The counties were given the choice to become part of either of the CAAs in Region II or Region VIII. In April of 1983, Divide, McKenzie and Williams counties elected to become a part of the Region VIII CAA service area, thus enlarging the service area of Community Action Partnership from the eight counties in Region VIII to eleven counties in Regions I and VIII.

Initially CAA funding under the CSBG allocation to North Dakota was significantly smaller than CSA funding levels had been. As a result, staff levels at the CAAs were reduced substantially. However, the state managed to retain CAAs in all regions of the state without committing any state funds to the program.

#### B. Purpose

Subtitle B of OBRA, referred to as the Community Services Block Grant Act, authorized the CSBG program. In the 1998 reauthorization of the CSBG Act, the purpose of the CSBG is defined as providing assistance to states and communities, working through community action agencies and other neighborhood-based organizations, to reduce poverty, revitalize low-income communities and empower low-income families and individuals to become self-sufficient. To accomplish that, the objectives established by the Act are:

- To strengthen community capabilities for planning and coordinating all resources, including federal, state, local, private and other resources that support efforts to eliminate poverty, in order to respond to local needs and conditions;
- To organize a range of services to address the needs of low-income families and individuals, so they have a major impact on the causes of poverty in the community and help families and individuals in becoming self-sufficient;
- To strengthen innovative and effective community-based approaches to attack the causes and effects of poverty and of community breakdown;

- To maximize the participation of low-income community residents and members of groups served through the Act, to empower them to respond to the problems and needs in their communities;
- To broaden the resource base of programs that address the elimination of poverty to secure a more active role by private, religious, charitable and neighborhood-based organizations as well as individual citizens, and business, labor and professional groups who can influence the number and quality of opportunities and services for low-income people.

### C. State Responsibilities

The CSBG program does not require state or local matching funds. To receive its CSBG award each year, the State must submit a plan for the use and distribution of CSBG funds and provide an annual report which includes information on statewide activities that were performed, program outcomes, services that were provided, and demographic information on the individuals and families served. The State plan must be accompanied by a statement of assurances, signed by the Governor, that the State and subgrantees will meet. The assurances include:

1. Information to show that the CSBG funds made available through the grant will be used:
  - a. To support activities that are designed to assist low-income families and individuals, including those receiving assistance under Part A of Title IV of the Social Security Act, homeless families and individuals, migrant or seasonal farmworkers and elderly low-income individuals and families to enable the families and individuals -
    - (1) To remove obstacles and solve problems that block the achievement of self-sufficiency;
    - (2) To secure and retain meaningful employment;
    - (3) To attain an adequate education, with emphasis on improving literacy skills of the low-income family;
    - (4) To make better use of available income;
    - (5) To obtain and maintain adequate housing and a suitable living environment;
    - (6) To obtain emergency assistance through loans, grants or other means to meet immediate and urgent family and individual needs; and



- (7) To achieve greater participation in the affairs of the communities, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations and other public and private partners to document best practices based on successful grassroots intervention in urban areas and develop methodologies for widespread replication, and to strengthen and improve relations with local law enforcement agencies.
      - b. To address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, promote increased community coordination and collaboration in meeting the needs of youth and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime.
      - c. To make more effective use of, and to coordinate with, other programs related to the purposes of CSBG, including state welfare reform efforts.
  2. A description of how the State plans to use discretionary funds made available from the remainder of the CSBG grant, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of CSBG;
  3. Information provided by the eligible entities in the State, including –
    - a. a description of the service delivery system for services provided or coordinated with CSBG funds, and how they are targeted to low-income individuals and families in communities within the State;
    - b. a description of how linkages will be developed to fill identified gaps in services, through the provision of information, referral, case management, and follow-up consultations;
    - c. a description of how CSBG funds made available will be coordinated with other public and private resources; and
    - d. a description of how the local entity will use the funds to support innovative community and neighborhood-based initiatives related to the purposes of the CSBG, which may include fatherhood initiatives and other initiatives with the goal of strengthening families and encouraging effective parenting;
  4. Assurance that the eligible entities will provide on an emergency basis for the provision of such supplies and services, nutritious foods and related services as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals.

5. A description of how coordination will be carried out and linkages established between governmental and other social services programs to assure the effective delivery of services to low-income individuals and families, to avoid duplication of services, and to coordinate employment and training activities with other entities providing activities through statewide and local workforce investment systems under the Workforce Investment Act of 1998.
6. Encouragement of coordination efforts between antipoverty programs to ensure, where appropriate, that emergency energy crisis intervention programs under Title XXVI relating to low-income home energy assistance are conducted in each community.
7. A willingness to permit and cooperate with Federal investigations undertaken in accordance with the CSBG Act.
8. An assurance that any CAA that received pass-through CSBG funding in the previous fiscal year will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the CAA received in the previous fiscal year unless, after providing notice and an opportunity for a hearing on the record, the state determines that cause exists for such termination or such reduction, subject to review by the Secretary of Health and Human Services as provided in Section 678C(b) of the CSBG Act.
9. Coordination of programs and formation of partnerships with other organizations serving low-income residents and members of the groups served by the state, including religious organizations, charitable groups and community organizations.
10. An assurance that the State will require each CAA to establish procedures under which a low-income individual, community organization, or religious organization, or representative of low-income individuals that considers its organization, or low-income individuals, to be inadequately represented on the CAA board, to petition for adequate representation.
11. Each CAA, as a condition of receiving funding under the CSBG allotment, must submit to the State a community action plan that includes a community needs assessment.
12. An assurance that the State and the CAAs will, not later than fiscal year 2001, participate in the Results Oriented Management and Accountability System or another performance measure system allowed by the Secretary of Health and Human Services.
13. Information describing how the State will carry out the assurances described in this subsection.

14. The State also must agree to certain Administrative Assurances:

- a. To submit a CSBG application to the Secretary which contains the required information and provisions.
- b. To make not less than 90 percent of the annual CSBG allocation available to the officially designated CAAs for use in carrying out their approved CSBG workplan.
- c. If the State elects to recapture and redistribute funds to an eligible entity through a grant when unobligated funds exceed 20 percent of the amount distributed to that entity for a fiscal year, the State would redistribute the recaptured funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the Community Services Block Grant program.
- d. To spend no more than the greater of \$55,000 or 5 percent of its CSBG grant received for State administrative expenses, including monitoring activities.
- e. If the State has a charity tax credit in effect under state law, the State agrees to comply with the requirements and limitations specified regarding use of funds for statewide activities to provide charity tax credits to qualified charities whose predominant activity is the provision of direct services within the US to individuals and families whose annual incomes generally do not exceed 185 percent of the poverty line in order to prevent or alleviate poverty among such individuals and families.
- f. To hold at least one public hearing in the State to provide the public with an opportunity to comment on the proposed use and distribution of funds to be provided through the CSBG grant for the period covered by the State plan.
- g. The chief executive officer of the State is to designate an appropriate State agency for the purposes of carrying out the State CSBG program activities.
- h. To hold at least one legislative hearing every three years in conjunction with the development of the State plan.
- i. To make available each plan or revised State plan for public inspection in such a manner as will facilitate review of and comment on the plan.
- j. To conduct a full on-site review of each eligible entity at least once during each three-year period, with follow-up reviews, including prompt return visits to eligible entities and their programs that fail to meet the goals, standards, and requirements established by the State. Each newly designated entity is to have a full on-site review immediately after the completion of the first year in which they

have received CSBG funds. The State should conduct other reviews as appropriate, including reviews of entities with programs that have had other Federal, State or local grants (other than assistance provided under the CSBG) terminated for cause.

- k. In the event that the State determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the CSBG or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the State will comply with the requirements outlined in Section 678C of the Act, to inform the entity of the deficiency to be corrected; require the entity to correct the deficiency; offer training and technical assistance as appropriate to help correct the deficiency, and submit to the Secretary a report describing the training and technical assistance offered or stating the reasons for determining that training and technical assistance are not appropriate; at the discretion of the State, offer the eligible entity an opportunity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan and to either approve the proposed plan or specify reasons why the proposed plan cannot be approved; after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding to the eligible entity unless the entity corrects the deficiency.
- l. To establish fiscal controls, procedures, audits and inspections, as required under the Act.
- m. To repay to the United States amounts found not to have been expended in accordance with the Act, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under the CSBG.
- n. To participate, by October 1, 2001, and ensure that all-eligible entities in the State participate in, the Results-Oriented Management and Accountability (ROMA) System.
- o. To prepare and submit to the Secretary the required annual report on the measured performance of the State and its eligible entities.
- p. To comply with the prohibition against use of CSBG funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, as described in the Act.
- q. To ensure that programs assisted by CSBG funds shall not be carried out in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with any partisan or nonpartisan political activity or any political activity associated with a candidate, or contending faction or

group, in an election for public or party office; any activity to provide voters or prospective voters with transportation to the polls or similar assistance with any such election, or any voter registration activity.

- r. To ensure that no person shall, on the basis of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with CSBG program funds. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 12131 et seq.) shall also apply to any such program or activity.
- s. To consider religious organizations on the same basis as other non-governmental organizations to provide assistance under the program so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution; not to discriminate against an organization that provides assistance under, or applies to provide assistance under the CSBG program on the basis that the organization has a religious character; and not to require a religious organization to alter its form of internal government except as provided under Section 678B or to remove religious art, icons, scripture or other symbols in order to provide assistance under the Community Services Block Grant program.
- t. To provide assurances that cost and accounting standards of the Office of Management and Budget (OMB Circular A-110 and A-122) shall apply to a recipient of CSBG program funds.
- u. To comply with the requirements of Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, which requires that smoking not be permitted in any portion of any indoor facility owned or leased or contracted for by an entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18 if the services are funded by a Federal grant, contract, loan or loan guarantee.

The State further agrees that it will require the language of this certification be included in any subawards, which contain provisions for children's services and that all subgrantees shall certify accordingly.

#### D. Subgrantee Responsibilities

By Federal CSBG law, DCS must pass through a minimum of 90 percent of each year's CSBG award to the seven CAAs which have been designated as the State's eligible entities under the CSBG Act. The CSBG Act and DCS policies delineate the principle responsibilities of the CAAs as follows:

1. Maintain a tripartite board of directors composed of 1/3 elected public officials or their designees; at least 1/3 democratically selected representatives of low income persons in the area served by the agency; and the remainder of the board should be officials or members of business, industry, labor, religious, law enforcement, education, or other major groups and interests in the area served.
2. Submit a Community Action Plan which includes: a) a community needs assessment (including food needs); b) a description of the service delivery system targeted to low-income individuals and families in the service area; c) a description of how linkages will be developed to fill identified gaps in service through information, referral, case management, and follow-up consultations; d) a description of how the CSBG funding will be coordinated with other public and private resources; e) a description of how the CSBG funds will be used to support innovative community and neighborhood-based initiatives related to the purpose of CSBG; and f) a description of the outcome measures to be used to monitor success in promoting self-sufficiency, family stability and community revitalization.
3. Submit a line item CSBG budget with specific references to any planned expenditures for equipment (in excess of \$5,000) and out-of-state travel;
4. Maintain records on clients served by CSBG-funded activity, including income documentation and the nature of services provided;
5. Submit required financial status reports on CSBG expenditures, quarterly performance reports indicating the extent of progress towards quarterly and annual performance objectives, and annual performance outcome reports;
6. Submit required CSBG reports for annual reporting to the Office of Community Services, Department of Health and Human Services;
7. Submit an annual audit of all funds received and disbursed by the CAA, prepared by an independent private auditing firm.

## II. Distribution and Use of 2006-2007 Funds

### A. Authorization

CSBG funds are allocated among the fifty states, the District of Columbia and other U.S. territories in proportion to each jurisdiction's low-income population. However, the CSBG Act provides for a minimum funding level to less populated states. Originally North Dakota, as a minimum funding level state, received one-quarter of one percent (.0025) of the annual federal CSBG appropriation. Reauthorization legislation increased this amount to one-half of one percent (.005).

The FY2005 appropriation is expected to be about \$3,140,000, after the required 0.83% cut based on the FY2004 level of funding, is applied to federal discretionary programs including CSBG. We do not expect increases in funding for FY2006 and FY2007, as since FY2002, Congress has based the funding on the previous funding level, and then applied a slight mandatory across-the-board cut for all programs. In addition, the CSBG was to be reauthorized in 2003. However, it has not yet been reauthorized, so we do not know if there will be additional or different requirements that would affect the current status of the program in the future. We are estimating that the appropriations for FY2006 and FY2007 will be slightly less than the amount appropriated in FY2004. Table I illustrates the history of CSBG funding that was anticipated to be received and actually allocated since FY1998.

FY	Anticipated Funding Level	Actual Appropriation
2000	2,584,000	2,674,340
2001	3,000,000	2,999,903
2002	3,000,000	3,203,898
2003	3,203,898	3,185,302
2004	3,203,898	3,166,465
2005	3,140,000	
2006	3,140,000	
2007	3,140,000	

NOTE: The net CSBG award to the state is reduced by the amount of CSBG awards to tribal governments, which are funded directly by the federal Department of Health & Human Services.

**B. Allocation of Funds**

In accordance with the CSBG Act, the DCS must award at least 90 percent (90%) of North Dakota's annual CSBG allotment to officially designated CAAs. The State cannot expend more than the greater of \$55,000 or five percent (5%) of each Fiscal year's CSBG allotment for CSBG administrative expenses incurred at the state level. The remaining five percent (5%) can be applied towards special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs, support of services and programs for low income individuals and families, support of statewide coordination and communication among eligible entities and support of other activities consistent with the CSBG law.

In 2002, the State, in coordination with the seven CAAs, revised the funding formula for distribution of CSBG funds to the CAAs. The new funding formula, which incorporates 2000 census data, provides a 91 percent (91%) pass-through award to the seven CAAs, with the greater of \$55,000 or four percent (4%) of the funds utilized for State administrative expenses and the remaining five percent (5%) for special projects. The formula was initially used in FY2003.

Table II, below, lists the allocation of North Dakota's projected FY 2006 and 2007 CSBG allotments based on the State CSBG funding formula and anticipated funding levels.

TABLE II PROJECTED ALLOCATION OF FISCAL YEARS 2006 AND 2007 COMMUNITY SERVICES BLOCK GRANT FUNDS		
	FY2006	FY2007
CAA Funding (91%)	2,857,400	2,857,400
State Administration (4%)	125,600	125,600
Special Projects/Discretionary Funds (5%)	157,000	157,000
TOTAL	3,140,000	3,140,000

#### C. Distribution of Funds to Eligible Entities

The CAAs in North Dakota rely heavily on the CSBG pass-through funds to provide services within their respective regions. Most local governments and counties do not contribute towards CAA operations. The CAAs operate in multi-county jurisdictions, differing in size and population. In FY2002 DCS, in coordination with the seven CAAs, revised the formula for distributing pass-through monies among the CAAs which reflects the distribution of the low income population based on the 2000 U.S. Census, the relative size of areas served and a minimum base funding level for each agency.

The funding formula provides a base funding level equal to 28.74% of the pass-through funds, which is divided equally among the eight regions. Although there are eight geographical regions in the State, there are seven CAAs, since the Community Action Partnership Program serves both Regions I and VIII. For FY2006 and FY2007, if the funding level to the State remains at or below the FY2004 level, each of the eight regions of the State would be entitled to \$104,735 in base funding. Each of the seven agencies would receive \$1,000 per county served by the agency. The remaining pass-through funds will be distributed in direct proportion to each CAA service area's share of the state's low income population using the 2000 census data. This formula equalizes the base funding for all eight regions and replaced the CSBG State Discretionary funds that were previously awarded annually to Region VIII for use in Region I from FY1995 through 2002.



A minimum pass-through level of \$837,880 is required by the distribution formula in order to provide base funding under the new funding formula. A total State allotment of \$920,748 would be required to provide a pass-through funding level of \$837,880. In the event that the State's FY2006 or FY2007 allotments would be less than \$920,748 each year, DCS will reduce or eliminate the five percent Discretionary fund set-aside and pass-through up to 96% of the CSBG funds received.

Some of the CAAs had a decrease in funding under the revised funding formula due to a reduction in the base funding and a geographical shift in the low income population in the state as reported in the 2000 census, in addition to the decrease in CSBG funding awarded to the State. The State has attempted to address some of these issues by budgeting some additional funding outside of the CSBG funding formula for the affected CAAs. CSBG State Discretionary funds provided transitional phase-in funds for FY2003 and FY2004 for those agencies that received less funding in those years than they received in FY2002. This transitional phase-in approach was established only for two years. The transitional phase-in funds were awarded to five CAAs in six regions (Regions II, III, VI, VII, VIII and I).

DCS has also committed to provide Bonus/Supplemental CSBG funding, subject to the availability of funds, to the CAAs outside of the funding formula in an effort to provide additional CSBG funds to the local level. This process was initiated in FY2003 and continues to be done at this time. The State has committed to continue to try to supplement the CAAs with a minimum of 20% of the CSBG funds the State is allocated through the funding formula. Using the FY2004 funding level, 20% of the State CSBG funds, \$57,335.46, were equally divided between the seven CAAs as part of their total funding.

In addition, if there are carryover State Discretionary funds remaining at the end of the year, those have been awarded to the CAAs based on their proportionate share of people in their regions who are below the poverty line.

Projected CSBG distributions to the seven CAAs for FY2006 and 2007, based on the funding formula, and bonus/supplemental funds if they would be distributed equally between the seven CAAs can be found in Table III:

**TABLE III  
PROJECTED CSBG DISTRIBUTIONS FOR FY2006 & FY2007**

Region	1) Base Allocation	2) Area Allocation	3) % of Poverty	4) Poverty Allocation	5) Funding Formula Award	6) % of Allocation	8) Bonus/ Supplemental Funds	9) Total FY06 and FY07 Awards
II	104,735.00	7,000	13.93%	273,936.24	385,671.24	13.50%	8,074.29	393,745.53
III	104,735.00	8,000	11.85%	233,032.62	343,767.62	12.03%	8,074.29	351,841.91
IV	107,882.78	4,000	13.73%	270,003.20	378,738.20	13.25%	8,074.29	386,812.49
V	107,882.78	6,000	21.07%	414,345.76	525,080.76	18.38%	8,074.29	533,155.05
VI	104,735.00	9,000	9.45%	185,836.14	299,571.14	10.48%	8,074.29	307,645.43
VII	104,735.00	10,000	18.61%	365,969.37	480,704.37	16.82%	8,074.29	488,778.66
VIII & I	209,470.00	11,000	11.36%	223,396.67	443,866.67	15.53%	8,074.29	451,940.96
TOTALS	\$837,880.00	53,000	100.00%	\$1,966,520.00	\$2,857,400.00	100.00%	\$56,520.00	\$2,913,920.00

1) Base funding is 28.74% of the pass-through funds, divided equally between 8 regions

2) Area Allocation provides \$1,000 for each county served by the CAA

3) Percentage of region's low income population as reported in the 2000 census

4) Pass-through funds allocated based on the region's percentage of low income people, after the base funding and area allocation amounts are computed

5) Agency award based on the funding formula

6) Percentage of the pass-through funding received by each CAA under the funding formula

7) Bonus/supplemental funds awarded to agencies to increase available funds at local level-outside of formula

9) Total FY2006 and FY2007 awards assuming the allocation to the State is \$3,140,000

#### D. CAA's Use of Pass-Through Funds and Supplemental CSBG Funds

CSBG-funded services are intended for lower income persons and families. The CSBG Act restricts eligibility for CSBG services to persons or families with income levels falling at or below 125% of the poverty level as established by the United States Office of Management and Budget.

The CSBG Act requires that each subgrantee receiving CSBG funds must develop and submit to the State a community action plan that outlines the programs and services that will be provided through the CSBG funding. The plan must include needs assessment data to document the needs of the low income population in the service area. The CAAs utilize an updated statewide needs assessment on low income needs that they completed in 2003 through the ND Community Action Association, in addition to other needs assessments available through other entities within their regions

CSBG-funded services may include any of the following activities:

Client Services: CSBG funds may be used to provide outreach, referral, direct counseling, advocacy, or technical assistance services to low income clients, relating to employment, education, housing, money management/budget counseling, community participation, etc.

Self Reliance and Other Self Sufficiency Service: CSBG funds may be used to assist low income persons in attaining a greater degree of economic self-sufficiency. Each CSBG subgrantee is required to reserve 1.5 FTE within its CSBG budget for self sufficiency services including Self Reliance. Allowable expenditures include training expenses for staff, office space, materials, travel, supplies and personnel costs.

Program Coordination: CSBG funds may be used in combination with other federal, state or private funds to implement the various low income assistance programs administered by the CSBG subgrantees. These include but are not limited to programs such as low income home Weatherization programs, Head Start, emergency assistance under the Federal Emergency Management Act (FEMA), and surplus commodity distributions. Such expenditures are supported by appropriate source documentation to assure that the costs are allocated properly among the funding sources.

Emergency Assistance: CSBG funds may be applied toward the cost of organizing and/or operating emergency assistance services or facilities, such as food pantries or food banks, temporary housing and abuse shelters, energy emergency loan and grant funds, and general emergency loan and grant funds.

CAAs may also use CSBG funds to cover the costs associated with the development and implementation of new services to low income clients and general agency administrative costs, such as bookkeeping, clerical services and supervisory activities. Expenditures are supported by appropriate source documentation.

## E. Program Statistics

### 1. Performance Objectives

Each CAA develops its own community action plan for the use of the CSBG funds that are allocated to them. Annual, measurable performance objectives are established in the workplan, and the agency's progress in meeting the objectives is reported to DCS on a quarterly basis. As a point of comparison, Table V summarizes the annual performance objectives and the progress reported towards achieving the objectives, as reported at the end of the third quarter of the FY2004 CSBG program year (September 30, 2004).

Activity	Annual Objective	Progress Through 9/30/04	Percent of Objective
Employment Assistance	2,193	507	23%
Education	1,970	2,865	145%
Income Management	9,083	5,560	61%
Housing	2,957	2,841	96%
Emergency Assistance	5,959	6,505	109%
Nutrition	30,274	40,400	133%
Self Sufficiency	1,214	898	74%
Linkages	22,881	25,726	112%
Health	1,893	2,318	191%

Table V indicates that by the end of the third quarter most of the performance measures were being met or had been exceeded. By the end of the grant year it is expected that most activities will exceed the annual performance objectives.

### 2. CSBG Outcomes/National Indicators

Since 1995, the ND CSBG program has developed and reported on outcomes within the federally mandated Results Oriented Management and Accountability (ROMA) standards. The Office of Community Services, within the US Department of Health and Human Services, has now expanded ROMA to include reporting on selected National Indicators to provide some additional consistency within national CSBG reporting.

We began tracking results through the National Indicators as of January 1, 2004, and will soon have data on our first year's efforts. It is expected that the National Indicators being Tracked by the CAAs in ND for 2004/2005, will be similar in format to the Indicators will be tracked in 2006/2007. The National Indicators that were developed for national tracking are:

**National Goal 1: Low income people become more self-sufficient.**

Employment - National Performance Indicator 1.1 - the number and percentage of low income participants in community action employment initiatives who get a job or become self-employed as measured by the following:

- Those unemployed who obtain a job
- Employed and obtained an increase in employment income
- Achieved "living wage" employment and benefits

Employment Supports - National Performance Indicator 1.2 - the number of low income participants for whom barriers to initial or continuous employment are reduced or eliminated through assistance from community action as measured by one or more of the following:

- Obtained pre-employment skills/competencies required for employment and received training program certificate or diploma
- Completed Adult Basic Education/ GED and received certificate or diploma
- Completed post-secondary education program and obtained certificate or diploma
- Enrolled children in before or after school programs in order to acquire or maintain employment
- Obtained care for child or other dependent in order to acquire or maintain employment
- Obtained access to reliable transportation and/or driver's license to acquire or maintain employment
- Obtained health care services for themselves or a family member in support of employment stability
- Obtained safe and affordable housing in support of employment stability
- Obtained food assistance in support of employment stability

Economic Asset Enhancement and Utilization - National Performance Indicator 1.3 - the number and percentage of low income households that achieve an increase in financial assets and/or financial skills as a result of community action assistance:

- Participants in tax preparation programs who receive any type of Federal or State tax credit

- Low income individuals obtaining court-ordered child support payments with the help of the CAA
- Low income households enrolled in telephone lifeline and/or energy discounts due to help from the CAA
- Renters and Homeowners working with community action who are eligible for the tax credits offered
- Low income households that experience an increase in energy efficiency due to CAA services provided to their homes
- Households who are able to complete and maintain a budget for over 90 days
- Households who are able to open an Individual Development Account (IDA) or other savings account, and deposit savings
- Individuals in the CAA IDA program or other financial management program who are able, because of their savings, to capitalize a business, pursue a post-secondary education or purchase a home

**Goal 2: The conditions in which low income people live are improved.**

Community Improvement and Revitalization - National Performance Indicator 2.1 - An increase in, or preservation of, opportunities and community resources or services for low income people as a result of community action projects, initiatives or advocacy with other public and private agencies, as measured by one or more of the following:

- Accessible "living wage" jobs created or retained in the community
- Safe and affordable housing units created in the community
- Safe and affordable housing units in the community preserved or improved through construction, weatherization or rehabilitation achieved by community action activity or advocacy
- Accessible and affordable health care services/facilities for low income people created or maintained
- Accessible, safe and affordable childcare or child development placement opportunities for low income families created or maintained
- Accessible before and after school program placement opportunities for low income families created or maintained

- Accessible new, preserved, or expanded transportation resources available to low income people including public or private transportation
- Accessible preserved or increased educational and training placement opportunities for low income people in the community, including vocational, literacy and life skill training

Community Quality of Life and Assets - National Performance Indicator 2.2 -The quality of life and assets in low income neighborhoods are improved by community action initiative or advocacy, as measured by one or more of the following:

- Increases in community assets as a result of a change in law, regulation or policy which results in improvements in quality of life and assets
- Increase in the availability or preservation of community facilities
- Increase in the availability or preservation of community services to improve public health and safety
- Increase in the availability or preservation of commercial services within low income neighborhoods
- Increase or preservation of neighborhood quality-of-life resources

**Goal 3: Low income people own a stake in their community.**

Civic Investment - National Performance Indicator 3.1

- Total number of hours volunteered to community action

Community Empowerment Through Maximum Feasible Participation - National Performance Indicator 3.2 - The number of low income people mobilized as a direct result of community action initiative to engage in activities that support and promote their own well-being and that of the community as measured by one or more of the following:

- Number of low income people participating in formal community organizations, government, boards or councils that provide input to decision-making and policy setting through community action efforts
- Number of low income people acquiring businesses in their community as a result of community action assistance
- Number of low income people purchasing their own homes in their community as a result of community action assistance

- Number of low income people engaged in non-governance community activities or groups created or supported by community action

**Goal 4: Partnerships among supporters and providers of services to low income people are achieved.**

Expanding Opportunities Through Community-wide Partnerships - National Performance Indicator 4.1

- Number of public and private organizations community action agencies work with to expand resources and opportunities and to promote family and community outcomes

**Goal 5: Agencies increase their capacity to achieve results.**

Broadening the Resource Base - National Performance Indicator 5.1

- The number of dollars, and their percentage of the total funds available, mobilized by community action from CSBG, other Federal sources, State programs, local public funding, and private sources

**Goal 6: Low income people, especially vulnerable populations, achieve their potential by strengthening family and other supportive environments.**

Independent Living - National Performance Indicator 6.1

- The number of vulnerable (Senior Citizens and Individuals with Disabilities) receiving services from community action that maintain an independent living situation as a result of those services

Emergency Assistance - National Performance Indicator 6.2 - The number and percentage of low income households served by community action that sought and were provided with needed emergency assistance, including:

- |                            |                             |
|----------------------------|-----------------------------|
| • Food                     | • Emergency Vendor Payments |
| • Temporary Shelter        | • Emergency Medical Care    |
| • Protection from Violence | • Legal Assistance          |
| • Transportation           | • Disaster Relief           |

Child and Family Development - National Performance Indicator 6.3 - The number and percentage of infants, children, youth, parents and other adults who participate in developmental or enrichment programs, that achieve program goals as measured by one or more of the following:



Infants and children:

- obtain appropriate immunizations, medical and dental care
- health and physical development are improved as a result of adequate nutrition
- participate in pre-school activities to develop school readiness skills
- participants in pre-school activities are developmentally ready to enter Kindergarten or first grade

Youth:

- improve physical health and development
- improve social/emotional development
- avoid risk-taking behavior for a defined period of time
- have reduced involvement with criminal justice system
- increase academic, athletic or social skills for school success by participating in before or after school programs

Parents and Other Adults:

- learn and exhibit improved parenting skills
- learn and exhibit improved family functioning skills

F. Use of Administrative and Discretionary Spending Authority

The CSBG Act permits the state to retain the greater of five percent (5%) of the State allocation, or \$55,000, for program administration, and up to five percent (5%) for discretionary expenditures related to the CSBG program.

In the CSBG funding formula that was developed in FY2002 for use beginning in FY2003, DCS decreased the amount of CSBG State Administration funds it will retain under the funding formula to four (4%) of the allocation. This provides additional CSBG dollars to the local level to address the needs of the low income population. DCS utilizes the administration set-aside from each year's CSBG award to cover its costs in the implementation of the CSBG program. Administrative functions include program planning, financial management, technical assistance, programmatic and fiscal monitoring, reporting and evaluation.

The discretionary set-aside will be utilized for special projects within the limits established by the CSBG Act, including training and technical assistance in support of local programs and the statewide Community Action Association.

Donald W. Longmuir Jr., AICP, EDFP  
Souris Basin Planning Council  
4215 Burdick Expressway East  
Minot, ND 58701

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7 Chairman Holmberg, members of the Senate Appropriations Committee, thank you for giving me this  
8 opportunity to address your committee regarding the North Dakota Department of Commerce's Division  
9 of Community Services. What I would like to do this afternoon is to give a background on the  
10 establishment of the regional councils in the State, the function of the regional councils, the collaboration  
11 between the regional councils and the Division of Community Services, and how this collaboration  
12 benefits the communities throughout the State.

13 My name is Donald W. Longmuir Jr and I am the Economic Development Planner for the Souris  
14 Basin Planning Council in Minot. I have been with the Souris Basin Planning Council for twelve years and I  
15 am a member of the American Planning Association, qualified as a member of the American Institute of  
16 Certified Planners and certified as an Economic Development Finance Professional by the National  
17 Development Council.

18 Executive Order #49, dated September 18, 1969, established eight regions in North Dakota (a  
19 copy of a map showing these regions is included as Attachment A). These eight regions are areas  
20 involving a combination of counties and cities which had a basic common denominator in their social,  
21 economic and cultural pattern of behavior, as well as in their geographic features and other influences.  
22 The purpose of this order was to improve the efficiency and economy in State and local government  
23 through regional grouping of counties for planning and administration of State services. Souris Basin  
24 Planning Council was organized in 1972 and serves the seven counties designated as North Dakota  
25 Planning Region 2. Souris Basin Planning Council's 2003 annual report is included for your review.

26 One program which is administered by the regional councils under the supervision of the Division  
27 of Community Services is the United States Department of Housing and Urban Development's Community  
28 Development Block Grant Program (CDBG). The CDBG program has two areas of emphasis, one being  
29 public facilities and housing, and the other being economic development. The economic development  
30 portion of the CDBG program is also known as the Community Development Loan Fund (CDLF). Three  
31 communities in the State, Bismarck, Fargo and Grand Forks, as a result of their population are designated  
32 as entitlement cities and receive direct allocations from HUD for their CDBG funds. The remainder of the  
33 State is designated as "non entitlement" and the State receives an allocation from HUD to be distributed  
34 to this area. The Division of Community Services, in collaboration with the regional councils, has  
35 developed a funding formula for the distribution of the CDBG funds to the eight regions. The eight  
36 regional councils serve as the local point of contact for this program, evaluate the projects proposed,  
37 and forward recommendations for funding to the Division of Community Services. By having the  
38 evaluation of the projects at the local level, it was felt there would be a better understanding of the  
39 need for the particular project in that community. Local public facilities, housing or economic  
40 development projects which are selected for funding are administered by the regional council.

1 All regional councils have a project selection process which has been approved by the Division of  
2 Community Services, and is reviewed by the regional council and the Division of Community Services on  
3 an annual basis. The process which I will describe is the one Souris Basin Planning Council has used in the  
4 past and is currently using. A memo is sent out to the auditors of all sixty-three cities and seven counties in  
5 North Dakota Planning Region 2 advising them of the availability of CDBG funds and the deadlines for  
6 applying for the funds. All interested cities or counties then complete a pre-application and submit it to  
7 the Souris Basin Planning Council. The executive board of the Souris Basin Planning Council, consisting of  
8 ten members elected to the executive board by the general membership, review all the submitted pre-  
9 applications and rank and score the projects based on their evaluation. This board then determines the  
10 amount of funds which will be allowed for each project. These cities/counties are then invited to submit  
11 a final application to the Souris Basin Planning Council based on the allocation the executive board has  
12 assigned to their particular project. These final applications are reviewed by the executive board and  
13 forwarded to the Division of Community Services for consideration for funding.

14 Over the past two years, Souris Basin Planning Council has received 22 applications for public  
15 facilities and housing projects requesting \$1,762,383 in assistance from the CDBG program. Due to limited  
16 CDBG funds 13 projects were fully or partially funded. As a result Bottineau will begin working on a  
17 sanitary sewer improvement project, Velva has a new lift station, Columbus will be completing water  
18 tower improvements, Upham will be receiving a new fire truck, Sawyer's lift station has been improved,  
19 Parshall's Resource Center was remodeled, and Bowbells has a refurbished water tower. And this is just  
20 some examples from one of eight regions in the State. These projects and projects in the other regions  
21 would not have been able to happen without the collaboration of the Division of Community Services  
22 and the support and technical assistance provided by their staff.

23 As with all programs there are times when things happen and not within the timelines established  
24 for the program. During the past two years there have been two major emergency projects which have  
25 occurred North Dakota Planning Region 2. The first was in 2003 when the City of Parshall suddenly was  
26 faced with the loss of their ability to obtain water from Lake Sakakawea. Paul Govig, Director of the  
27 Division of Community Services, worked closely with the Governor's Office, the Federal Emergency  
28 Management Agency, the U.S. Corps of Engineers, the City of Parshall, the Souris Basin Planning Council  
29 and others to develop and implement a plan to address the immediate needs of the City and a long  
30 term solution to the water problem. Division of Community Services staff members Sherry Leno, Program  
31 Administrator, Tran Doan, Program Administrator and Lori Nitsch, Grants and Contract Officer, provided  
32 technical assistance to the Souris Basin Planning Council in meeting the parameters of the CDBG  
33 program in a timely manner allowing the project to receive funding from the CDBG program.

34 In 2004 the City of Stanley was made aware that the City would be required to relocate  
35 approximately 8,000 lineal feet of a water transmission line which is located in the proposed new right of  
36 way for U.S. Highway #2. The approximate cost of relocating this pipeline would be in excess of \$200,000.  
37 According to the North Dakota Department of Transportation (ND DOT) there would be no funds  
38 available from their department to assist in this relocation. Adding to the problem was the accelerated

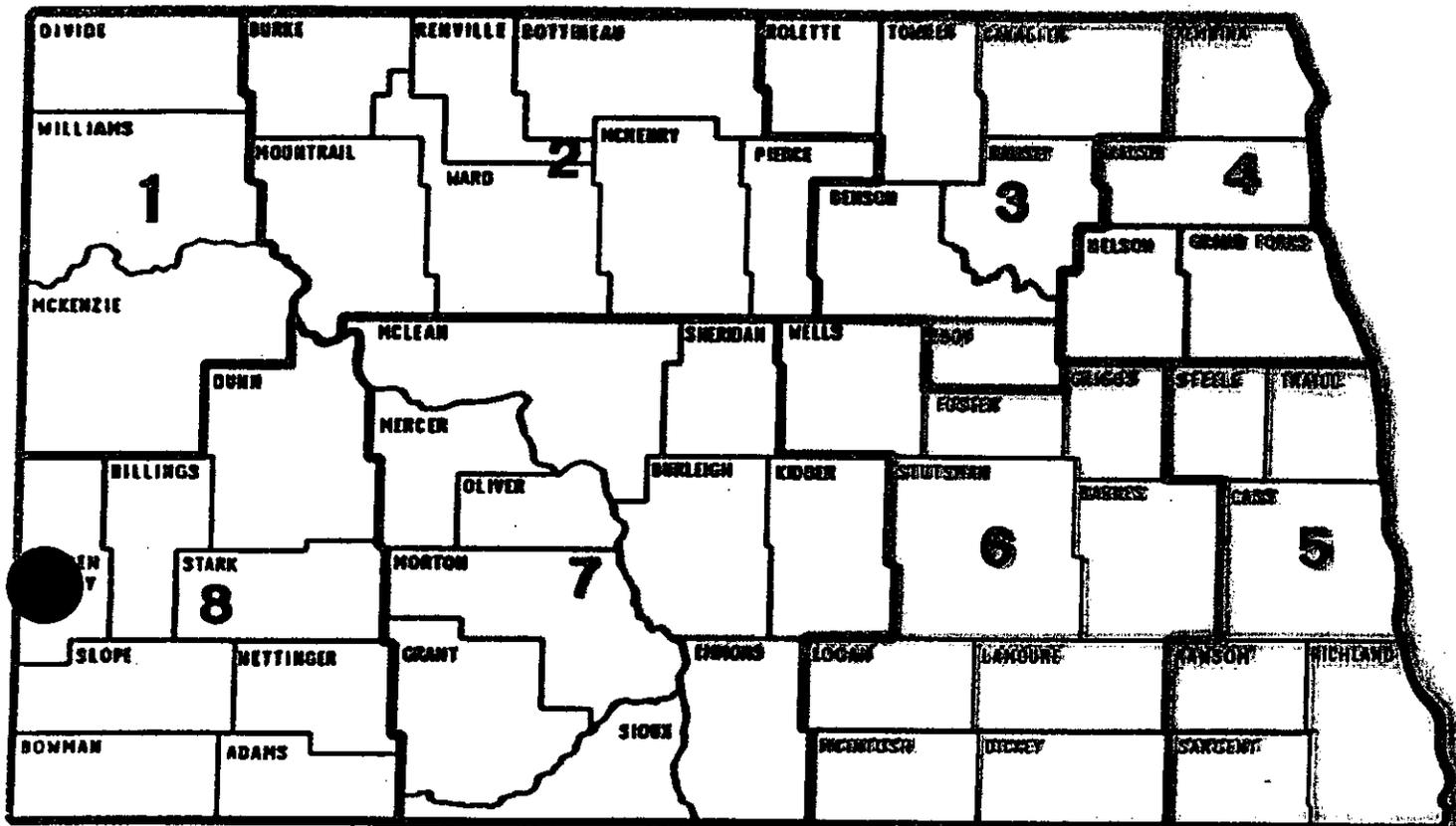
1 time line ND DOT has established for the completion of U.S. Highway which requires the relocation of this  
2 pipeline to be completed by July 1<sup>st</sup>. City officials and Souris Basin Planning Council contacted the  
3 Division of Community Services to see if there was any type of assistance available from their office to  
4 help with the costs of this project. Mr. Govig and his staff worked with the Governor's office and were  
5 successful in obtaining funds to cover the construction costs for relocating the pipeline. The City of  
6 Stanley will be responsible for the engineering costs but are extremely great full for the assistance  
7 provided by the Division of Community Services.

8 The second part of the CDBG program which plays a vital role in rural economic development is  
9 the Community Development Loan Fund (CDLF). This program provides funds for economic  
10 development for primary sector; value added agriculture, service sector and retail sector. In North  
11 Dakota Planning Region 2 these funds have assisted projects ranging from the NorthWestern Dairy in  
12 Parshall, to the Sherwood Grocery store to Helwig Insurance Service in Stanley. Although most of the  
13 projects in North Dakota Planning Region 2 may pale in comparison to Alien Technology or UNYSIS, they  
14 are projects vital to the continued existence of our rural communities. Parshall has a dairy which not only  
15 provides direct employment but provides an outlet for producers of diversified crops; Sherwood only has  
16 one grocery store and its loss would be devastating on the retail economy of the community; and three  
17 good paying jobs in Stanley in an insurance service business provides opportunities for people to continue  
18 to live in the community. When Souris Basin Planning Council is working with the communities on their  
19 projects it is reassuring to have the Division of Community Services staff, specifically Bonnie Malo, Program  
20 Manager, looking for ways to assist the project in becoming a reality. This collaboration is vital in the  
21 continuing work to stabilize and grow the rural communities in North Dakota.

22 As this Committee reviews the budget for the Division of Community Services I would strongly  
23 encourage you to support the budget Mr. Govig and his staff has developed.

24 Thank you again for giving me this opportunity to speak on behalf of the Division of Community  
25 Services and I would gladly respond to any questions your may have regarding Souris Basin Planning  
26 Council's support for the Division of Community Services.

# North Dakota Planning and Development Regions



**Region 1** *Tri-County Economic Development District*

**Region 2** *Souris Basin Planning Council*

**Region 3** *North Central Planning Council*

**Region 4** *Red River Regional Planning Council*

**Region 5** *Lake Agassiz Regional Council*

**Region 6** *South Central Dakota Regional Council*

**Region 7** *Lewis & Clark Regional Development Council*

**Region 8** *Roosevelt-Custer Regional Council*

## North Dakota Regional Councils

### Region 1

Tri County Regional Development Council  
22 East Broadway, 2<sup>nd</sup> Floor - PO Box 697  
Williston, ND 58802  
Phone: 577-1358 Fax: 577-1363  
Email: [marks@ci.williston.nd.us](mailto:marks@ci.williston.nd.us)  
Mark Sovig, Executive Director  
Everett Enno, ED Planner  
Sandra Haagenon, Office Manager

### Region 2

Souris Basin Planning Council  
4215 Burdick Expressway East  
Minot, ND 58701  
Phone: 839-6641 Fax: 838-8955  
Email: [info@sourisbasin.org](mailto:info@sourisbasin.org)  
Greg Hagen, Executive Director  
Don Longmuir, ED Specialist  
Jared Andrist, CD Specialist  
Nancy Larson, Office Manager  
Monica Peterson, Admin Asst

### Region 3

North Central Planning Council  
417 5<sup>th</sup> Street - PO Box 651  
Devils Lake, ND 58301  
Phone: 662-8131 Fax: 662-8132  
Email: [ncpc@stellarnet.com](mailto:ncpc@stellarnet.com)  
Rick Anderson, Executive Director  
Denise Hendrickson, ED Specialist  
Jacqueline Senger, Admin Asst  
Linda Lybeck, Fiscal Officer  
Stacy Twete, Grant Administrator

### Region 4

Red River Regional Council  
Chase Building  
516 Cooper Avenue, Suite 101  
Grafton, ND 58237  
Phone: 352-3550 Fax: 352-3015  
Email: [rrrc@state.nd.us](mailto:rrrc@state.nd.us)  
Julius Wangler, Executive Director  
Dave Rush, Environmental Projects Coordinator  
Sandra Simonson, Econ Recovery Coordinator  
Katherine Lunde, Grants/Contracts Officer  
Dawn Keeley, ED Specialist  
Karol Dupree-Robinson, Housing Coordinator  
Janet Dvorak, Admin Asst  
Lori Estad, Secretary

### Region 5

Lake Agassiz Regional Council  
417 Main Avenue  
Fargo, ND 58103  
Phone: 239-5373 Fax: 235-6706  
Email: [lagassiz@rmet.com](mailto:lagassiz@rmet.com)  
Irv Rustad, Executive Director  
Carl Altenbernd, Grant Administrator  
Tracey Anderson, Fund Manager  
Darin Bullinger, Fund Manager  
Lynne Singelmann, Business Manager  
Linda Menzel, Secretary  
Marie Risdal, Secretary

### Region 6

South Central Dakota Regional Council  
210 10<sup>th</sup> Street Southeast  
PO Box 903  
Jamestown, ND 58402-0903  
Phone: 252-8060 Fax: 252-4930  
Email: [scdrc@daktel.com](mailto:scdrc@daktel.com)  
Eric Hoberg, Executive Director  
Kathryn Sorenson, Loan Administrator  
Kimberly Murray, Bookkeeper  
Carol Peterson, RC&D Coordinator  
Shane Kjellberg, BMP Team Engineer  
Timothy Albrecht, BMP Team CET

### Region 7

Lewis and Clark Regional Development Council  
400 East Broadway, Suite 418  
Bismarck, ND 58501  
Phone: 255-4591 Fax: 255-7228  
Email: [lcrdc@gcentral.com](mailto:lcrdc@gcentral.com)  
Paul Rechlin, Executive Director  
Brent Ekstrom, ED Mgr  
Lyle Hogue, CD Coordinator  
Sherri Arrenz, Housing Director  
Mike Heinsohn, Self Help Housing  
Gayle Paul, Grant Administrator  
Jay Bethke, Loan Administrator  
Joleen Leier, Secretary

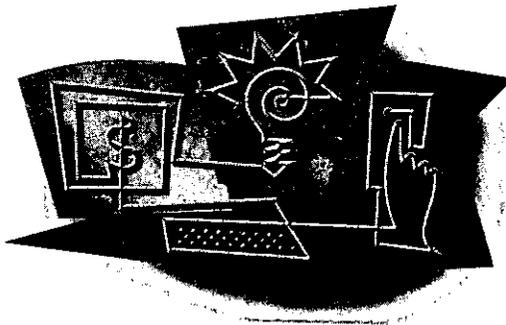
### Region 8

Roosevelt Custer Regional Council  
Pulver Hall  
Dickinson, ND 58601-4857  
Phone: 483-1241 Fax: 483-1243  
Email: [info@rooseveltcuster.com](mailto:info@rooseveltcuster.com)  
Rod Landblom, Executive Director  
Shirley Brentrup, CD Coordinator  
Ken Davis, ED Coordinator  
Deb Kantrud, Community Affairs  
Connie Schaff, Office Manager

Contact  
Council or  
Community  
Services  
Division,  
Dept of  
Commerce  
for a  
copy

# SBPC

Souris Basin Planning Council



## 2003

**ANNUAL REPORT**

**"Local Governments  
Partnering For Progress"**

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018  
JANUARY 10, 2005, 1:30 P.M.  
SENATE APPROPRIATIONS COMMITTEE  
HARVEST ROOM  
SENATOR RAY HOLMBERG, CHAIRMAN

**SARA OTTE COLEMAN – DIRECTOR, THE DIVISION OF TOURISM**

Mr. Chairman and members of the committee, I am Sara Otte Coleman, Director of the Tourism Division of the Department of Commerce.

The mission of the North Dakota Tourism Division is to bring new wealth to North Dakotans by increasing the number of out-of-state visitors who choose our state as a travel destination; and to enhance North Dakota's image in general throughout the region and nation.

Tourism is big business in North Dakota:

- According to a study by NDSU, tourism is the second largest industry in North Dakota (only slightly behind agriculture).
- Tourism is North Dakota's fastest growing industry.
- Tourism contributed \$3.0 billion to the state's economy by out-of-state travelers in 2002.
- Tourism makes up 29 percent of the state's economic base.
- Tourism employs more than 20,000 people across the state.
- In 2003 alone, state government received an estimated return of \$4 million on the \$775,000 advertising investment in the form of sales tax revenue generated by visitor spending at restaurants, hotels, motels, retail stores, recreation facilities, and gas stations.

It is the responsibility of the Tourism Division to provide a strong return on investment with the dollars that we spend in our promotional efforts. We continue to spend our limited resources wisely through smart planning and ongoing market research.

**Legendary Campaign:**

If one word can capture the essence of North Dakota's role in our nation's history it is *Legendary*. We are not just a place of plaques and landmarks, but of legends and the stories we tell about them...Lewis and Clark, Sakakawea, Sitting Bull, Teddy Roosevelt and Custer. During the past biennium, our marketing efforts have continued to build on the success of the *Legendary* brand that was unveiled in 2001. During this biennium, we have continued to focus on our primary market areas of Minnesota, Iowa, South Dakota and Nebraska; and we have expanded the reach of our marketing into Manitoba and Saskatchewan.

**Program areas:**

General Leisure: Tourism Marketing:

Research demonstrated that the overnight out-of-state leisure touring market is the most lucrative market for North Dakota and where we can realize the strongest return on investment. To reach this market beyond our ad campaign and to extend the value of our marketing dollars, we have developed advertising that cuts through the clutter, improved our Web site, produced award winning travel guides, employed an aggressive public relations program that is generating stories



about North Dakota in magazines and newspapers in the U.S. and Canada, and developed partnerships to get the job done.

Tourism administration:

Some of the functions of our administration team include managing the call center, providing travel counseling services and managing fulfillment and mail house functions.

Lewis & Clark:

Past funding for marketing our Lewis and Clark history has allowed us to implement integral cultural and heritage tourism marketing programs that we had never before had the resources to do. The focus of the Lewis and Clark Bicentennial moved to North Dakota in 2004, including the state's first national signature event here in Bismarck in October. The event organizers estimated that 50,000 people attended. The next signature event to be hosted in North Dakota is in August 2006 at New Town. We will continue to market the North Dakota portion of the Lewis and Clark Trail through the bicentennial and beyond.

Cultural and Heritage Tourism:

Markets North Dakota's varied heritage and ancestry and will continue to be a critical area for future marketing beyond the bicentennial of the Lewis and Clark Trail. National research shows cultural and heritage tourism accounts for 81% of U.S. adults who traveled last year. These travelers spend more time and money than general travelers. Our history and culture is what sets us apart from other states competing for visitors.

Group Travel Marketing:

Markets North Dakota itineraries to motor coach tour companies. A new group tour planner was just recently printed (the first in many years) and will help us book more tour groups.

Outdoor and Nature Tourism:

Markets our nature tourism and outdoor adventure opportunities through sports shows, advertising and media coverage. We will continue to develop niche markets including: hiking, biking, birding, canoeing, golfing and horseback riding.

International Tourism Marketing:

We market North Dakota in Germany and the Nordic countries of Norway, Sweden, Denmark, Iceland and Finland. We continue to experience success in Scandinavia. In fact, in 2004, North Dakota was named one of the top five U.S. destinations for visitors from Norway.

In 2004 North Dakota received more than a million dollars in advertising equivalency through publicity in these countries.

Why International? International visitors:

- Spend five times the time and money as domestic visitors.
- Have on average five weeks mandated vacation and 16 paid holidays.
- Are interested in the "real" America.
- Visit during shoulder seasons.
- Are well-educated and interested in our history and culture.

- Visit off-the-beaten-path rural areas as well as green and open spaces

#### Film Commission

This non-funded program provides location assistance for film, video and commercial productions.

#### Public Relations efforts:

Almost daily, we provide story ideas to travel and special interest publications and host media in an effort to obtain positive publicity for North Dakota. Since 2002 we have generated dozens of news stories in national and international publication with a value exceeding 3 million dollars.

#### Partnerships:

We continue to strengthen our partnerships with the hospitality industry and local tourism organizations as well as numerous state and federal agencies. Following are just a few examples:

- Cooperative advertising opportunities
- Brochure exchange program
- Trade show participation
- Familiarization tour opportunities
- Access to our comprehensive photo library
- Hospitality training
- Merchandise sales

What we do at the Tourism Division combined with the work local convention and visitor bureaus, attractions and others in the hospitality industry are doing, continues to make an impact.

#### **Results**

At the beginning of my testimony, I mentioned that Tourism's mission is to create new wealth for North Dakota. With our *Legendary* ad campaign, we have seen positive results.

We continue to hold our own feet to the fire and measure results of our marketing and to conduct accountability research. Research for 2004 is currently underway and results will be available soon. Meanwhile, here is what our 2003 research showed:

Visitors to North Dakota spent more than \$63.2 million in 2003 as a direct result of advertising by the Tourism Division. For every marketing dollar invested in the U.S., the state got \$83 back in visitor spending; for Canadian travel the return was \$58 for every dollar spent. The \$775,000 invested directly in tourism advertising in prime regional markets resulted in 634,000 new trips taken to North Dakota, again yielding more than \$63 million in new visitor spending.

In-house research showed state government received an estimated return of \$4 million on Tourism's \$775,000 advertising investment in the form of sales tax revenue generated by visitor spending at restaurants, hotels, motels, retail stores, recreation facilities, and gas stations.

We do have some preliminary indications for the 2004 travel season. A leading indicator of visitors to the state is the lodging tax, which showed a 2004 third-quarter increase of 16 percent over the same period last year, and a 10 percent increase compared to 2003.

Another strong indicator is the statewide hotel occupancy rate, which was up 4.1 percent for third quarter 2004 compared to third quarter 2003. For the first eleven months of 2004, hotel occupancy rates were up 2.8 percent compared with the same period in 2003.

In 2004 our Web site visits was up 23% through November, with an average of 1932 unique visits per day.

**Conclusion**

In the current biennium, 75 percent of our appropriation – \$5.8 million – went into direct marketing programs.

The new 1% lodging tax approved by the 2003 North Dakota Legislature has given us the opportunity to raise the bar and expand our tourism marketing. Because of that, the tourism industry in North Dakota continues to gain momentum. We need to keep that momentum going.

We have shown growth and a measurable return on the state's investment in tourism. The tourism industry is an economic engine for the state's economy. We know that the tourism industry has the ability to affect all areas of North Dakota. Tourism represents an opportunity for rural areas and small communities to improve their economies.

We also know there is a strong relationship between the image of a state as a place to visit and as a place to live, work and do business. We have demonstrated that our Tourism ad campaign is bringing new people to North Dakota. Once visitors are here, they not only see that North Dakota is a great place to visit, but a great place to live, work and do business as well.

When visitors come to North Dakota it helps everyone. Visitors spend hundreds of dollars at local businesses, bringing money into our communities, creating jobs and supporting tourism attractions. They also pay local sales taxes, reducing the tax burden on North Dakota citizens.

Thank you for your interest in Tourism and your past support. We are succeeding and will continue to do so with your support. I would be happy to answer any questions.

Tourism Industry Association representative also testifying:



**ND Department of Commerce  
Tourism Division**

**2005-2007 Appropriations**

Presented by Sara Otte Coleman



**ND Tourism Division**

- Mission – Create new wealth for North Dakota by bringing visitors to the state
- Tourism is one of the leading industries in ND
- Contributes \$3.0 billion; 29% of economic base
- Fastest growing industry



## Creative Strategy

- Continue to communicate the Legendary brand and focus on what makes North Dakota rich in culture and history on a backdrop of scenic beauty with fun things to see and do.
- The creative continues to feature the legends of Lewis, Clark and Sakakawea as the creative hook.



## Program Areas

- General Leisure: Tourism Marketing
- Tourism Administration
- Lewis & Clark
- Cultural and Heritage Tourism
- Group Travel Marketing
- Outdoor and Nature Tourism
- International Tourism Marketing
- Film Commission
- Public Relations



# Print Advertising

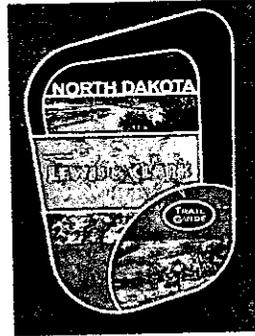
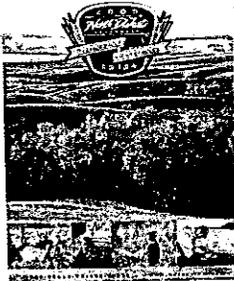


# Television Ads





## Travel Guides



## Program Areas

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- International Tourism Marketing
- Film Commission
- Public Relations







## 2004 Travel Season Indicators

- 3<sup>rd</sup> quarter increase of 16% compared to 2003.
- 10% increase compared to 2003.
- Statewide hotel occupancy rate was up 4.1 percent for 3<sup>rd</sup> quarter.
- Statewide hotel occupancy rates were up 2.8%.
- Web site visits are up 23% through November with an average of 1932 visits per day.



## ND Department of Commerce Tourism Division

### 2005-2007 Appropriations

Presented by Sara Otte Coleman



**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 2005, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**SARA OTTE COLEMAN – DIRECTOR, THE DIVISION OF TOURISM**

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Visitors to North Dakota spent more than \$55 million in 2004 as a direct result of advertising by the Tourism Division. For every advertising dollar invested in the U.S. and Canada, the state got \$55 back in visitor spending. The \$1 million invested directly in tourism advertising in prime regional markets resulted in 532,100 new trips taken to North Dakota, again yielding more than \$55 million in new visitor spending.

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Thank you for your interest in Tourism and your past support. We are succeeding and will continue to do so with your support. I would be happy to answer any questions.

With the exception of this page - the same testimony to the House



## Partnerships

Cooperative advertising, brochure distribution, trade shows, familiarization tour, photos, hospitality training, merchandising



<p><b>Beulah Lake</b> Beulah Lake is one of the largest lakes in North Dakota and is a popular destination for fishing and boating.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>	<p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>	<p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>	<p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>	<p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>	<p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p> <p><b>Beulah Lake State Park</b> Beulah Lake State Park is a beautiful park with a sandy beach, picnic grounds, and a playground.</p>
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## 2003 Campaign Results

according to Longwoods International research

	<u>US</u>	<u>Canada</u>
Total trips due to advertising	481,000	51,000
Direct expenditures-in millions	49.5	5.5
Advertising expenditures	\$946,400	\$64,600
Advertising cost per trip	\$1.97	\$1.27

## TOURISM BUDGET OVERVIEW

	<b>03-05</b>	<b>05-07</b>
Outdoors	\$ 195,757	\$ 195,100
International	\$ 368,440	\$ 378,177
Lewis & Clark	\$ 951,911	\$ 856,159
Film Commission	\$ 5,000	\$ 5,000
Tourism Marketing	\$ 1,737,006	\$ 1,724,966
Tourism Administration:		
Operating	\$ 247,240	\$ 236,445
Salaries	\$ 941,455	\$ 984,449
Group Travel	\$ 56,280	\$ 73,845
*1% Lodging Tax	\$ 2,900,000	\$ 3,076,610
	\$ 7,403,089	\$ 7,530,751
Special Revenue	\$ 363,000	\$ 363,000
Final Budget Totals	\$ 7,766,089	\$ 7,893,751
*Shortfall of 1%	\$ (488,043)	
	\$ 7,278,046	

\*Note: 1% lodging tax collections are expected to fall 19% below projections, raising \$2,411,957. This results in a \$7,278,046 total budget.

**Monthly Collections from  
1% Lodging Tax for Lewis & Clark Promotion  
Senate Bill 2337**

July 2003	\$ 721.53
August	36,027.77
September	122,505.23
October	135,039.36
November	98,855.89
December	114,932.55
January 2004	86,443.64
February	89,954.88
March	87,425.00
April	91,052.59
May	99,819.13
June	90,449.54
July	114,511.90
August	155,528.45
September	136,352.21
October	127,792.00
November	151,794.10
December	100,350.72

Total \$ 1,839,556.49

Projections 2005

January	86,444
February	89,955
March	87,425
April	91,052
May	99,819
June	90,449

Total 545,144

Estimated 5% growth 572,401

Estimated Grand Total 2,411,957

-488,043 below original \$2.9 million projection



## LEGISLATIVE APPROPRIATIONS

1961-1963	\$ 125,000	
1963-1965	not available	
1965-1967	\$ 290,000	
1967-1969	\$ 290,000	
1969-1971	not available	
1971-1973	not available	
1973-1975	\$ 900,000	
1975-1977	\$1,117,019	
1977-1979	\$1,071,658	
1979-1981	\$1,316,695	
1981-1983	\$1,260,676	
1983-1985	\$1,311,020	
1985-1987	\$1,358,228	
1987-1989	\$2,272,000	
1989-1991	\$3,067,809 *	
1991-1993	\$4,354,752	
1993-1995	\$4,616,776 **	
1995-1997	\$4,132,180	
1997-1999	\$4,216,969	
1999-2001	\$4,375,026	
2001-2003	\$5,114,733 ***	
2003-2005	\$7,766,089 ****	(7,278,046) +

\* Until 1989, the tourism budget was entirely funded by highway funds. In 1989, tourism received a \$800,000 increase that came from general funds. Starting in 1991, the tourism budget was entirely funded by general funds.

\*\* Includes a one-time federal grant of \$300,000 that was received in 1994.

\*\*\* Includes legislatively mandated funding for Lewis & Clark program with sunset clause of June 2007. (\$853,147)

\*\*\*\* Includes 1% lodging tax to be used for Lewis & Clark marketing. (\$2,900,000)  
+ Adjusted based on current 1% collections tracking.

History: The Travel Division was created as part of the Highway Department in 1953, but did not receive its own budget/funding until 1961. In the 1980's the Tourism Division was under the state Economic Development Commission. In 1991, Tourism was merged with Parks and became the Department of Parks & Tourism. In 1993, the legislature created the North Dakota Tourism Department with cabinet level status. In 2001 the Department was made a division of the ND Department of Commerce.

## TOURISM DEPARTMENT HISTORY

**ORIGINATION:** Created at the urging of GNDA, formally organized under Governor William L. Guy in the early 1960s as part of the North Dakota Highway Department.

### Travel Directors

1962-1967	James Hawley
1968-1977	Joe Satrom
1977-1981	Wally Reber
1981-1985	Michael Foster
1985-1992	James Fuglie
1993-1997	Kevin Cramer
1997-2000	Bob Martinson
2001-2002	Allan Stenehjem
2003-	Sara Otte Coleman

### Advertising Agency

Flint Advertising, Fargo
Flint Advertising, Fargo
J. Greg Smith, Lincoln, NE (1972)
J. Greg Smith, Lincoln, NE
Candee-Saueressig, Bismarck (1978)
Group 5, Minneapolis (1981)
Flint Communications (1983)
Candee (Kranzler) – Saueressig (1985)
G L Ness Agency – Fargo (1987)
G L Ness Agency – Fargo
G L Ness Agency – Fargo
G L Ness Agency – Fargo
Odney Advertising - Bismarck (2001)
Odney Advertising - Bismarck

### Advertising Direction

1972-1977	"Marlboro Man"; emphasis on in-region, enroute advertising.
1978-1980	"Greatway"; emphasis on influencing route selection; first written marketing plan.
1981-1983	"Wide Open Spaces"; general route selection emphasis; discount coupon book.
1983-1985	"Best Kept Secret"; general route selection emphasis; discount coupon book.
1985-2001	"Discover the Spirit"; historical route selection emphasis; greater targeting attempted in media schedule. TV ads began with increased budget.
2002-	"Legendary"; places, experiences, people, fun emphasis; marketing plan includes targeted regional TV, radio, print media.

TABLE A: 2003-2004 PROJECTED STATE TOURISM OFFICE BUDGETS BY RANK

	<u>FY 2003-2004 TOTAL BUDGET</u>		<u>FY 2003-2004 TOTAL BUDGET</u>		
1	Hawaii	\$56,339,000	26	Minnesota	\$8,096,000
2	Illinois	46,155,800	27	Michigan	8,030,500
3	Pennsylvania	29,597,000	28	Montana	7,434,342
4	Texas	29,549,698	29	South Dakota	7,331,000
5	Florida	25,670,974	30	Maine	7,213,054
6	West Virginia	20,809,834	31	Ohio	6,249,345
7	Louisiana	16,428,017	32	Vermont	6,236,816
8	New Mexico	15,471,700	33	Kentucky	6,129,400
9	South Carolina	15,335,950	34	Massachusetts	6,045,000
10	Missouri	15,067,743	35	Wyoming	5,646,209
11	Colorado	14,110,402	36	Idaho	5,589,164
12	Wisconsin	12,827,200	37	Indiana	5,388,013
13	Arkansas	12,480,949	38	New Hampshire	5,239,831
14	Virginia	12,140,258	39	Utah	4,400,000
15	Tennessee	12,072,400	40	Kansas	4,252,362
16	Arizona	12,000,000	41	Oregon	3,990,000
17	Maryland	11,779,325	42	Washington	3,761,092
18	North Carolina	11,344,917	43	North Dakota	3,670,545
19	Nevada	11,299,699	44	Iowa	3,537,544
20	Alaska	10,464,165	45	Nebraska	3,059,136
21	Oklahoma	10,456,299	46	Rhode Island	1,845,235
22	Mississippi	9,245,135	47	Connecticut	no data
23	Alabama	8,739,480	48	Delaware	no data
24	California	8,500,000	49	New Jersey	no data
25	Georgia	8,481,804	50	New York	no data
		<b>TOTAL</b>			<b>\$549,512,337</b>
		<b>AVERAGE</b>			<b>11,945,920</b>

Public sector funds are the primary source of all tourism office funding, and indeed the sole source for 32 of the 46 reporting states. Of the \$549.5 million combined total projected budget, public sector funds represent 94.4 percent, or \$518,925,471 (46). As shown in Table B on page 4, public sector funding allocations in the projected 2003-2004 state tourism office budgets range from \$56,339,000 in Hawaii to \$1,845,235 in Rhode Island. The average public sector funding allocation is estimated at \$11,531,677 (45). Sixteen states fall above the mean, accounting for 63.3 percent of the projected \$518.9 million total in public sector funds.

Of the 13 states whose public sector funding is augmented by private sector funds, public sector funds represent 76.6% of the combined total budget for these states (\$100,120,357 of \$130,727,223). The percentage of public sector funds for these states ranges from 99.2 percent to 42.7 percent of their total budgets. California Tourism is now privately funded; they receive no public sector funds.

January 5, 2005

House Appropriations Committee  
North Dakota State Capitol  
Bismarck, ND 58501

Dear Committee Members:

Managing North Dakota's budget and spending is understandably challenging. I urge you to consider the State Tourism budget as an investment in North Dakota and fully fund this entity to 10 Million dollars. Fully funding this department will enhance our ability to market our state and maintain and grow our rightful market share of tourism dollars.

Tourism is North Dakota's fastest growing industry and is now second only to Agriculture. Understanding this industry can be more than confusing. Our business is a tangible entity that has prospered from aggressive local and state marketing. We are a full service lakeside resort that has gone from 4 employees to over 125 seasonal and full time staff. Our growth is one that mirrors many of the state wide private and public attractions. North Dakota can grow this natural asset we have in this state, but it takes commitment from both the private and public sectors.

Our state gets a terrific bang-for-our-buck return on dollars invested. I hope you can see that your commitment to enhancing our state's ability to compete will improve our ability to market our strengths as a destination for a variety of travelers. My community, Devils Lake, depends on tourism to maintain our local tax base and employment. Many small communities statewide are just beginning to enjoy the tourism trade and the opportunities that come with it. These communities are investing in infrastructure and local dollars to attract travelers. North Dakota Tourism needs your support so we can keep and grow our tourism industry.

Our industry is at a crossroad. One turn is status quo and hope to maintain what we have fought for, or the other option is to take the turn that will lead North Dakota to a bigger and better share of people wanting to experience what states like ours has to offer. We have quality experiences people are looking for, we just need to let people know about it. Lets tell them!

Thank you for the chance to offer my view of this very important issue.

Sincerely,

Kyle Blanchfield  
Woodland Resort



# North Dakota 2004 Tourism Advertising Evaluation

March, 2005



# Longwoods International



- ◉ Founded 1978
- ◉ Tourism Focus – 1985
  - ◉ 9000 interviews – changing Canada’s image
- ◉ Today Travel USA®
  - ◉ surveys 200,000 American households annually
  - ◉ Employed by States, CVBs, industry association, hotels, cruise lines, to assist in the planning of their tourism marketing efforts.



# Longwoods International



- ◉ Client base throughout North America
  - ◉ *Research programs conducted in U.S., Canada, U.K., Japan, Mexico, Germany, Argentina, Brazil, and Colombia*
- ◉ We specialize in integrated research programs:
  - ◉ *Accountability/communication effectiveness - **Longwoods R.O.EYE™***
  - ◉ *Image and branding*
  - ◉ *Visitor tracking and profiling*



# Longwoods International

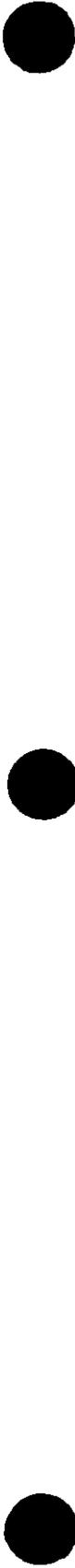


- ⊙ In 1990, Longwoods pioneered the development of its award-winning Accountability Model  
**Longwoods R.O.EYE™ :**
  - ⊙ *Conservative and credible measures of the return on investment in marketing programs*
  - ⊙ *We have measured the effectiveness of tourism campaigns in the U.S., Canada, England and Japan*
- ⊙ The Model has been honored for best practices by the International Travel & Tourism Research Association, and by Georgia Tech in a study funded by the U.S. Department of Commerce.



# The Advertising Tested

- ⊙ In the U.S.:
  - ⊙ 2 television commercials
  - ⊙ 3 Magazine Ads that ran in various regional and national magazines
    - ⊙ AAA Tour Guide, Midwest Living, AAA Home and Away, American Heritage, Friendly Exchange, Good Housekeeping, Reader's Digest and several others
- ⊙ In Canada:
  - ⊙ A radio commercial
  - ⊙ A 4-page newspaper supplement
  - ⊙ A Magazine Ad, shown in Going Places and Westworld magazines



# Research Objectives

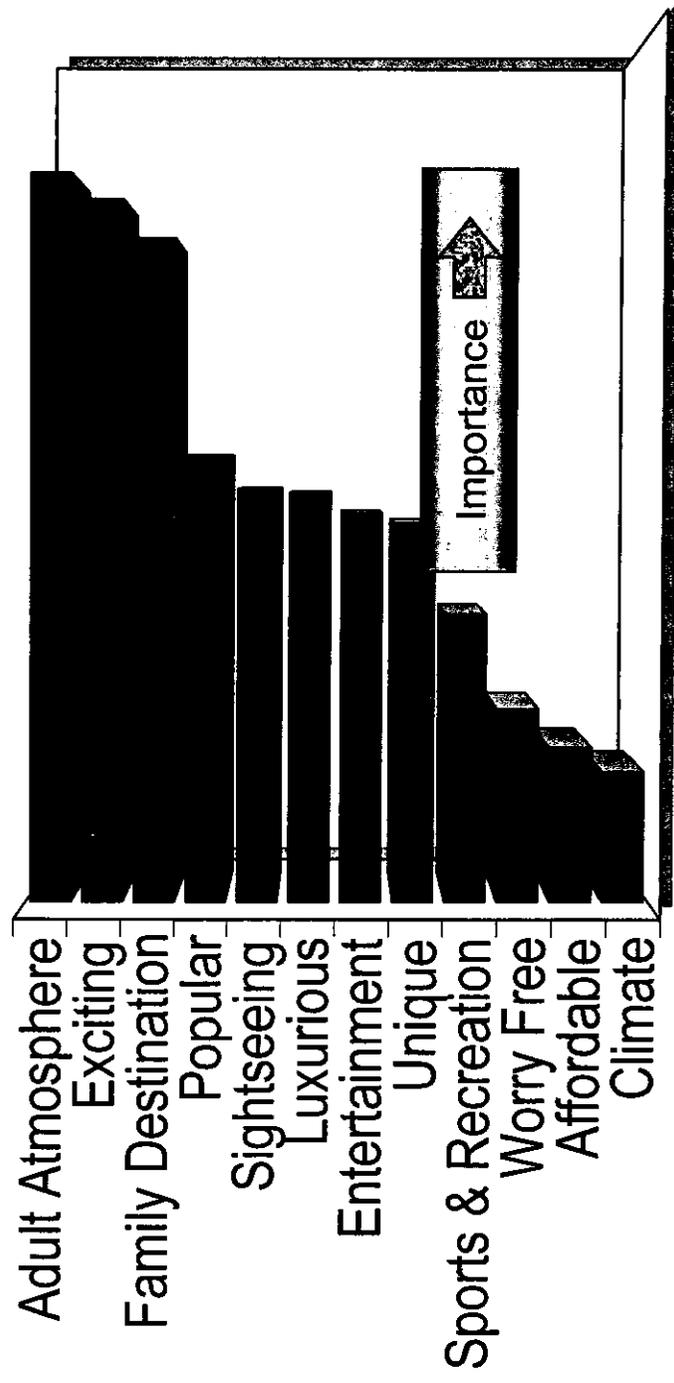


- ⊙ Determine North Dakota's image as a travel destination:
  - ⊙ *Image strengths and weaknesses*
  - ⊙ *Image vs. competitors*
- ⊙ Identify what is important to the traveler in choosing North Dakota:
  - ⊙ *What are the messages that the advertising needs to convey*
- ⊙ Evaluate the 2004 tourism advertising campaigns in the U.S. and Canada in terms of:
  - ⊙ *Awareness, Image impacts, bottom line impacts*

# Methodology

- ◉ 8-page benchmark survey mailed in October and November of 2004 to 2,400 households :
  - ◉ 1,200 in the U.S.: *North Dakota, Eastern South Dakota (Sioux Falls DMA), Iowa, Nebraska and Minnesota*
  - ◉ 1,200 in Canadian Markets: *Winnipeg, Saskatoon, Regina*
- ◉ 1,246 surveys were completed, yielding a return rate of 52% (59% return in the U.S. and 45% in Canada).
- ◉ The sample was selected from a national mail panel to be demographically representative of the markets being surveyed:

# Travel Motivators — What's Important in Getting on the Destination Wish List



Relative Importance

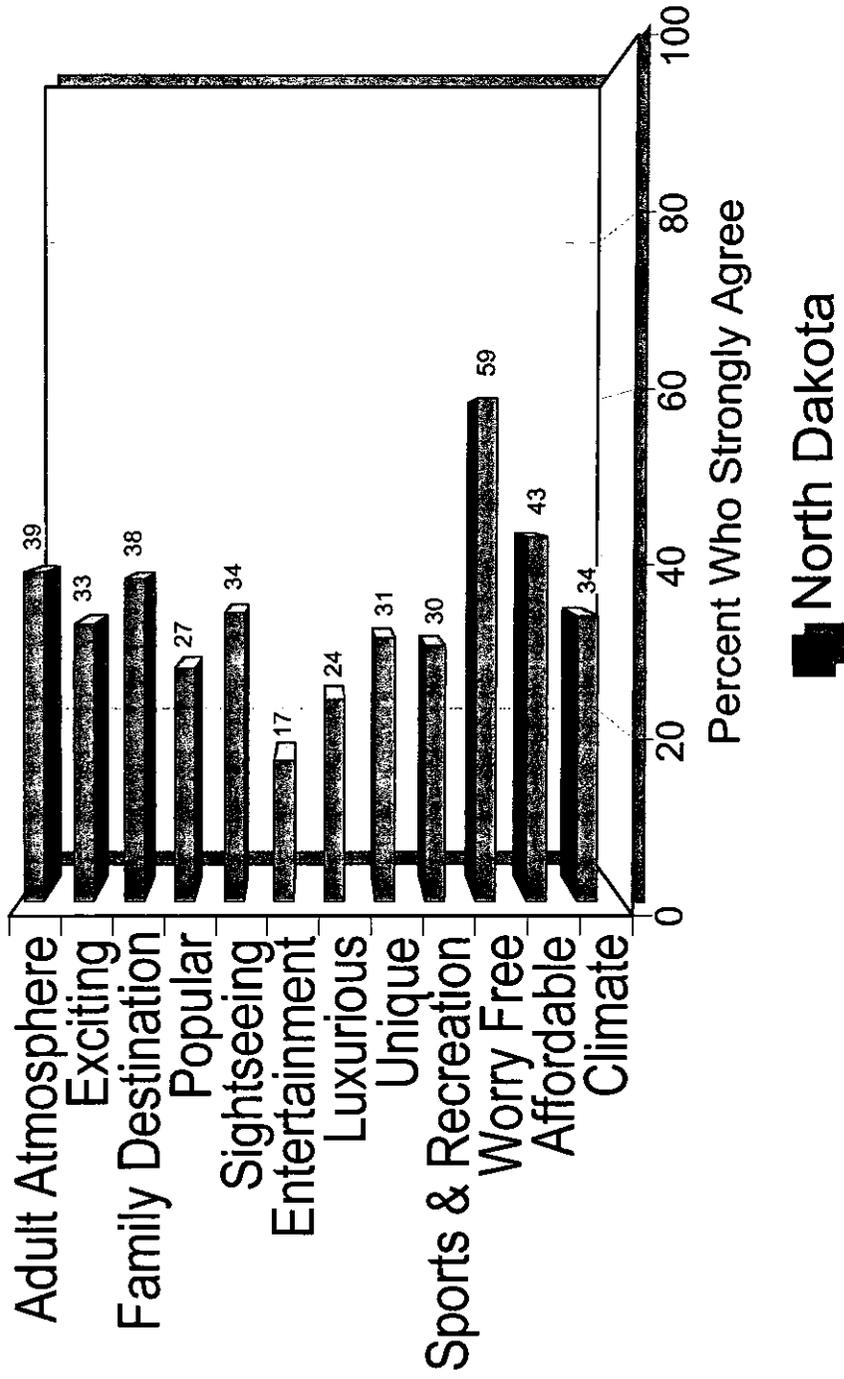


# Most Important Individual Dimensions

---

1. A fun place for a vacation
2. Good for adults
3. Good for couples
4. A real adventure
5. Children would enjoy
6. An exciting place
7. Unique vacation experience
8. Good for a family vacation
9. Lots to see and do
10. Must-see destination

# North Dakota's Image— U.S.

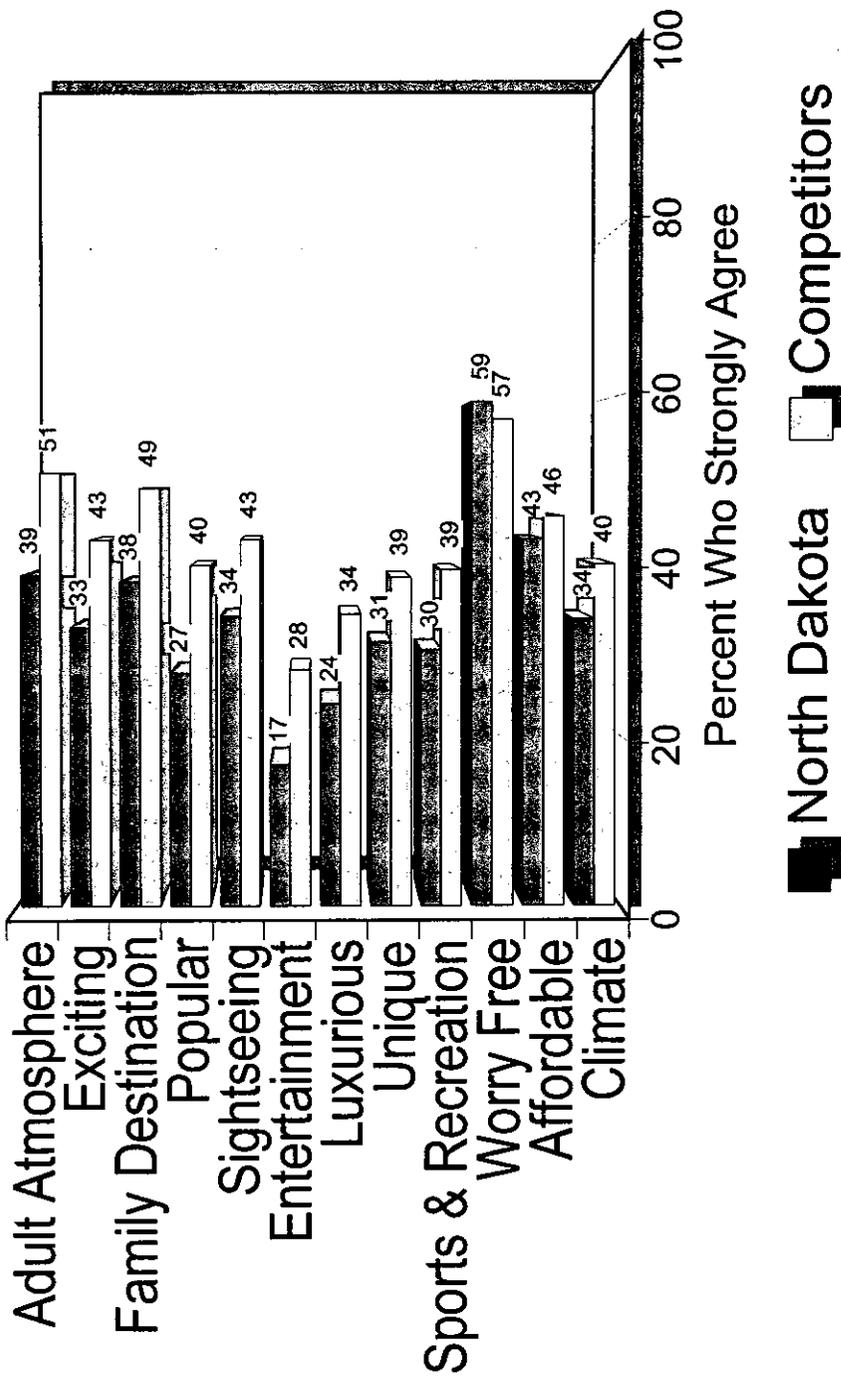


\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

# North Dakota's Image vs.

## Competitors\*

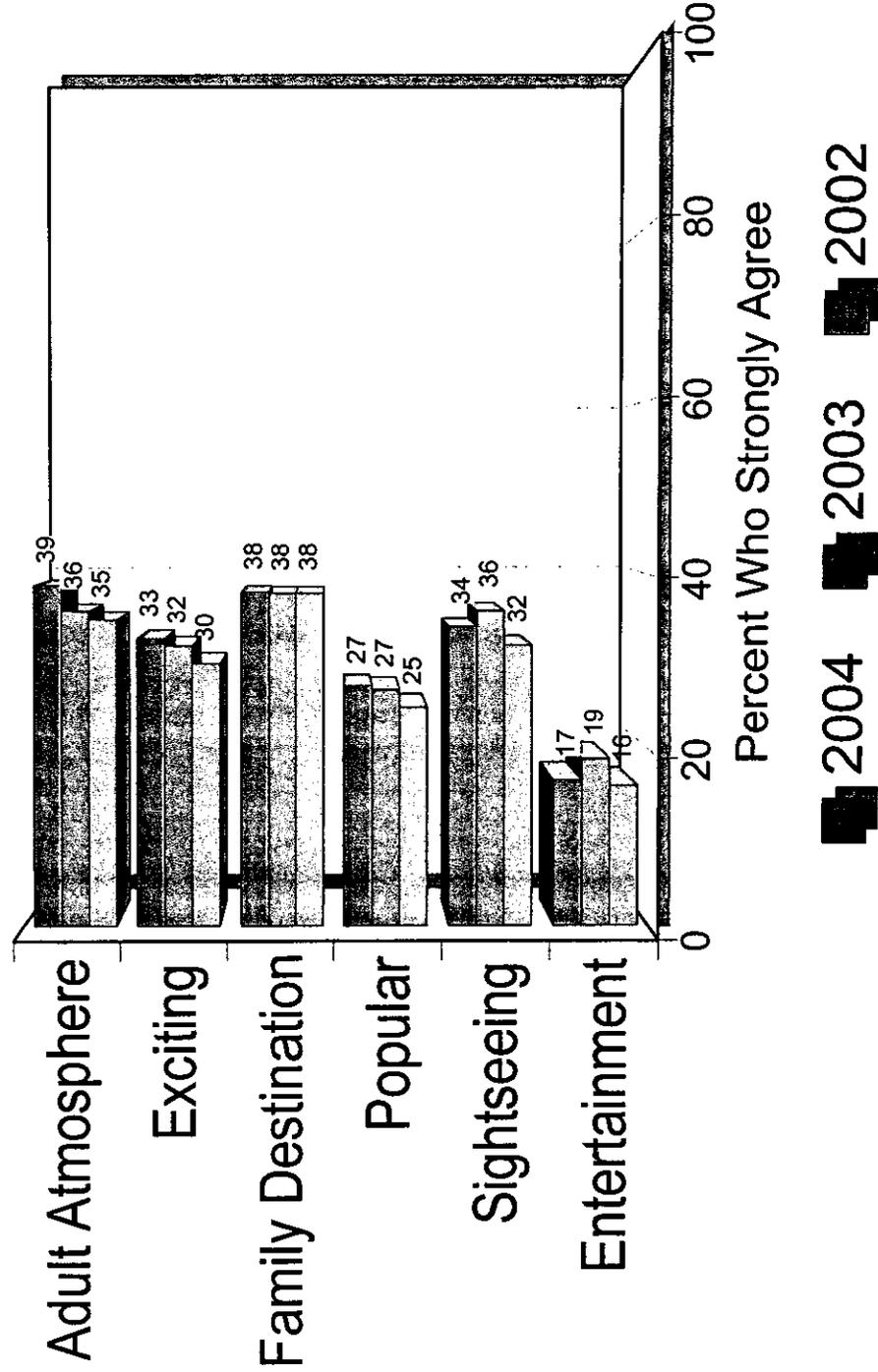
— U.S.



\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

# North Dakota's Image Over Time

U.S.

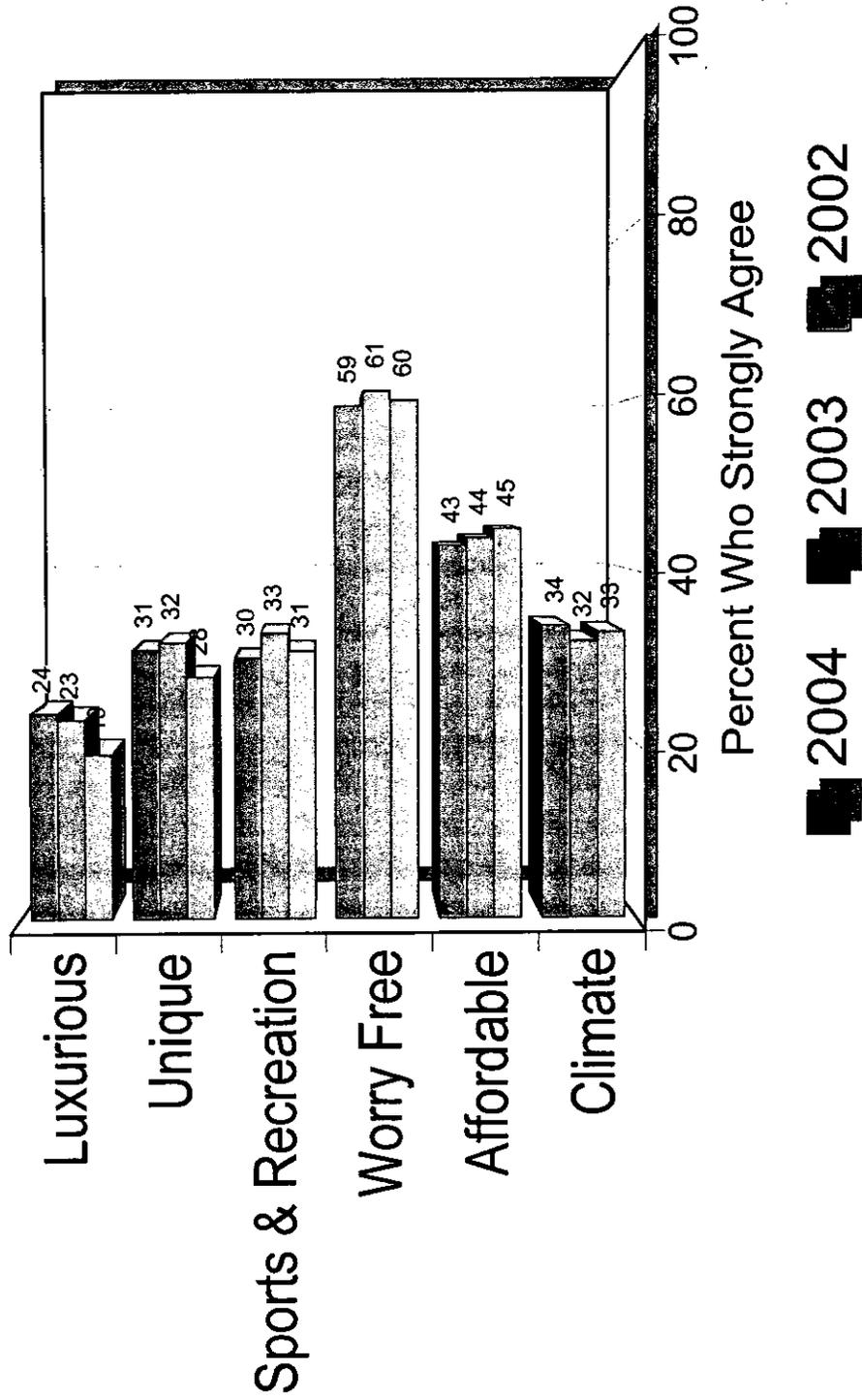


\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana



# North Dakota's Image Over Time

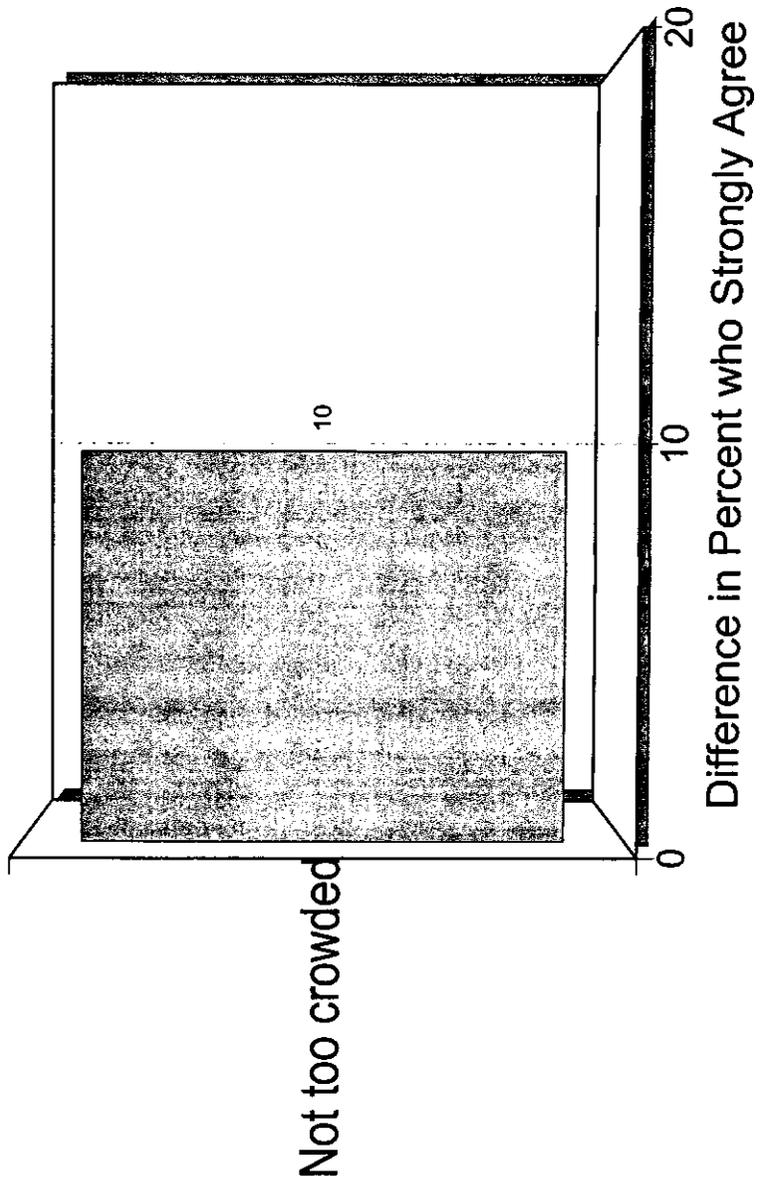
## U.S. - continued



\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

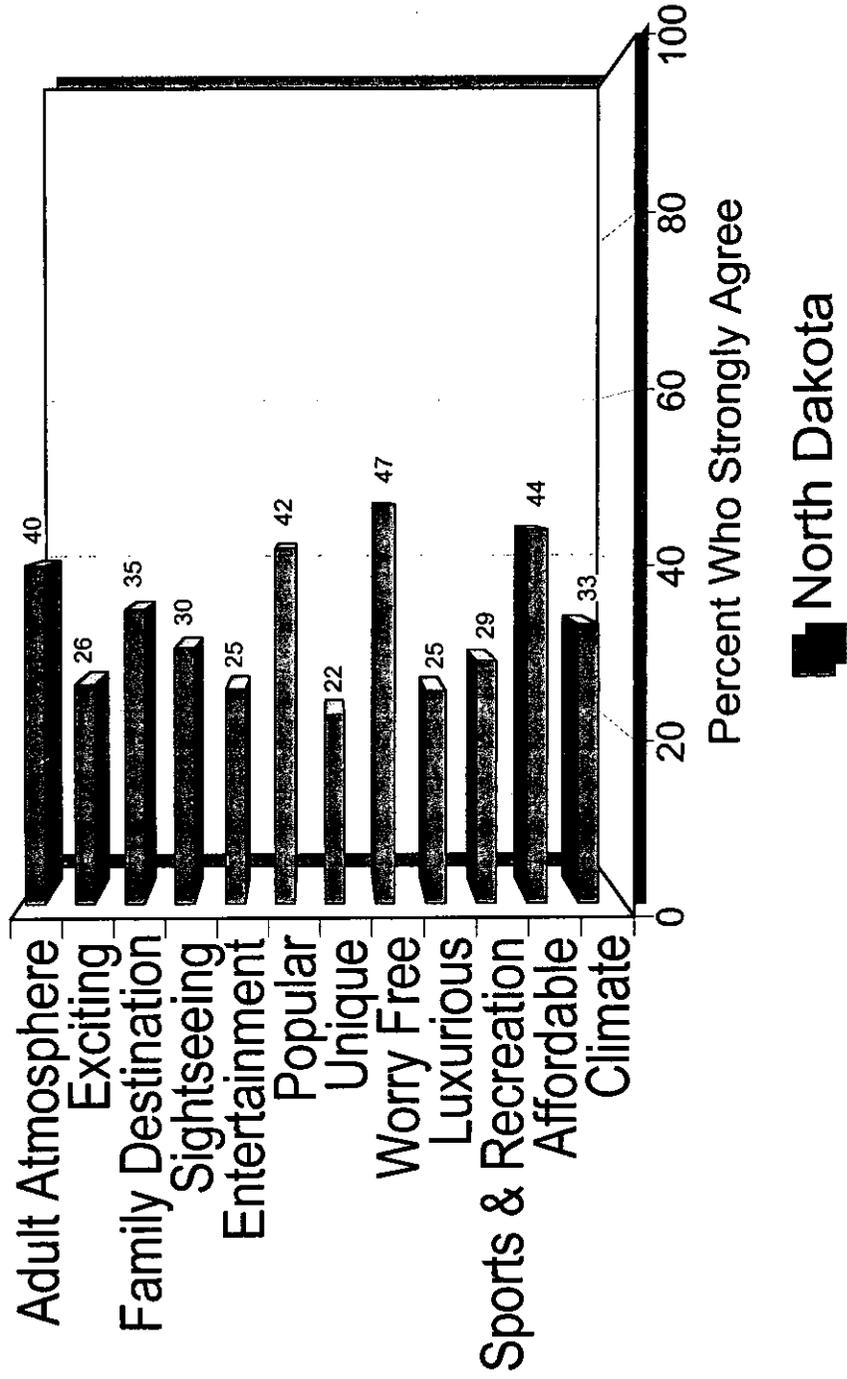
- Image Strength vs. Competitors

U.S.



# North Dakota's Image

## Canada

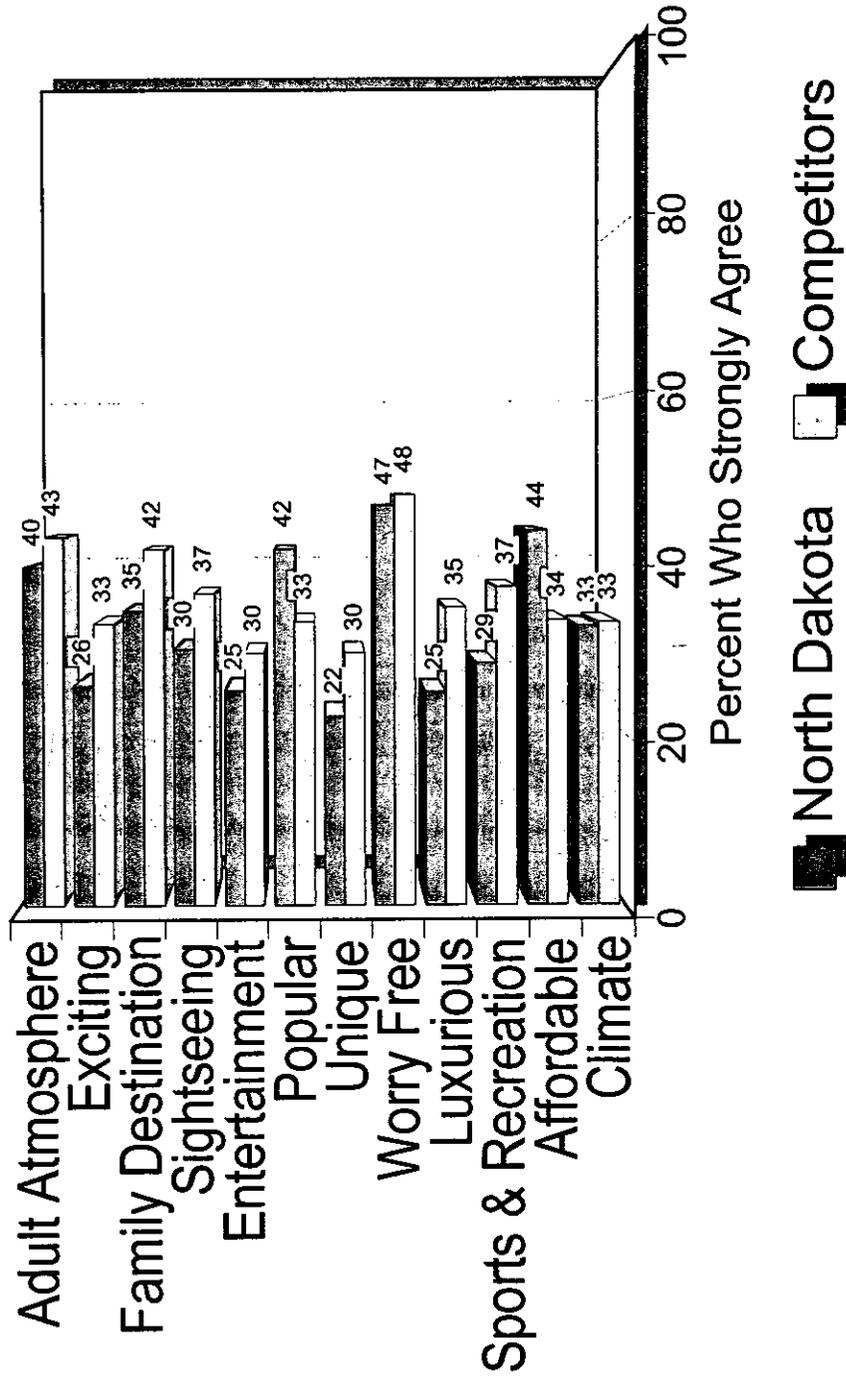


\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

# North Dakota's Image vs.

## Competitors\*

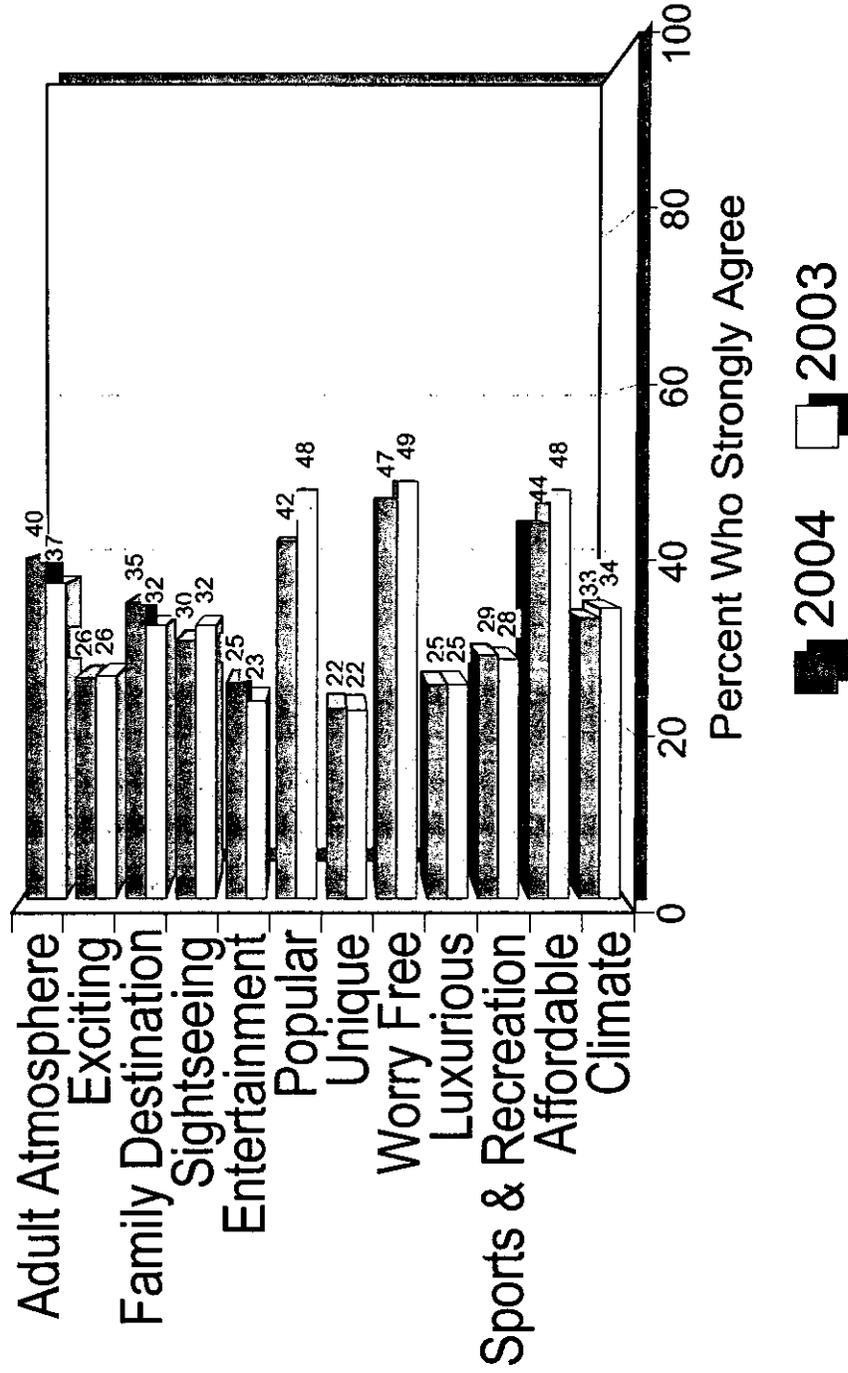
### Canada



\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

# North Dakota's Image vs. 2003

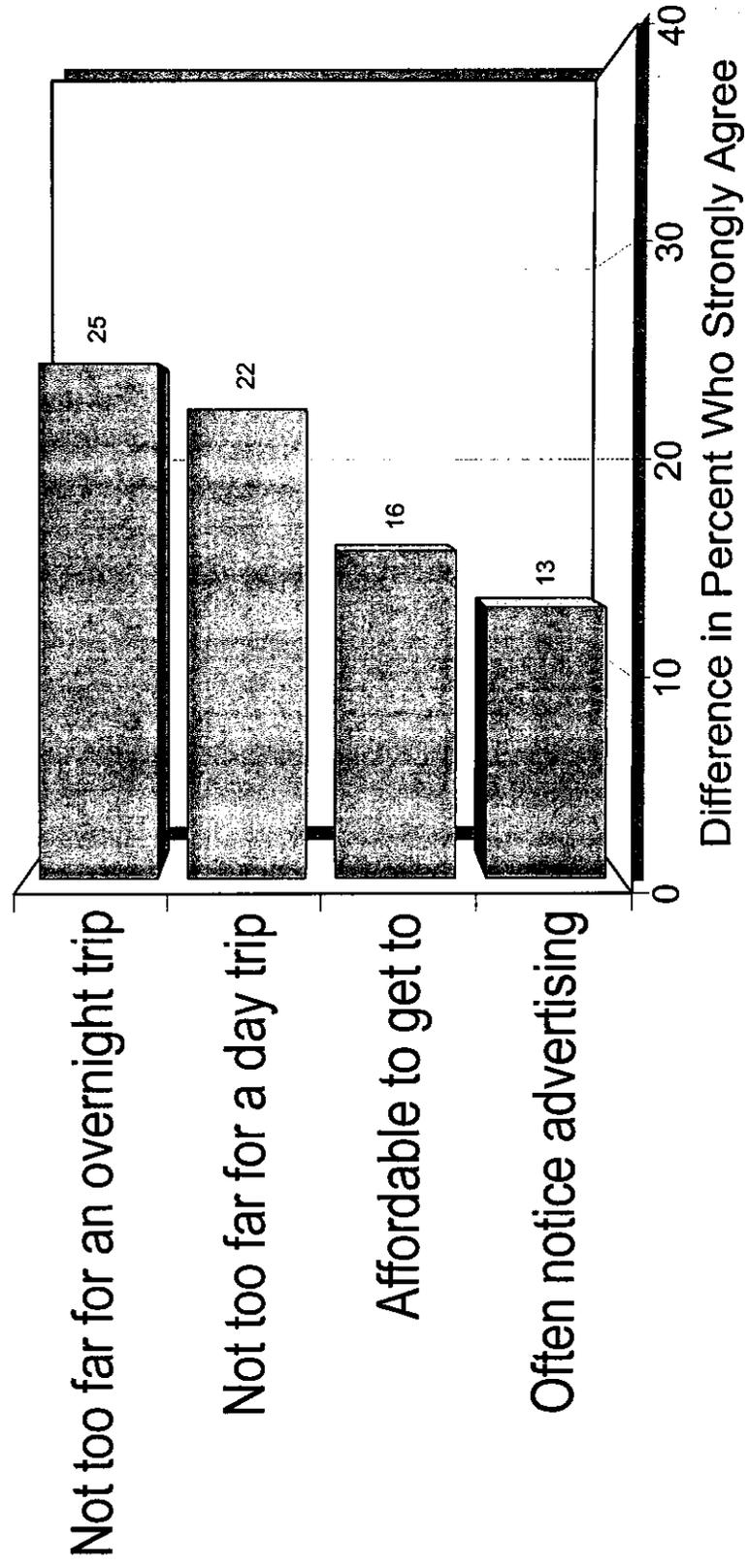
## Canada



\* Includes Iowa, Minnesota, South Dakota, Manitoba, Nebraska, and Montana

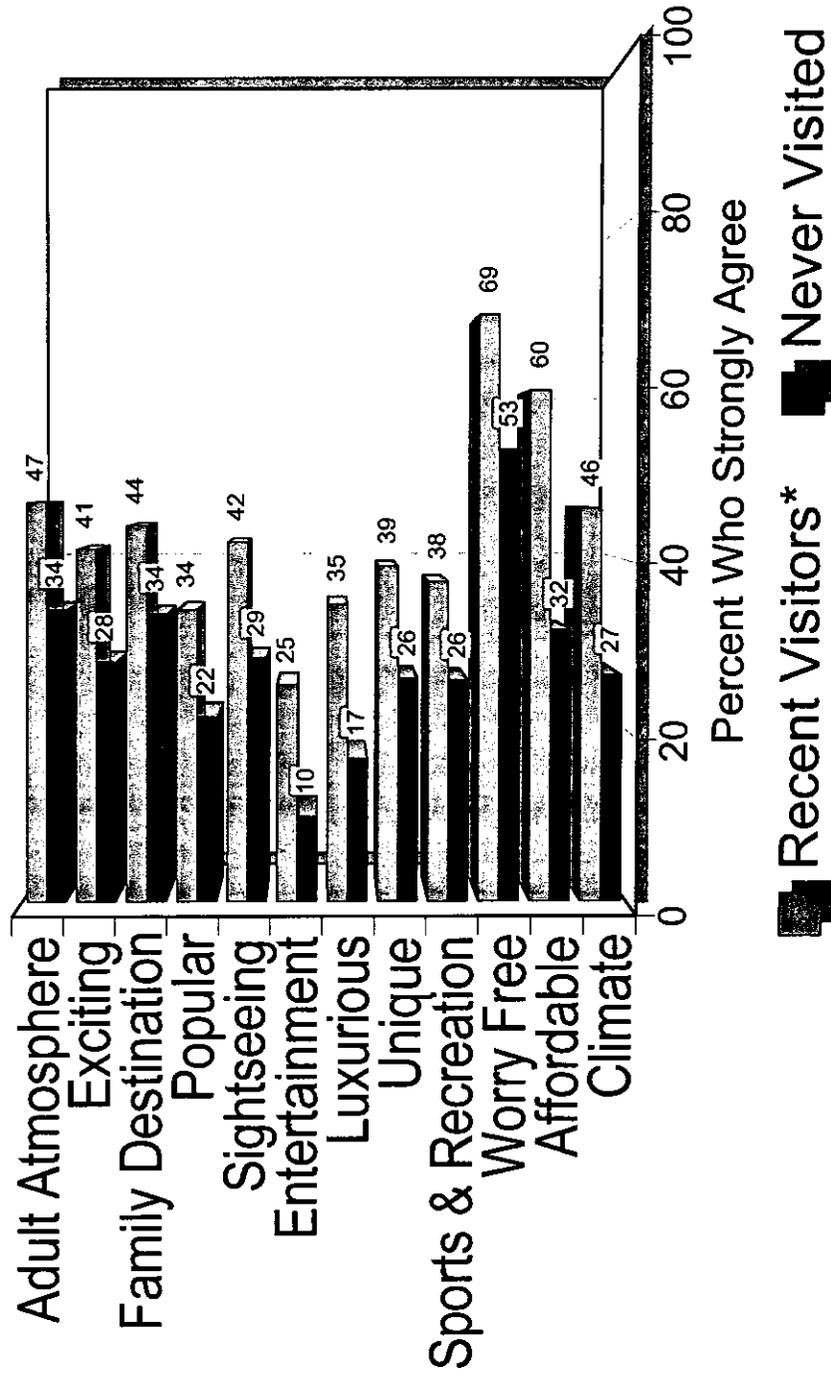
- Image Strengths vs. Competitors

# Canada



# North Dakota's Product vs. Image

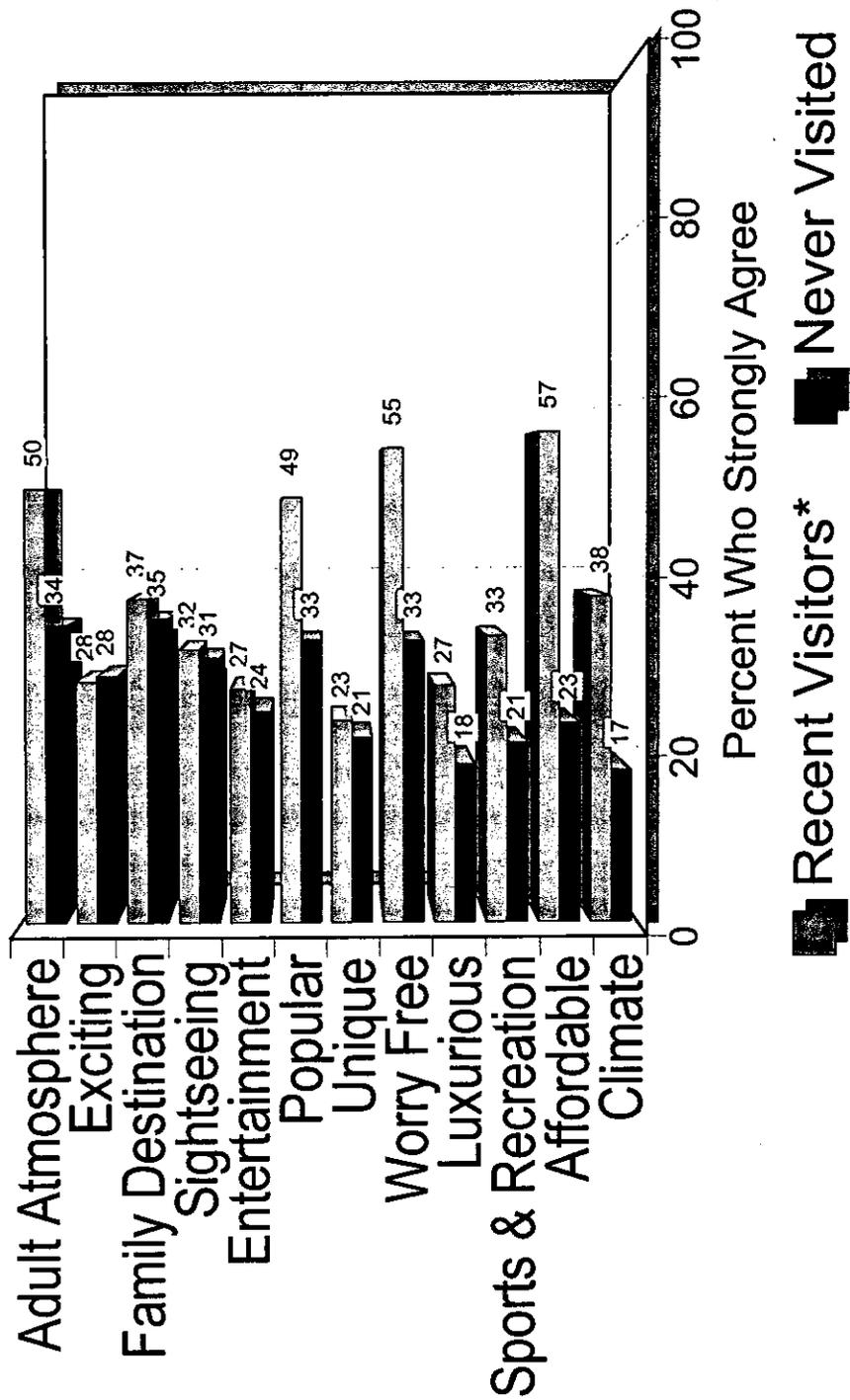
— U.S.



\* Visited in the Past 2 Years

# North Dakota's Product vs. Image

— Canada



\* Visited in the Past 2 Years



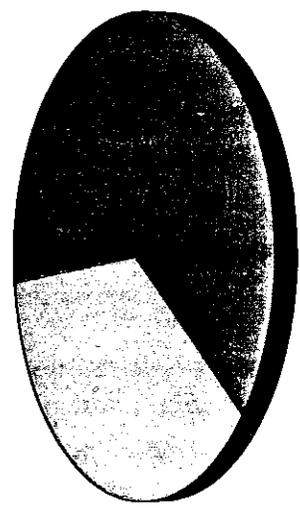
# Awareness\* of the 2004 North Dakota Advertising Campaign



Base: Total Travelers

**U.S.**

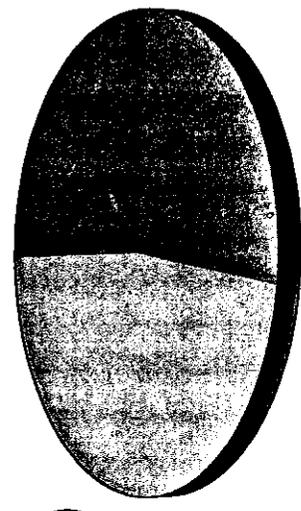
Aware  
(37.6%)



Unaware  
(62.4%)

**Canada**

Aware  
(47.8%)



Unaware  
(52.2%)

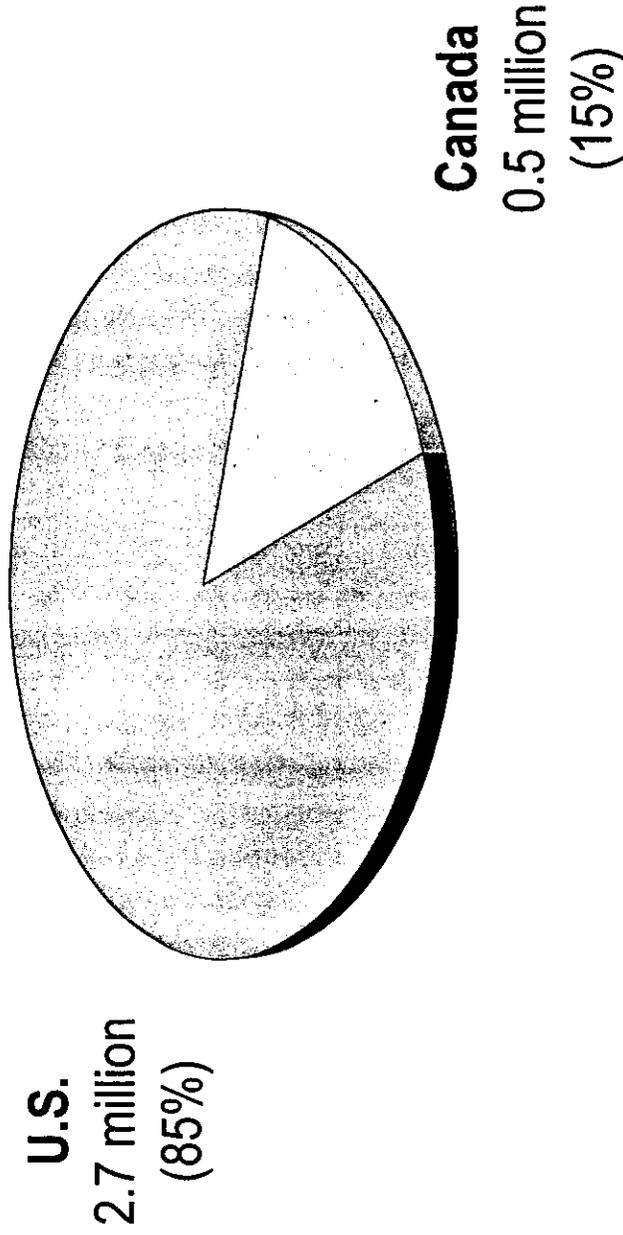
\*Saw at least one ad

# Awareness\* of the 2004 North Dakota Advertising Campaign



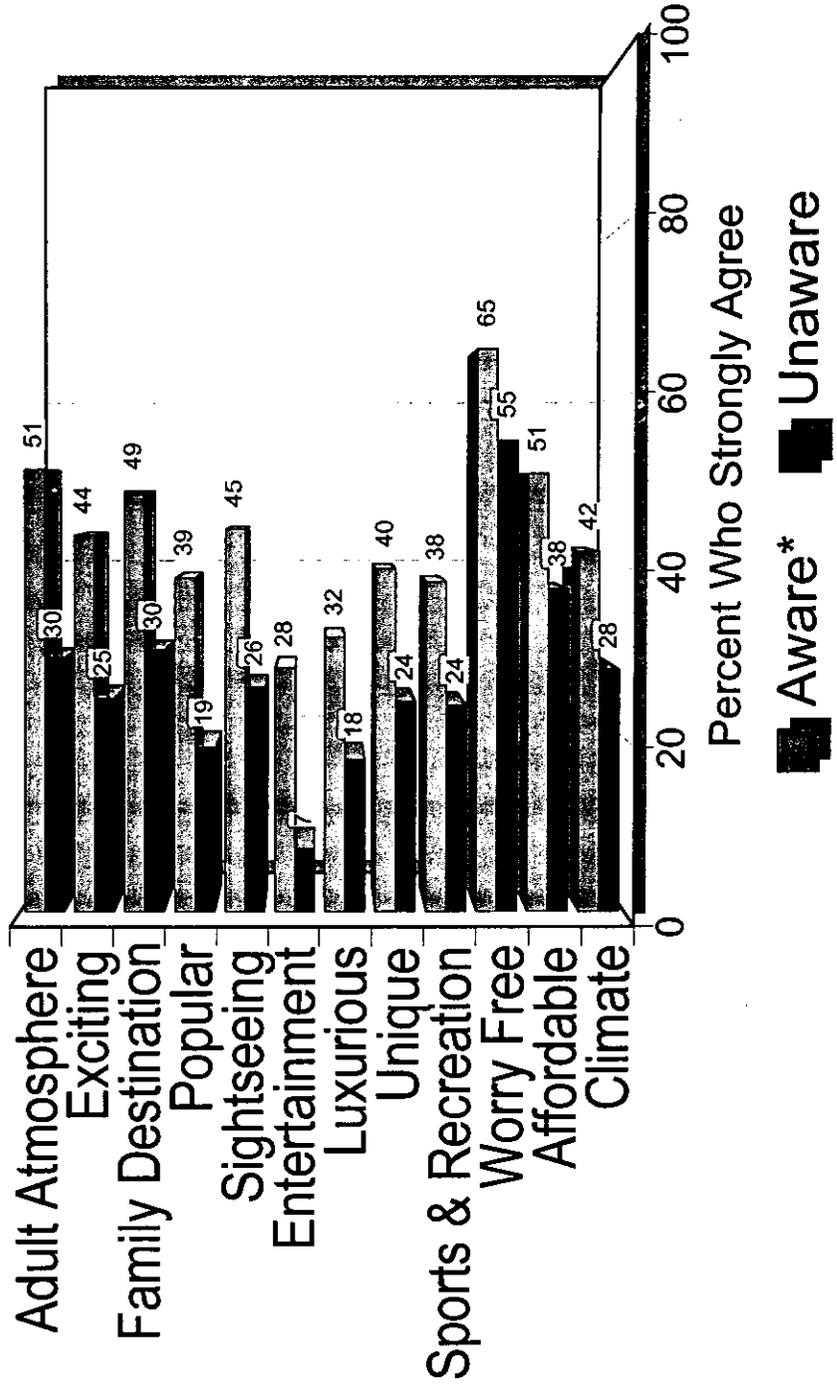
Base: Total Travelers

**Total Travelers Aware of Advertising\* = 3.2 Million**



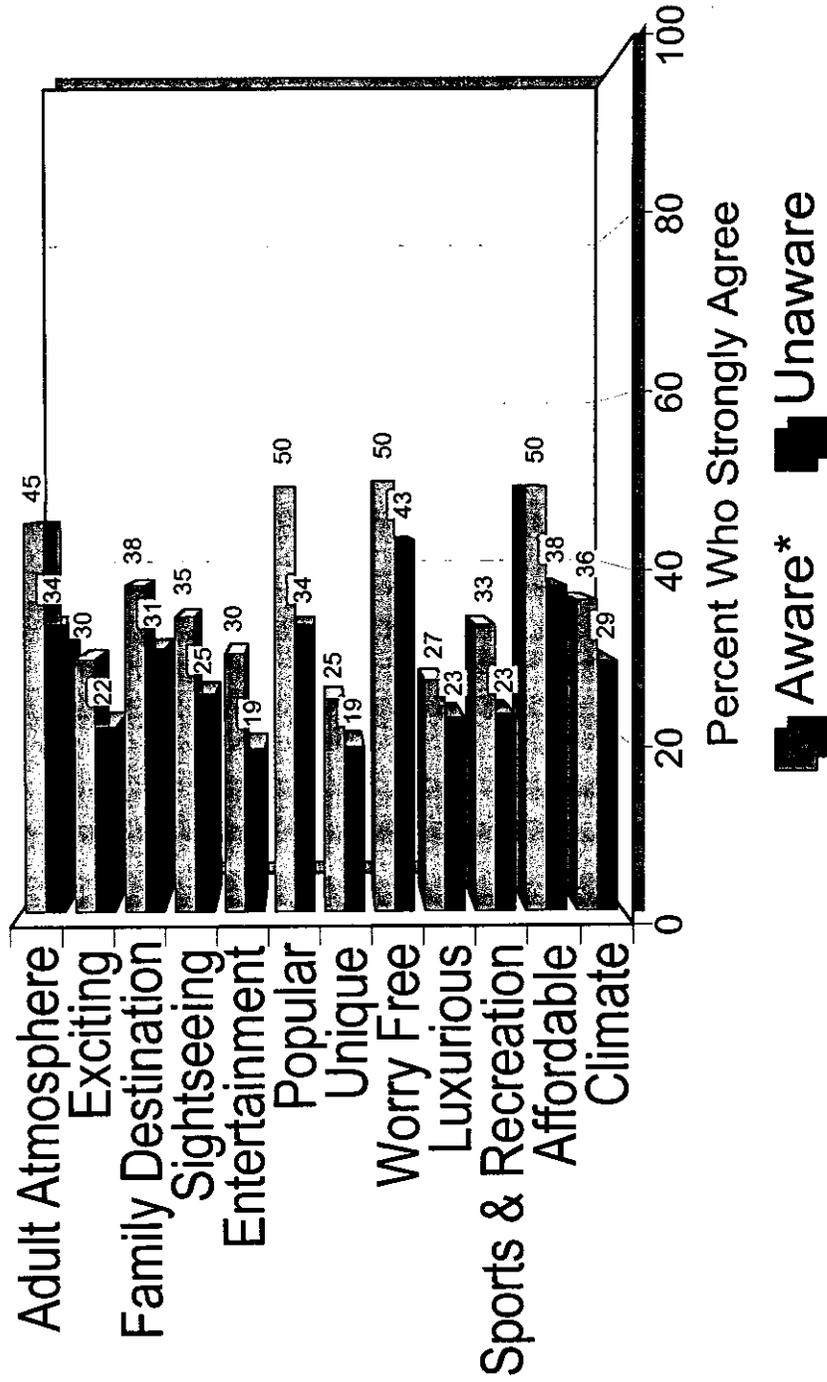
\*Saw at least one ad

# Impact of Advertising on North Dakota's Image — U.S.



\*Saw at least one ad

# Impact of Advertising on North Dakota's Image — Canada

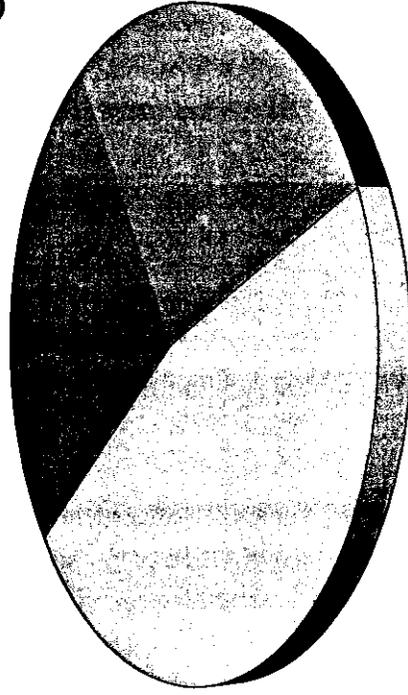


\*Saw at least one ad

# Trips Taken Due to Advertising

Trips Taken Due To Advertising – 532,000

Overnight Trips  
54%



Day Trips  
46%

● Trips to North Dakota Due  
to 2004 Advertising



	<u>US</u>	<u>Canada</u>
Overnight	258,000	31,000
Day	<u>223,000</u>	<u>20,000</u>
<b>Total</b>	<b>481,000</b>	<b>51,000</b>

# ● Campaign Efficiency ●



US      Canada

Trips due to advertising	481,000	51,000
Advertising investment	\$ 946,400	\$ 64,600
Advertising cost per trip	\$ 1.97	\$ 1.27

January 5, 2005

Senate Appropriations Committee  
North Dakota State Capitol  
Bismarck, ND 58501

Dear Committee Members:

Managing North Dakota's budget and spending is understandably challenging. I urge you to consider the State Tourism budget as an investment in North Dakota and fully fund this entity to 10 Million dollars. Fully funding this department will enhance our ability to market our state and maintain and grow our rightful market share of tourism dollars.

Tourism is North Dakota's fastest growing industry and is now second only to Agriculture. Understanding this industry can be more than confusing. Our business is a tangible entity that has prospered from aggressive local and state marketing. We are a full service lakeside resort that has gone from 4 employees to over 125 seasonal and full time staff. Our growth is one that mirrors many of the state wide private and public attractions. North Dakota can grow this natural asset we have in this state, but it takes commitment from both the private and public sectors.

Our state gets a terrific bang-for-our-buck return on dollars invested. I hope you can see that your commitment to enhancing our state's ability to compete will improve our ability to market our strengths as a destination for a variety of travelers. My community, Devils Lake, depends on tourism to maintain our local tax base and employment. Many small communities statewide are just beginning to enjoy the tourism trade and the opportunities that come with it. These communities are investing in infrastructure and local dollars to attract travelers. North Dakota Tourism needs your support so we can keep and grow our tourism industry.

Our industry is at a crossroad. One turn is status quo and hope to maintain what we have fought for, or the other option is to take the turn that will lead North Dakota to a bigger and better share of people wanting to experience what states like ours has to offer. We have quality experiences people are looking for, we just need to let people know about it. Lets tell them!

Thank you for the chance to offer my view of this very important issue.

Sincerely,

Kyle Blanchfield  
Woodland Resort





**Testimony of Terry Harzinski  
Executive Director  
Bismarck-Mandan Convention & Visitors Bureau  
Senate Bill 2018  
January 6, 2005**

Chairman Holmberg and members of the Senate Appropriations Committee:

I am Terry Harzinski, Executive Director of the Bismarck-Mandan Convention & Visitors Bureau. I am providing this letter of support and testimony in favor of Senate Bill 2018, specifically the Tourism Division Budget, because I am not able to appear in person before you today.

As you know, Tourism is our State's second largest industry. It is on the move and growing. Never before, in the 27 years I have worked in North Dakota's Tourism Industry, have I witnessed the growth that we are experiencing and the opportunity we have before us to continue and expand on this growth.

A goal shared by my colleagues and I throughout our industry is to reach a \$10 million budget for the ND Tourism Division. We are close, but we need your support to attain that goal. The return on your and our investment in Tourism generates tax revenue for both the State of North Dakota and for our local communities. Our investment in Tourism is a win/win investment for all of us.

Our Tourism Director, Sara Otte Coleman, has or will share with you in her testimony, the return on investments that we are experiencing. She will share with you the results of their research. I hope this information will be helpful to you in recognizing Tourism as a sound investment and as a revenue generator for our economy.

I urge you to help take Tourism in our State to the next level and urge you to recommend a \$10 million budget for the Tourism Division.

*same given to  
The House*



January 7, 2005

Re: Senate Bill 2018

To Whom It May Concern:

This correspondent is in regards to SB 2018 that is being considered by the Senate Appropriations Committee on Monday, January 10, 2005. As a North Dakota businessman and a member of the Tourism Alliance Partnership, I am asking that you support the Governor's proposed tourism marketing budget, and also consider increasing it to \$10 million to best serve our tourism marketing efforts.

As an Applebee's restaurant operator in North Dakota, I feel that if we had the financial funding to better our marketing efforts to our visitors, over time we could set a solid foundation that we would all witness grow (with nurturing and the proper guidance) to a strong and fortified structure that would stand tall and proud.

I honestly believe that my operations could be an anchor in North Dakota regarding tourism business, if we have the budget that realistically can support the main/best communication between my business and touring Guests, that being marketing.

I appreciate your time and consideration to this request. Together we are better and more successful than as one, and standing together to increase the proposed SB 2018 can only result in a win/win situation for North Dakota.

Sincerely,

A handwritten signature in black ink, appearing to read "Abe Sakak". The signature is stylized with a large, sweeping flourish that extends to the right.

Abe Sakak  
Apple Core Enterprises, Inc.  
C.O.O.  
Minot, ND 58702  
(701)838-2822



# DEVILS LAKE AREA

## Four Seasons Adventure

P.O. Box 879 • Devils Lake, North Dakota 58301  
(701) 662-4903 • Fax (701) 662-2147

Tourism Alliance Partnership  
Dana Bohn  
P.O. Box 2599  
Bismarck, ND 58502

Dear TAP,

In reviewing the 59<sup>th</sup> Legislative Assembly that begins Tuesday, Jan. 4<sup>th</sup>, which includes the appropriations for the North Dakota Dept. of Commerce and Tourism Division's budget. As a member of TAP we feel that \$10 million is a more than sufficient amount for the appropriate budget for Tourism in North Dakota. Our past budgets have been surpassed by all the surrounding states. North Dakota is losing some of the tourism because of lack of knowledge of what our fine state has to offer Tourists. We feel if the budget was set at \$10 million we could expose many more attractions in North Dakota.

If you have any questions, please feel free to call me.

Sincerely,

Judy Hoffer,

Tourism Director

Devils Lake Chamber of Commerce

**Testimony of David Borlaug**  
**Lewis & Clark Fort Mandan Foundation**  
**SB 2018**  
**January 10, 2005**

Chairman Holmberg and members of the Senate Appropriations Committee:

I have been appearing before this committee for several sessions, each time requesting enhanced funding for tourism promotion in North Dakota. Your committee, and the entire Legislature, have responded favorably by adding funds to our state's promotional efforts, especially in the area of the Lewis & Clark Bicentennial.

**And the payoff has been enormous, as I'm sure you will determine from data provided by the Tourism Division. Simply put, every dollar invested in promoting visitation to North Dakota returns itself exponentially to the State's coffers, *in the same biennium!***

This multi-year Bicentennial has truly brought North Dakota the attention of the world. Nearly 50,000 visitors came to the North Dakota Lewis & Clark Interpretive Center and Fort Mandan this past year, from all 50 states and over 50 foreign countries. An equal number attended the 10-day National Signature Event at the University of Mary in Bismarck the end of October. More importantly, these visitors, while attracted to us because of Lewis & Clark, spent more time in our state, visiting many other attractions and cities.

While the Bicentennial will come to an end, the attention it has brought North Dakota will continue forever. Now that the world has discovered our special place, we need to continue to market ourselves in a way that attracts more and more visitors.

**Adding to the out of state advertising budget of the Tourism Division is proving to be a wise investment of our tax dollars. Let's continue the investment, by increasing the Tourism Division to \$10 million.**

Thank you for your support of this request to invest in North Dakota and its future!

*Same given  
to the  
House*

**Testimony of Shannon Gangl  
Best Western Seven Seas/Doublewood Inn Hotels  
Senate Bill 2018  
January 10, 2005**

Chairman Holmberg and members of the Senate Appropriations Committee:

The Best Western Seven Seas/Doublewood Inn Hotels is in support of increasing the budget for tourism marketing from \$7.9 million to \$10 million. As a member of the Tourism Alliance Partnership (TAP) we are confident that this budget increase will produce a positive outcome for North Dakota.

According to Longwoods International, the Tourism Division's Legendary brand message and a \$775,000 investment in advertising returned \$63.2 million in increased visitor spending to the state in 2003. In fact, for every dollar spent on advertising, \$83 was returned to the state in spending. The return on investment includes \$4 million in sales tax revenue!

As you can see, marketing North Dakota is an investment with a return! We urge you to take action to by recognizing the importance tourism has on our great state.

*Shannon Gangl*

Testimony of Cole Carley  
Fargo-Moorhead Convention & Visitors Bureau  
Co-founder: ND Tourism Alliance Partnership  
Senate Bill 2018  
January 10, 2003

Chairman Holmberg and members of the Senate Appropriations Committee:

I'm Cole Carley and I'm here on 3 levels: A Past President of the North Dakota Association of Convention & Visitors Bureaus; one of the founders of what is now the Tourism Alliance; and my day job: Executive Director of the Fargo-Moorhead Convention & Visitors Bureau.

Every session, you receive funding requests for all sorts of programs from all over the state. All of them are probably worthy of your attention and I'm certain that you'd love to fund every one. But I'll bet that **you don't often hear requests to give you money** you would be able to use on some of these other programs and that's why we're here today. **We're not asking you to give tourism marketing any money. We are, in effect, asking you for a loan. It's a very short-term loan that you'll receive back with interest by the time you convene again in 2007.**

In reviewing the research of North Dakota Tourism as well as the tourism departments of other states, it's safe to say that one dollar in taxes invested now in marketing our state as a destination will recoup 4 dollars in taxes. 4 to 1: That's a **400% interest rate**; not bad for a couple of years. In addition, every dollar that goes to advertising will create over \$75 for businesses all over North Dakota.

Education needs more money. So does human services, water projects, agriculture, and a legion of other worthy uses of tax funds. We aren't asking to take money away from these essential services; instead we are proposing a way to get more money back into the state. **Here is a way to get more money** for all of those.

You are entering this biennium with a surplus. Why does this surplus exist? Isn't a large share of this surplus because of a steady or increasing amount of sales taxes? Do you know that every visitor to North Dakota spends between \$100 and \$150 a day while they're here? Let's use a real-world example: Last year, the sales of hotel rooms in the city of Fargo generated almost \$2,000,000 in sales taxes that went right into the general fund. **Considering that lodging is frequently only a third of where visitors spend money, that calculates out to about \$6,000,000 in sales taxes from in one year from one city in North Dakota.** And we're asking you to support \$10,000,000 over two years for marketing all of North Dakota. How's that for a return on investment?

An internationally-respected business consultant said that "marketing and innovation alone produce results. All the rest are costs." Here is money that you can use for all of those other costs, all of those other programs that need money but may not produce much money in return.

We're asking you to support the idea of Ten Million Dollars for Tourism because by temporarily allocating this money for marketing, you'll be creating **new tax dollars for the general fund as well as infusing hundreds of millions of dollars into the economy of North Dakota.**

Please support Ten Million Dollars for tourism marketing. It's only a loan.



**FORT  
ABRAHAM  
LINCOLN  
FOUNDATION**

401 West Main  
Mandan, ND 58554  
701-663-4758  
Fax: 701-663-4751  
E-mail: [falf@tic.bisman.com](mailto:falf@tic.bisman.com)  
[www.FortLincoln.com](http://www.FortLincoln.com)

**Testimony of Tracy Potter, President, Fort Abraham Lincoln Foundation, in regard to the 2005-07 biennial budget of the state Tourism Division.**

**Ten Million for Tourism**

Ten million for tourism is more than a handy phrase. It is a probably too-modest goal for our state's tourism marketing efforts.

The last session of the North Dakota legislature passed a dedicated tax on hotel room for the benefit of the state tourism office. That increased tourism's budget by 60%, really the first substantial increase in a decade. Without that increase there would have been almost no budget for television advertising by the state office in the last two years. But you gave Sara Coleman a budget and she has done very good things with it.

Advertising works. Coca-Cola and General Motors and their competitors do not spend billions of dollars every year hoping that advertising works. They know it works. We do too. The tourism director has shown you that her advertising works, too, and that it returns revenue to the state far beyond its cost. While educating a young person is an investment that certainly pays off in the long run, tourism advertising is an investment that pays off immediately, with increased tax revenues resulting from increased tourist spending.

With ten million for tourism in a biennium, North Dakota will still be at a competitive disadvantage to our neighbors. Minnesota, Montana, South Dakota, Manitoba, Saskatchewan ... they all spend more than \$5 million a year. But you will, if you approve the increase requested, close the gap. We won't have to fight with one hand tied behind our backs. Ms. Coleman still won't weigh as much, or have the reach, or some of her colleagues in the tourism offices around us, but if you just untie one of her hands, I'll bet on her.

The Fort Abraham Lincoln Foundation is a non-profit organization operating historical and cultural programs at Fort Lincoln, in downtown Mandan at Five Nations Arts, and we have just concluded the very successful Circle of Cultures National Lewis and Clark Signature Event at the University of Mary. We have, during the summer tourist season, up to 100 employees. Our annual budget, spent strictly within North Dakota, exceeds a million dollars. We're a pretty big business for our state, but we rely on the state tourism office for our out-of-state marketing. Please help them help us help North Dakota. Thank you.

*Same given  
to the House*

**Testimony of Marty Anderson  
North Dakota Nature & Rural Tourism Association Acting Chairman  
Senate Bill 2018  
January 10, 2005**

Chairman Holmberg and members of the Senate Appropriations Committee:

My name is Marty Anderson. I am the acting chairman of the North Dakota Nature & Rural Tourism Association. Our group is approximately one year old and is dedicated to increasing revenues in North Dakota through nature and rural tourism. Today I am here to ask you to increase the tourism marketing budget to \$10 million for the 2005-2007 biennium.

As you know, tourism is North Dakota's second largest industry. It has also been identified as the industry with the greatest growth potential in the state. In a post 9-11 climate, North Dakota is uniquely positioned for phenomenal growth. Industry analysts indicate that today's tourists are increasingly concerned about safe travel destinations. These same travelers are craving wholesome and authentic experiences, and are less likely to travel to plastic theme parks or traditional mega-attractions. They desire a very personal experience - an experience that North Dakota is uniquely qualified to deliver.

The key component that is needed for North Dakota to capitalize on these new priorities is marketing. Just as in any business venture, marketing is probably the most important component of any successful endeavor. However, North Dakota is at a disadvantage when compared to the advertising budgets of neighboring states. We compete for the same customer, but with a tourism marketing budget that is many times smaller than our neighbors.

The North Dakota Tourism Department has consistently proven to be good stewards of the taxpayers money. Independent audits by Longwoods International reveals that 2003 advertising spending returned \$83 for each dollar invested. The return on investment includes \$4 million in sales tax revenue. That is a five-fold return on investment that goes directly into the North Dakota general fund.

Data just released on 2004 Q3 taxable sales further validates investments in tourism related activities. Of the 50 largest cities in North Dakota, Washburn lead all cities with a 51% increase in taxable sales compared to a year earlier. I firmly believe that Lewis and Clark activities were a significant contributor to the increase in economic activity in Washburn. A glimpse at this measure of success is why tourism proponents are excited about the future of North Dakota.

But the optimism does not stop there. Out-migration trends are likely to be reversed as visitors experience all that North Dakota has to offer. Families and businesses have already been drawn to relocate to the state - a testimony to the quality of life that we sometimes take for granted.

I sincerely hope that you will give the Tourism Division the support and resources they need to take advantage of what could be significant economic growth in North Dakota. I encourage you to support \$10 million for tourism marketing. It's a win-win investment for our people, businesses, and our state.

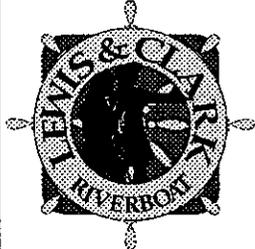


Hello,

My wife and I have been to a great number of different locations on vacation. The only reason we have visited those spots is because of the advertising they have done.

If North Dakota does not increase its advertising budget to bring more tourists into the state we will never establish our state as a destination! Families tend to follow their past, if they visited a destination as a child, they will likely take their family back there again if it was a pleasurable experience. We have the opportunity to place our state as one of the most accessible, safe and enjoyable places to take a family vacation. If we increase our exposure, ie budget, we can ensure a steady flow of tourists from now into the future. North Dakota has a great deal to offer to everyone, we just have to let them know that we are here! Think about the groundwork that can be laid with a positive approach to marketing our state. Please increase our advertising budget for our futures sake!

Thank you,

	Captain Jim Stellick
	Lewis & Clark Riverboat
	P.O. Box 6065
	Bismarck, N.D. 58506
	Located at the Historic Port of Bismarck
	<a href="mailto:lewisandclark@qwest.net">lewisandclark@qwest.net</a> 701-255-4233

# Theodore Roosevelt

MEDORA FOUNDATION

*Same given to the House*

Senate Appropriations Committee  
North Dakota State Capital  
600 E. Boulevard  
Bismarck, ND 58505

Regarding: Senate Bill 2018  
January 10, 2005

Dear Chairman Holmberg and members of the Senate Appropriations Committee:

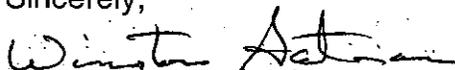
The Theodore Roosevelt Medora Foundation is in support of increasing Governor Hoeven's budget for tourism marketing from \$7.9 million to \$10 million. As a member of the Tourism Alliance Partnership (TAP) and as one of North Dakota's leading tourism organizations, we are confident that this budget adjustment will create positive results for North Dakota.

The Department of Commerce-Tourism Division's "Legendary" brand message has already produced positive results for North Dakota by fueling our economy and increasing sales tax revenue. Tourism is one of North Dakota's top industries with the greatest potential for growth. More money is needed, specifically for advertising, to effectively market North Dakota.

North Dakota has one of the smallest tourism budgets in the nation. When compared to our neighboring state's marketing budget, North Dakota falls short. Action must be taken to secure our place in the tourism industry. Otherwise we will be left behind with a missed opportunity.

We urge you to make a "Legendary" stand – by recognizing the importance of tourism and the great potential that it has for helping North Dakota's economy.

Sincerely,



Winston Satran  
Vice President



medora@medora.com  
800-633-6721  
www.medora.com

**Medora Office**  
701-623-4444  
(f) 701-623-4494

301 5th Street  
Medora, ND 58645

PO Box 198  
Medora, ND 58645

**Bismarck Office**  
701-223-4800  
(f) 701-223-3347

1110 College Drive  
Suite 212  
Bismarck, ND 58501

PO Box 1696  
Bismarck, ND 58502



## Convention & Visitors Bureau

Testimony of Terri Thiel, Executive Director of the Dickinson CVB  
Senate Bill: 2018  
January 10, 2005

Chairman Holmberg and members of the Senate Appropriations Committee, my name is Terri Thiel and I am the Executive Director of the Dickinson Convention & Visitors Bureau. The Dickinson Convention & Visitors Bureau is in support of the governor's proposed budget for the ND Tourism Division 2005-2007 biennium marketing along with an increase to \$10 million.

As Executive Director of the Dickinson CVB for the past seven years, I have seen positive changes and enthusiastic energy from not only within the state's tourism industry, but also increased interest, visitation and tax revenues for southwestern North Dakota. While other North Dakota industries have produced wonderful material products, tourism has created not only an increased revenue statewide, but has also lent itself to the positive "image marketing" that has been cited as being nonexistent in previous years.

During the **Business Climate Study** provided for Legislative Council Economic Committee to study the state's business climate, HB1504, image marketing was cited as one of the issues that the state needs to address. Lack of image has been the statement repeated. Tourism is changing that perception. It is one of the tools that quality of place can be showcased, from the Pembina Gorge in the eastern part of the state, to the Badlands of western North Dakota. When the ND Tourism Division markets in national publications for vacation plans, it also conveys a marketing image that North Dakota is a wonderful experience, and that we **do** have an image.

Only recently have we begun to touch the markets that have in turn now decided to visit our state. Only recently has the ND Tourism Division been able to place ads in Reader's Digest, American Heritage Magazine, Good Housekeeping, along with television such as The History Channel, A & E, Fox News, Discovery Channel and many others. North Dakota is finally able to tell the rest of America and the world that we **do** exist and we **do** have an image. But, we have to not only continue to keep our image in front of people, we need to also branch out to other available media markets to continue the positive results and revenue that our statewide tourism industry is currently cultivating.

Please support the governor's proposed tourism marketing budget, along with seriously considering investing a total of \$10 million for the tourism marketing budget in the one industry that not only returns revenue, but also produces an image for the state, and a positive image at that!

Sincerely,

Terri Thiel  
Executive Director

ND Hospitality Association  
House Government Performance Appropriations Sub-Committee  
SB 2018

Mr. Chairman, members of the committee, my name is Bill Shalhoob and I represent the ND Hospitality Assn. We are appearing in support of the tourism portion of the Dept. of Commerce budget.

Marketing tourism in North Dakota requires a three tiered effort. As an operator I must market my property in order to increase sales. As a guideline my franchisors encourage me to spend a minimum of 3% of my income on my property marketing. In order to succeed there must also be an effort by each City to market its attractions. This is done through the efforts of the Convention and Visitors Bureaus around the state. The third tier is the marketing of the State through the efforts of the Tourism Department. In order to succeed all parties need to come to the table with dollars necessary to make a meaningful effort.

We did have success in 2004. For the year state wide occupancy was up 3.1% and the statewide average daily rate is up 3.9%. Based on a state wide room count of 14,524 rooms this combination produced new sales of \$14,437,800.00 in room sales alone for a direct contribution to the general fund of \$721,850.00 per year in new tax revenues. Additional sales from food, beverage, attractions, and other related tourism activities make the return to the State not only attractive but necessary for our continued economic health.

We made a good start in 2003 with the dedicated funds that have been used to increase our marketing efforts. This needs to be continued and, if possible, enhanced with an increase in advertising funds from the general fund.

Please support the tourism budget at an increased level. Thank you for your past support and continued interest in our industry.

Testimony of Bill Shalhoob  
ND Hospitality Association  
SB 2018

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We did have success in 2004. As of November 30 of this year state wide occupancy is up 3.4% and the statewide average daily rate is up 3.1%. Based on a state wide room count of 14,524 rooms this combination produced new sales of \$14,437,800.00 in room sales alone. Additional sales from food, beverage, attractions, and other related tourism activities make the return to the State not only attractive but necessary for our continued economic health.

We made a good start in 2003 with the dedicated funds that have been used to increase our marketing efforts. This needs to be continued and, if possible, enhanced with an increase in advertising funds from the general fund.

Please support the tourism budget at an increased level. Thank you for your past support and continued interest in our industry.

# North Dakota

## Tourism Alliance Partnership

*same given to the Senate*

P.O. Box 2599  
Bismarck, ND 58502  
(701) 355-4458  
FAX (701) 223-4645

### MEMBERS

Alerus Center  
Apple Core Enterprises, Inc.  
Basin Electric Power Cooperative  
Best Western Seven Seas/  
Doublewood Inn Hotels  
Bismarck-Mandan CVB  
Buffalo City Tourism  
Devils Lake CVB  
Dickinson CVB  
Expressway Inn & Suites  
Fargodome  
Fargo-Moorhead CVB  
Flint Group  
Fort Abraham  
Lincoln Foundation  
Greater Grand Forks CVB  
International Inn of Minot  
International  
Peace Garden  
Lewis & Clark  
Fort Mandan Foundation  
Lewis & Clark Riverboat  
MDU Resources Group, Inc.  
Medora Information  
Municipal Airport  
Authority of the  
City of Fargo  
Norsk Hostfest  
ND Aeronautics Commission  
ND Assoc. of Convention &  
Visitors Bureau  
ND Guides & Outfitters Assn.  
ND Indian Gaming Assoc.  
ND Nature & Rural Tourism  
Assoc.  
NDSU Hospitality & Tourism  
Management Program  
College of Human  
Development & Education  
ND Tourism Division  
Odney Advertising  
Ralph Engelstad Arena  
Ramkota Properties  
Spirit Lake Casino and Resort  
Theodore Roosevelt  
Medora Foundation  
Woodland Resort, Inc.

### Testimony of Jim Fuglie Tourism Alliance Partnership Chairman Senate Bill 2018 March 1, 2005

Chairman Carlson and members of the House Appropriations Committee:

My name is Jim Fuglie. I am a member of the board of directors of the International Peace Garden, and the chairman of the North Dakota Tourism Alliance Partnership (TAP). TAP is a coalition of about three dozen tourism industry organizations and businesses that represent each of the various sectors of the tourism industry. Today, I am here not only to ask you to support the governor's proposed tourism marketing budget, but to ask you to increase that budget to \$10 million for the 2005-2007 biennium.

Tourism has been identified as one of the industries with the greatest growth potential in North Dakota. At every meeting of our organization during the past three years, we have asked tourism stakeholders to identify what they need most to grow their industry. The number one action initiative is always to increase marketing for tourism in North Dakota.

I've had the chance to review the numbers in the governor's proposed budget. I find the budget well-allocated, but lacking in one significant area: advertising. Our partnership proposes to add about \$2.1 million to the advertising budget, targeting three specific areas: The Canadian market, additional advertising in domestic regional markets--Minnesota--and niche markets such as birders, cyclists and historical/cultural travelers.

During my time as North Dakota Tourism Director in the 1980's we experienced a significant weakening of the U.S. dollar relative to the Canadian dollar, making North Dakota a very attractive vacation option for Canadians. Because we were about midway through a biennium, we were unable to respond immediately with increased advertising to potential Canadian visitors. Luckily for us, the exchange rate stayed favorable for a significant length of time, and we were ultimately able to convince the legislature to add additional dollars for Canadian marketing. In a two-year period, we saw almost a fourfold increase in Canadian expenditures in North Dakota, at least partly due to the increased marketing we were able to do in places like Brandon, Winnipeg and Regina.

Today, for the first time in almost 15 years, we are seeing a repeat in that relationship between the two dollars, and we hope that you will give the Tourism Division the tools, through additional advertising resources, to take advantage of what could be a significant growth in Canadian tourists.

Attached to my testimony is a flier that outlines the economic impacts of tourism, the strong existing base that we have to build on, how our tourism budget compares to those of our competitors, and how those budgets are funded.

I encourage you to support \$10 million for tourism marketing. I suspect a small investment now can bring you a great return in the next two years.





**Testimony of Terry Harzinski  
Executive Director  
Bismarck-Mandan Convention & Visitors Bureau**

**Senate Bill 2018**

**House Appropriations Committee, Government Performance Division  
March 1, 2005**

Chairman Carlson and Committee Members:

I am Terry Harzinski, Executive Director of the Bismarck-Mandan Convention & Visitors Bureau. I am providing this letter of support and testimony in favor of Senate Bill 2018, specifically the Tourism Division Budget, because I am not able to appear in person before you today.

As you know, Tourism is our State's second largest industry. It is on the move and growing. Never before, in the 27 years I have worked in North Dakota's Tourism Industry, have I witnessed the growth that we are experiencing and the opportunity we have before us to continue and expand on this growth.

A goal shared by my colleagues and I throughout our industry is to attain a \$10 million budget for the ND Tourism Division. We are close, but we need your support to reach that goal. The return on your and our investment in Tourism generates tax revenue for both the State of North Dakota and for our local communities. Our investment in Tourism is a win/win investment for all of us.

Our Tourism Director, Sara Otte Coleman, has or will share with you in her testimony, the return on investments that we are experiencing. She will share with you the results of their research. I hope this information will be helpful to you in recognizing Tourism as a sound investment and as a revenue generator for our economy.

I urge you to help take Tourism in our State to the next level and would appreciate your recommendation to increase the budget for the North Dakota Tourism Division to \$10 million.



Testimony of Julie Rygg  
ND Association of Convention & Visitors Bureaus President  
Greater Grand Forks Convention & Visitors Bureau Executive Director  
March 1, 2005

Chairman Al Carlson and members of the House Appropriations Committee:

Good morning, I am Julie Rygg, North Dakota Association of Convention & Visitors Bureaus President and Greater Grand Forks Convention & Visitors Bureau Executive Director. On behalf of both organizations I ask for your support of a \$10 million budget for the North Dakota Tourism Division. This is the perfect time to address this issue, as this week we have tourism professionals from all over North Dakota convening in Bismarck for the Annual Tourism Conference.

By granting \$10 million for tourism, you are investing in the future of our great state. As you already know, tourism is the fastest growing and second largest industry in our state. The dollars that are poured into the marketing and promotional budget for the ND Tourism Division come back to us many times over by attracting new and repeat visitors.

NDACVB members work to promote our individual communities, but we cannot do it alone we need the support of our state tourism division with a budget that can promote us as a whole with a much bigger impact. Our marketing budget also needs to be on a level ground with our neighbors. We have always been behind, and now is the time to grow.

It is also important to note the recent improvement of the Canadian dollar. This industry knows the effect international travel has on our economy, and Canada is right next door. We have seen additional marketing dollars spent in Canada, but we still need more. When our friends to the north visit our state, they shop, dine and stay in our hotels. The economic impact of these travelers is significant.

Sara Otte Coleman, ND Tourism Director, can share with you specific information regarding the research results of the current advertising efforts as well as their future plans. This information will show you what an important investment you are making in our state.

I urge you to recommend \$10 million for tourism, and I thank you for your time and consideration.

Testimony of Cole Carley  
Fargo-Moorhead Convention & Visitors Bureau  
Co-founder: ND Tourism Alliance Partnership  
Senate Bill 2018  
March 1, 2005

Chairman Carlson and members of the House Committee:

I am the Executive Director of the Fargo-Moorhead Convention & Visitors Bureau as well as having been active in North Dakota's tourism industry for 15 years. Every session, you receive funding requests for all sorts of programs from all over the state. All of them are probably worthy of your attention and I'm certain that you'd love to fund every one. But I'm sure that **you don't often hear requests to give you money** you would be able to use on some of these other programs and that's why we're here today. **We're not asking you to give tourism marketing any money. We are, in effect, asking you for a loan. It's a very short-term loan that you'll receive back with interest by the time you convene again in 2007.**

In reviewing the research of North Dakota Tourism as well as the tourism departments of other states, it's safe to say that one dollar in taxes invested now in marketing our state as a destination will recoup 4 dollars in taxes. That's a **400% interest rate**, channeling back into the state general fund. In addition, every dollar that goes to advertising will create over \$75 for businesses all over North Dakota.

Education needs more money. So does human services, water projects, agriculture, and a legion of other worthy uses of tax funds. We aren't asking to take money away from these essential services; instead we are proposing a way to get more money back into the state. **Here is a way to get more money** for all of those.

You entered this biennium with a surplus. One of the reason that this surplus exists is because of a steady or increasing amount of sales taxes. Every visitor to North Dakota spends between \$100 and \$150 a day while they're here? Let's use a real-world example: Last year, the sales of hotel rooms in the city of Fargo generated almost \$2,000,000 in sales taxes that went right into the general fund. **Considering that lodging is frequently only a third of where visitors spend money, that calculates out to about \$6,000,000 in sales taxes from in one year from one city in North Dakota.** And we're asking you to support \$10,000,000 over two years for marketing all of North Dakota. How's that for a return on investment?

An internationally-respected business consultant said that "marketing and innovation alone produce results. All the rest are costs." Here is money that you can use for all of those other costs, all of those other programs that need money but may not produce much money in return.

We're asking you to support the idea of Ten Million Dollars for Tourism because by temporarily allocating this money for marketing, you'll be creating **new tax dollars for the general fund as well as infusing hundreds of millions of dollars into the economy of North Dakota.**

Please support Ten Million Dollars for tourism marketing. It's only a loan.

**Testimony of David Borlaug  
Lewis & Clark Fort Mandan Foundation  
SB 2018**

Chairman Carlson and members of the House Appropriations Committee:

I have been appearing before this committee for several sessions, each time requesting enhanced funding for tourism promotion in North Dakota. Your committee, and the entire Legislature, have responded favorably by adding funds to our state's promotional efforts, especially in the area of the Lewis & Clark Bicentennial.

**And the payoff has been enormous, as I'm sure you will determine from data provided by the Tourism Division. Simply put, every dollar invested in promoting visitation to North Dakota returns itself exponentially to the State's coffers, *in the same biennium!***

This multi-year Bicentennial has truly brought North Dakota the attention of the world. Nearly 50,000 visitors came to the North Dakota Lewis & Clark Interpretive Center and Fort Mandan this past year, from all 50 states and over 50 foreign countries. An equal number attended the 10-day National Signature Event at the University of Mary in Bismarck the end of October. More importantly, these visitors, while attracted to us because of Lewis & Clark, spent more time in our state, visiting many other attractions and cities. From Fargo to Grand Forks to Williston and Dickinson, tourism is benefiting all across North Dakota.

While the Bicentennial will come to an end, the attention it has brought North Dakota will continue forever. Now that the world has discovered our special place, we need to continue to market ourselves in a way that attracts more and more visitors.

**Adding to the out of state advertising budget of the Tourism Division is proving to be a wise investment of our tax dollars. Let's continue the investment, by increasing the Tourism Division to \$10 million.**

Thank you for your support of this request to invest in North Dakota and its future!

*The Vision of Our Governors*  
**A Call to Action**

Continue Statewide Investments In Tourism

A 10-Year Investment Strategy



An organization needs to be viable and productive in the world it serves and the people it represents.

An organization needs to grow with the constituency it serves in order to maintain viability.

**Growth is not automatic.** It does not follow from success. **It results from the strategic vision of its leaders.**

From *The State Historical Society of North Dakota Commission - Interim Report to Governor John Hoeven - January 2003*



April 2004

*- We Must Continue Our Investments -*

## **Recommended Development Plans for the State Historical Society of North Dakota**

**Mission Summary:** Tourism is North Dakota's second largest industry; heritage tourism is the fastest growing segment of tourism nationally. The State Historical Society of North Dakota, as the state's history agency, needs to actively seek investments for North Dakota's existing inventory of historic sites, collections and museums. A ten-year development plan brings authentic and professional exhibits, interpretation and access to history to all corners of the state, positioning North Dakota to be a world-class player in national tourism venues. Economic indicators project this investment will yield from \$900 million to more than \$1 billion in returns for our communities statewide.

## **Our Accomplishments:**

*"The State Historical Society of North Dakota is a key resource for tourism expansion. It needs investment for that purpose to fulfill its mission to the people of the state of North Dakota."*

*Meri Paaverud, Director, SHSND, April 2004*

### **Establishing Support and Vision:**

- November 2001 - Former Governors Ask Governor Hoeven for Commission to Review Needs of State Historical Society
- Summer 2002 - State Historical Society of North Dakota and Foundation Boards Develop Vision Plans
- September 2002 - State Historical Society of North Dakota Commission Established by Governor Hoeven
- January 2003 - SHSND Commission Delivers Interim Report to Governor Hoeven
- October 2003 - SHSND Board Passes a Motion to Pursue, Lead and Support Expansion Efforts
- January 2004 - Meeting with Governor Hoeven to Discuss 2005 Legislative Assembly Strategy

### **Legislative Investments 2003:**

- Legislature 2003 - \$2 million in Bonding Authority for Fort Abercrombie and Chateau Interpretive Centers
- Legislature 2003 - \$50,000 in Architectural Planning for Archives Library Plans; Architects Hired
- Legislature 2003 - \$75,000 Re-Grant Program Funded for Local History Enhancements
- Legislature 2003 - Long Range Plans Introduced for Expanding State Historical Society Tourism Resources

### **Historic Site Expansions & Enhancements:**

- 1999-2005 - \$3.4 million in Lewis and Clark Enhancements for State Historical Society Sites
- Summer 2001 - Opening of Totten Trail Historic Inn at Fort Totten State Historic Site
- Summer 2002 - Fort Abercrombie \$500,000 Renovation and Reconstruction Project Completed
- May 2004 - Ground Breaking Ceremony for \$900,000 Fort Buford Frontier Army Barracks
- August 2003 - Opening of \$2.2 million Missouri-Yellowstone Confluence Interpretive Center
- February 2004 - First Local History Re-Grant Program Rolled Out with \$75,000 Budget

### **Developing Main Street Supporters & Partners:**

- Fall 1998 - Community Conversations - Initiate Long Range Planning for 21st Century
- Fall 2000 - Tribal Conversations - Outreach to Discuss Partnerships for Lewis and Clark Bicentennial
- Fall 2001 - Community Conversations - Partnering with Other State Agencies to Market Tourism
- Fall 2003 - College Conversations - Outreach to Colleges Statewide to Enhance Education Partnerships
- 2001-2003 - Statewide SHSND Foundation Luncheons with Supporters on Main Streets of North Dakota
- 2001-2003 - SHSND Foundation Establishes History's Trustees, statewide partners for development
- Fall 2003 - Dedication of Sakakawea Statue in Washington, DC, with Donors and Dignitaries
- Fall 2003 - Statewide Input for Tourism Development Plan by Society, Parks, and Tourism

*for Ourselves and For Future Generations*

**Statewide Historic Enhancements  
Anchor Heritage Tourism Expansion**

**Our Goals:**

Invest in Expanded Exhibition of our Current State Owned Collections and Artifacts

Projects	Total Funding	Private/Federal Funding	Legislative Funding & Time Line
North Dakota Heritage Center/State Archives Library	\$30 Million		\$6 Million - 2005 Session \$12 Million - 2006 Session \$12 Million - 2007 Session
Chateau De Mores Interpretive Center	\$2.5 Million	\$1.5 Million	• \$1 Million - 2003 Session
Fort Abercrombie Interpretive Center	\$1.5 Million	\$500,000	• \$1 Million - 2003 Session
Cold War Heritage Interpretive Sites	\$1 Million	\$1 Million	TBD
Fort Totten and Historic Site Enhancements	\$4 Million	\$1 Million	\$3 Million - 2007 Session
Architectural Planning - Archives Library	\$50,000		\$50,000 - 2003 Session
Architectural Planning - Heritage Center, Chateau, Aber	\$100,000		\$100,000 - 2005 Session
Architectural Planning - Cold War, Totten, other Sites	\$200,000		\$200,000 - 2005 Session
French Gratitude Train	\$160,000	\$80,000	\$80,000
<b>TOTAL PROJECT ONE-TIME FUNDING</b>	<b>\$39,510,000</b>	<b>\$4,080,000</b>	<b>\$35,430,000</b>

Invest in County and Tribal Museums to Grow Community Attractions

Invest in Authentic Community Attractions to Anchor Heritage Tourism Activity

Grants and Outreach	Total Funding	Private/Fed. Commitment	Legislative Funding & Time Line
Local History Re-Grant Program	\$250,000		\$250,000 - 2005 Session
Preservation Emergency Fund	\$200,000		\$200,000
<b>PER BIENNIUM FUNDING</b>	<b>\$450,000</b>		<b>\$450,000</b>

Invest in Teaching and Training Our State's History to Our Children and Business Leaders

Services, Outreach, Training, Interpretation, Exhibits	Total Funding	Private/Federal Funding	Legislative Funding & Time Line
<ul style="list-style-type: none"> <li>• ND Studies Curriculum for State Schools via Web</li> <li>• Radio Transmitted Highway History on Tourism Sites</li> <li>• Marketing Heritage Tourism Programs and Sites</li> <li>• High Tech Access to Collections and Research</li> <li>• County and Tribal Museum Technical Assistance</li> <li>• Expanded Visitor Services and Programming</li> <li>• Research Access for Governments, Business, Students</li> <li>• Signage, Interpretation, Traveling Exhibits, Programs</li> <li>• Heritage Tourism Partnerships with State Agencies</li> <li>• Community Partnerships, Training for Tourism Ventures</li> </ul>	\$3.6 Million	\$1 Million	\$2.6 Million
<b>PER BIENNIUM FUNDING</b>	<b>\$3.6 Million</b>	<b>\$1 Million</b>	<b>\$2.6 Million</b>

## *Our Children Need to Identify Themselves as North Dakotans*

*I believe the time has come for us to do a better job of preserving and protecting North Dakota's history and interpreting the events in our state's past in order that young people of each new generation can understand and identify themselves as North Dakotans.*

Governor William L. Guy, Farewell Report to the 43rd Legislative Assembly, 1973

## **Our Mandate:**

*It is important ...to continue strategic investments... in our state's history inventory to capture the growing opportunities for heritage tourism, eco-tourism and agricultural tourism in North Dakota.*

*It is the visibility...of the State of North Dakota.... to take the lead in identifying key investment strategies in our history resources for economic development throughout our state.*

*History: economic development tool ....for heritage tourism expansion... and we must address how to provide those tools to citizens for the betterment of their communities and for building their economies.*

*Today's tourist wants more information and wants it easily. The North Dakota Heritage Center, the home of the state's history agency, is the best place to be that resource for the tourist, for the economic developer, for the local preservationist, for the community planner, for individuals, and for government agencies. And now, with the right tools and resources, such as Internet access, the State Historical Society can be a leading partner in a team of professionals in the development of heritage tourism for our state.*

*From The State Historical Society of North Dakota Commission - Interim Report to Governor John Hoeven - January 2003*

**Governor Hoeven**—Our department of tourism has to work in close conjunction with the State Historical Society. This (North Dakota Heritage Center) is a tremendous resource and Governor Schafer is right – you need a product to sell. The Lewis and Clark Bicentennial commemoration offers us an incredible opportunity. So we need to build on cultural centers, like this tremendous facility, Fort Abraham Lincoln, the Lewis and Clark Interpretive Center at Washburn, we need to develop that product ... We need to bring all the forces together to make sure we do this right and do it well, and in the meantime continue to build, not only what we have to show off, but our infrastructure to make sure that the tourists have a reason to stay when they come.

Six Governors' Forum, 20<sup>th</sup> Anniversary Celebration for North Dakota Heritage Center, November 2001  
State Historical Society of North Dakota Commission Interim Report to Governor John Hoeven, January 2003

**What does North Dakota have to offer the sophisticated heritage tourist?** Why would anyone come to the Plains? They come for the virtually untouched and unspoiled landscape, national and state parks that are not crowded offering authentic wilderness experiences and native animals in abundance. They come to experience a land before time, a land not sacrificed to endless cityscapes and industrial development. They come to visit reservations where Native American residents are open to visitors and sharing their culture. They come to see land that has played out the dramas of military action, conquests and battle. They come to experience the strong independence of prairie farmers who can still reach back to their immigrant forefathers and understand their struggles and strengths.

State Historical Society of North Dakota Commission Interim Report to Governor John Hoeven, January 2003

*We always been a believer that past is prologue. We need to be informed and secure in our history in order to have the confidence in what we can do in the future.*

Governor Allen I. Olson—August 20, 2001 Interview with the State Historical Society of North Dakota.





## Tourism is one of North Dakota's largest and fastest-growing industries,

offering some of the best opportunities for economic development. North Dakota's diverse and unspoiled travel destinations attract visitors from all over the nation. New interest in North Dakota is due to the emergence of nature tourism, agri-tourism, and the bicentennial commemoration of the Lewis and Clark expedition. It provides strong incentives for industry growth.

### AN ESTABLISHED FORCE

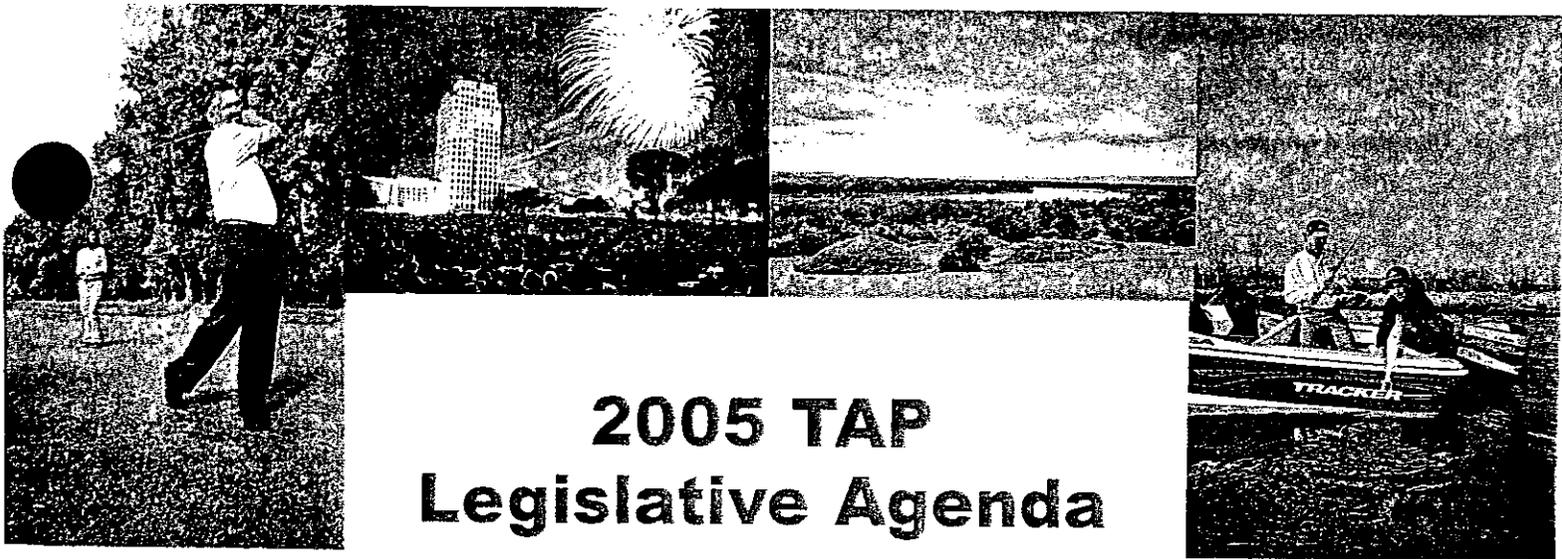
- Tourism is the second largest industry in North Dakota (NDSU agri-business study).
- Tourism contributed over \$3 billion to the state's economic base in 2002.
- In 2001, domestic travel spending in North Dakota created over 20,000 jobs, along with over \$242 million in payroll income.
- Domestic travel spending in North Dakota generated \$247 million in tax revenue for federal, state, and local governments in 2001.

### A GROWING INDUSTRY

- Visitor spending in the state increased by \$63 million in 2003, due to the tourism Division's Legendary Brand message and a \$775,000 investment in advertising.
- In recent years, over \$20 million in improvements were invested in developing and improving attractions across the state.
- A leading indicator of visitors to the state is the local lodging tax collections, which generated a third-quarter increase of 16% over the same period last year, and a 9% increase so far this year compared to the first nine months of 2003.
- The hotel occupancy rate is growing, up 4.1% for the third quarter over last year, and 3.1% for the year compared to the same period last year.
- The North Dakota Tourism Web site has received a dramatic increase in visitors since 2003: a 68% increase in July, an 18% increase in August, and an 11% increase in September.

### A SURE SUCCESS

- The tourism industry in North Dakota rests on a strong foundation. The state boasts a fully functioning travel industry, together with a well developed system of state parks, wildlife refuges, historical sites, and gaming and convention facilities.
- Investments in tourism generate money for North Dakota. According to Longwoods International, every dollar spent on advertising returned \$83 in spending in 2003, or more than \$4 in state tax revenue for every dollar invested in advertising the state.
- Many different segments of local economies benefit from the visitors the tourism industry brings to the state. Investing in North Dakota tourism is an investment in the entire state.
- Research shows that the Legendary Branding campaign is bringing people to North Dakota, especially the eastern gateway cities.



## 2005 TAP Legislative Agenda

### INCREASING TOURISM MARKETING

TAP seeks to increase the Governor's budget to \$10 million for tourism marketing. Tourism depends on successful marketing, even more so than other industries. Instead of delivering the product to the consumer, the tourism industry must convince consumers to actively travel to an attraction.

TAP seeks to pass legislation allowing local communities the option to establish a 1% car rental tax. This tax would be passed by individual cities, would be paid only by people who rent cars (largely out-of-state visitors), and would be one of the lowest car rental surcharges in the nation.

TAP supports an interim tourism marketing legislative study to determine the appropriate level of tourism marketing for North Dakota and suitable revenue sources to sustain it.

### SUPPORTING HUNTING AND FISHING

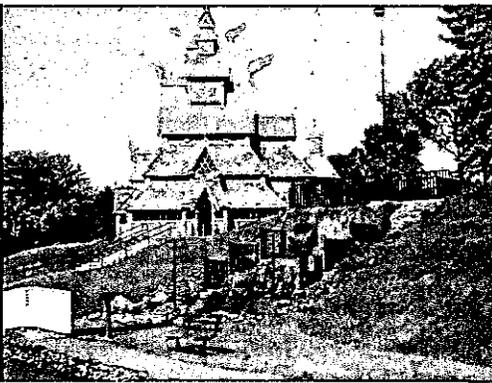
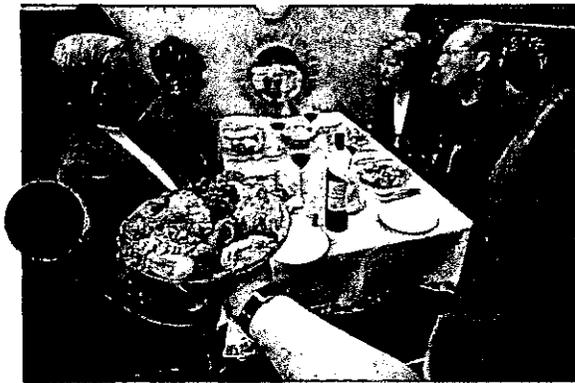
TAP supports hunting and fishing legislation that promotes free private enterprise, encourages additional public land access, and has a positive economic impact on North Dakota. Recent NDSU studies have shown that hunting and fishing enterprises exhibit the greatest potential for economic development in North Dakota, when compared to other outdoor recreational businesses. Hunting and fishing are currently the dominant nature-based tourism activities in North Dakota, making up nearly 60% of the state's recreation based businesses.

### INCREASING STATE RATE

TAP supports the North Dakota Hospitality Association's position on hotel room rate increases. The Hospitality Association supports an overnight room rate of \$50. The average daily rate for all Bismarck-Mandan hotels in 2003 was \$53.34, and similar average daily rates exist in other North Dakota cities that state officials often visit. This is only a \$5 increase over the current state rate.

### DELAYING SCHOOL START DATES

TAP supports delaying school start dates until after Labor Day. Tourism experts in the region agree that later school start dates have a positive impact. Early school start dates knock North Dakota out of sync with its neighbors and limit educational opportunities outside classroom walls. Later school start dates would improve the quality of life for North Dakota families, creating more opportunities for vacation and recreation before the onset of the school year.



# Marketing North Dakota

The primary competition for North Dakota's tourism industry is neighboring and nearby states. In 2003, North Dakota ranked 43rd in the nation in tourism funding and exhibited the smallest tourism budget compared to its neighbors and competitors.

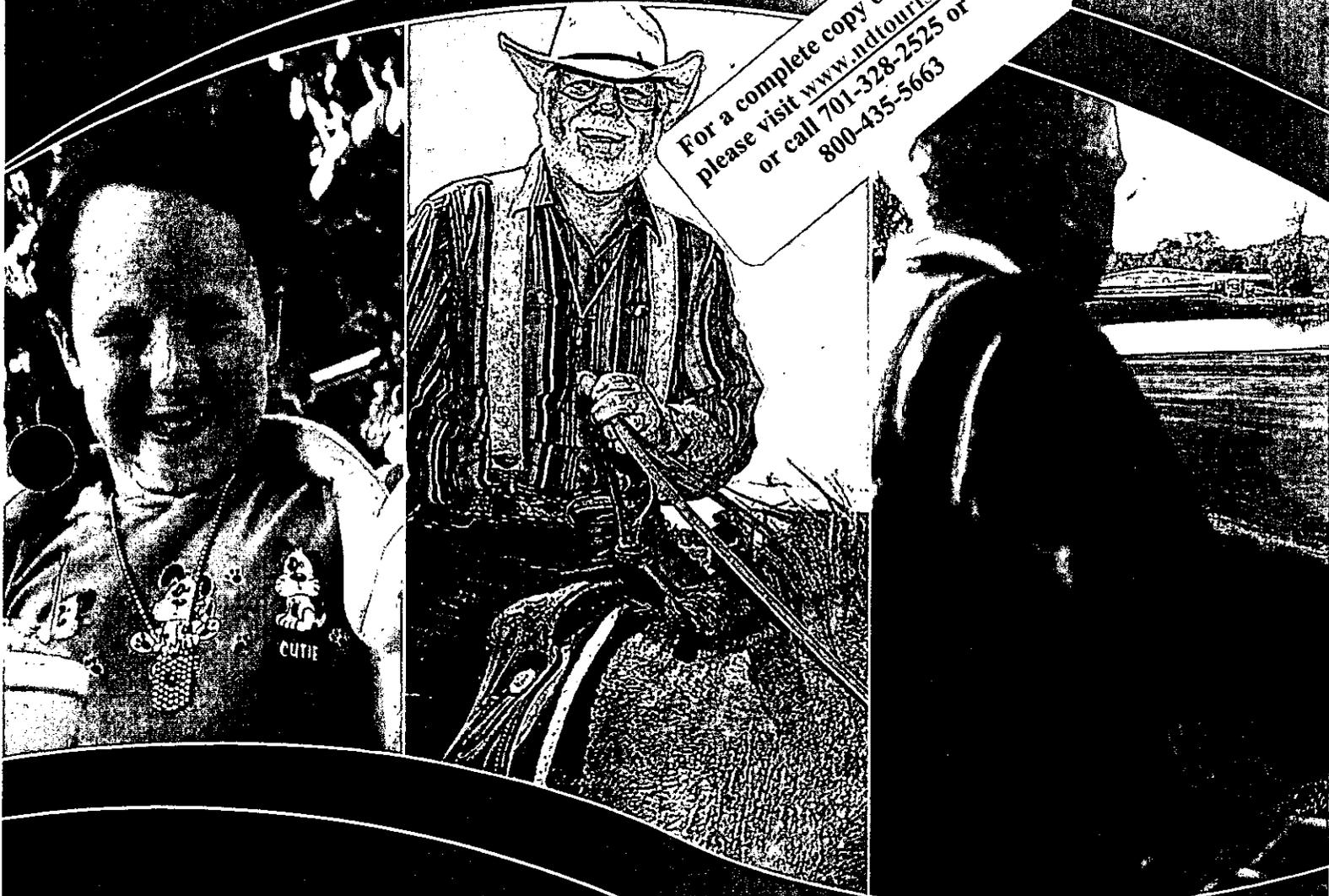
State	2002-2003	2003-2004	Source
North Dakota	\$2.6 million	\$3.7 million	58% General Fund 4.7% Special Funds 37% Lodging Tax (1%)
Colorado	\$7.8 million	\$14.1 million	23% General Fund 1.02% Gaming 64% Economic Stimulus Package 12% Private Industry
Montana	\$6.7 million	\$6.4 million	95% Lodging Tax 5% Private/Co-op Funds
Minnesota	\$8.9 million	\$8 million	99.1% General Fund .9% Federal Scenic Byway
South Dakota	\$6.3 million	\$7.3 million	32% Gaming 67% Promotional Tax
Iowa	\$3.5 million	\$3.5 million	100% General Fund
Wyoming	\$5.6 million	\$5.6 million	100% General Fund

Source: Travel Industry Association of America

# Tourism Development Plan

For North Dakota's Recreational, Cultural and Historic Attractions

For a complete copy of the plan  
please visit [www.ndtourism.com](http://www.ndtourism.com)  
or call 701-328-2525 or  
800-435-5663



March 2004

Prepared by  
State Historical Society, Parks & Recreation Department and Tourism Division Planning Team

*Contact Tourism for a copy*



# 2003 Annual Report

North Dakota Department of Commerce  
Tourism Division

*North Dakota*  
LEGENDARY



**NORTH DAKOTA TOURISM DIVISION  
2003-05 CONTRACTS**

***Clearwater Communciations***

December 2003 through December 2004

Lewis & Clark two-page feature story and a ½ page ad, four times (Spring, Summer, Fall & Winter 2004 issues)

\$2,500 per issue – total \$10,000.

***Tricia Miller***

Beginning December 1, 2004 – June 30, 2005

Website work, database maintenance, statistics

\$2,000 per month

***Longwoods International***

October 2004 – June 30, 2005

Research - evaluation of the 2004 tourism marketing campaign.

\$87,500

***ND Assn of Rural Electric Cooperatives***

Production of 2005 North Dakota Hunting & Fishing Guide

\$85 per page

Gross receipts from advertising split 75% NDAREC/25% Tourism

***ND Assn of Rural Electric Cooperatives***

Production of the 2004 and 2005 ND Travel Guides (limited to advertising layout and pagination in 2005)

2004 Guide - \$60 per page; gross receipts from advertising split 80% NDAREC/20% Tourism.

NDAREC pays for printing costs of 85,000 copies of guide for circulation in ND Living.

2005 Guide – NDAREC pays 48 cents/copy printing costs for 80,000 guides. (No per page fee.)

***ND Newspaper Association***

Purchase print advertising in all NDNA member newspapers

March 1, 2003 – November 30, 2003 - \$25,000

May 1, 2004 – August 31, 2004 - \$35,000

***Odney Advertising***

July 1, 2003 through June 30, 2005

Creative development, graphic design, media planning & buying, media relations, print production, public relations

\$22,000 retainer per month plus hard costs (no markup) and 9% commission on media placement

1% and Lewis & Clark Promotions

***Odney Advertising***

July 1, 2003, through June 30, 2005

Creative development, graphic design, media planning and buying, media relations, print production, public relations

Hard costs (no markup) and 7.5% commission on media placement

***Rocky Mountain International***

July 1, 2003 through June 30, 2005

Scandinavian and International Tourism Development and Representation

\$160,000 per year; \$320,000 biennium

**TOURISM DIVISION  
ADVERTISING AGENCY CONTRACT**

	93-95	95-97	97-99	99-01	01-03	03-05
AGENCY	GL NESS	GL NESS	GL NESS	GL NESS	ODNEY	ODNEY
FEE STRUCTURE	Hourly - \$55/hour 10% 2% no	Hourly - \$65/hour 10% 2% no	Hourly - \$70/hour 10% 2% no	Hourly - \$70/hour 10% 2% no	Flat fee - \$22,000/mo 9% 0 yes	Flat fee - \$22,000/mo. 9%; 7.5% L&C 0 yes
MEDIA PLACEMENT COMMISSION	10%	10%	10%	10%	9%	9%; 7.5% L&C
MARK-UP	2%	2%	2%	2%	0	0
PR INCLUDED	no	no	no	no	yes	yes
ESTIMATED HOURS USED	not available	not available	not available	3882	9245	8041**
ESTIMATED TOTAL DOLLAR VALUE	not available	not available	not available	\$324,550*	\$625,148	\$535,411**

\*\* 3/4 of the biennium

\*Other agencies were used for project based work. For example, we have record of the following:

	# OF PROJECTS	ESTIMATED COSTS
99-01	38	\$ 125,389.68



## Ad Agency Contracts-Other State Information

State Response	Flat Fee/Per Hour	Advertising & Public Relations	Creative Staff & #	Media Buy Commission	Mark-up on Hard Costs	Length of Contract & Interim Reviews
AL	Hourly	Both		No		
AR	Hourly	Both	Yes-4-writers, 2-photo, 1-graphic	Yes	Yes	2 yr with option for 2 yr renewals
AZ	Flat Fee	Both-primarily advertising	No	Yes	Yes	1 yr with option to renew for 4 additional yrs
CO	Flat Fee	Both	No	Yes	Yes	1 yr contract with renewal up to 3 yrs/ annual review prior to renewal-7 mo into conct
CT	Flat Fee				No	
FL	Flat Fee	Advertising only	Yes-2-graphic, 5-writers/PR staff	No	No	3 yr with 2-1 yr renewals
HI	Flat Fee					
IA	Hourly					
ID	All done in-house					
IN	Flat Fee					
KY	Hourly					
LA	Hourly	Both	Yes-1-photo & comm. staff	Yes	No	3 yr renewable every yr with annual audits
ME	Flat Fee & Hourly					
MI	Flat Fee	Separate Agencies	Yes-some for writing/print	No	No	2 yr with option for a third yr review done before option
MN	Hourly	Advertising only	Yes-1 comm. Position	No	No	1 yr renewable annually up to 5
MO	Flat Fee	Both	Yes- 3-writers, 1 graphic	No	No	1 yr with renewal option for 3 yrs
MT	Hourly	Both	Yes-1-photo, 1-web	Yes	No	1 yr-renewable up to 7 yrs w/informal interim review
ND	Flat Fee	Both	No-0	Yes	No	2 yr with renewal option
NV	Flat Fee	Separate Agencies	Yes-1	No	No	2 yr with 2 -1 yr renewals
NH	Flat Fee	Advertising & Strategic Planning	No-Communications Manager	No	No	2 yr with renewal options -yes reviews are done
NJ	Flat Fee					
NM	Flat Fee	Advertising only	No	No	No	1 yr with 3-1 yr renewals with annual yr end reviews
NY	Hourly	Both	Publication unit of 4 graphic, 1photo, 1 creative	Yes	No	5 yr term continually monitored
OH	Flat Fee	Both	No- uses staff of the Dpt of Devlp occasionally	No	No	Biennium based - yes reviews are done

OR	Flat Fee per project					
SD	Flat Fee	Both	Yes-1-writer, 4-graphic, 1-photo, 1-video, 2-web, 1-creative director, 1 media buyer	Yes	No	1 yr with option for renewable upon review
VA	Flat Fee	Advertising only	Yes-3-graphic, use division of electronic marketing for web/ecommerce	No	Yes	1 yr with annual reviews for renewal up to 3 yrs
WA	Flat Fee	Advertising only	No	No	Yes 5%	2 yr with 2-1 yr renewals
WV	Hourly-negotiated	Advertising & limited PR	Yes-2-graphic, 2-photo	Yes-5%	Yes 5%	2 yr - with 2-1 yr renewal options
WY	Hourly	Both	Yes-1-graphic	Yes	No	1 yr-RFP every 3 yrs

► *Flat Fee and Retainer are terms used interchangeable to mean a set fee is charged for a specific scope of work.*

**CANADIAN CAMPAIGN**

**CANADIAN PRINT ADVERTISING**

*GOING PLACES MANITOBA*

(1) Full-page, 4-color in Summer 2005 issue \$ 2,370.00

*WESTWORLD SASKATCHEWAN*

(1) Full-page, 4-color in Summer 2005 issue \$ 2,802.00

**CANADIAN RADIO ADVERTISING**

\*based on 30% Canadian Exchange Rate \$ 41,012.50\*  
(actual may differ at time of placement)

July 04 – July 24, 2005 (3) weeks; 6a-8p; 7 spots per day; M – F

- Winnipeg, Manitoba 210 spots
- Regina, Saskatchewan 210 spots
- Saskatoon, Saskatchewan 210 spots
- Brandon, Manitoba 210 spots

**CANADIAN NEWSPAPER INSERTS**

\*based on 30% Canadian Exchange Rate \$ 21,910.78\*  
(actual may differ at time of placement)

Saturday or Sunday; July 16<sup>th</sup> or 17<sup>th</sup> 2005

- Winnipeg Free Press circulation 405,000
- Saskatoon, The Star circulation 98,000
- Regina Leader Post circulation 88,000
- The Daily Graphic Portage la Prairie circulation 10,300
- Brandon Sun circulation 44,007
- Winkler Times circulation 21,900
- Estevan – Southeast Trader Express circulation 11,400
- Steinbach – The Carillon circulation 10,000

**CANADIAN CAMPAIGN TOTAL**

\$ 68,095.28

## **Red River Valley Research Corridor**

ED&F is working on several strategic initiatives to grow the economy of the state. They are strategic initiatives in the targeted industries of the energy and agriculture. The funding for these initiatives is coming from general fund dollars, but has not been earmarked per se in the ED&F budget.

The strategic initiative to market the Red River Valley Research Corridor, however, has been earmarked because the original \$200,000 was leveraged with a three year EDA grant of \$155,000/year. The state is in year one of this grant cycle with two more years to go. These dollars are needed to continue receiving the federal funds for the next two years, hence the reason they are earmarked.

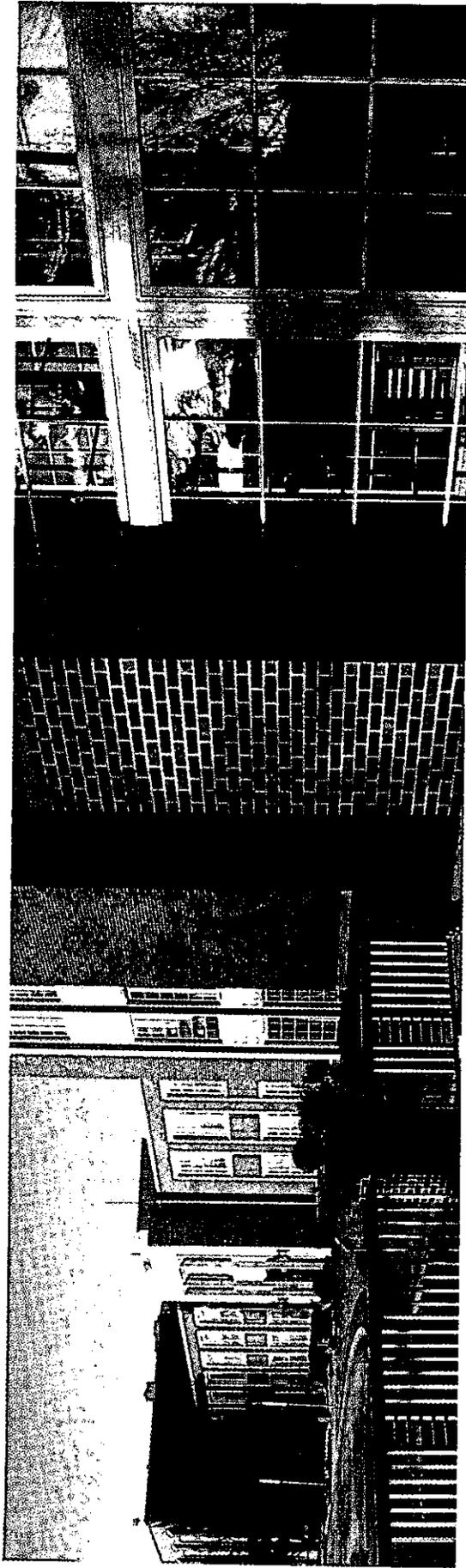
Under that umbrella, ED&F has accompanied UND to an economic development conference in Canada, has traveled with NDSU to meet with a private company to raise dollars for a Center of Excellence project, and my staff has completed familiarization tours of both campuses, the first time university and commerce staff have invested a day in learning from each other to benefit all.

Working together, we developed a marketing blueprint that calls for increased activity in four areas to position the Research Corridor for greater positive national exposure and subsequent investment:

1. National Media Relations
2. Media Tours
3. Site Visits by business executives and location advisors, and
4. Ambassador Connections and idea application

To date, positive articles have appeared in The Financial Times; Plants, Sites & Parks magazine; Aircraft Maintenance Technology and Advanced Manufacturer.

Besides marketing the corridor, other activity being conducted under the umbrella of this grant include technical support for emerging entrepreneurs, populating the tech parks with high tech companies compatible with the assets of the region, conducting monthly seminars designed to meet their educational needs and interests, and mentoring support.



Energy and Environmental Research Center (UND)

## RED RIVER VALLEY RESEARCH CORRIDOR

### The beginning

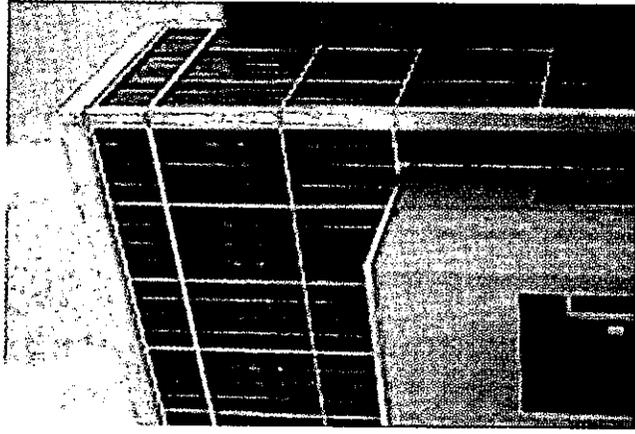
The first step in creating the Corridor was taken in early 2002 when U.S. Senator Byron Dorgan convened a meeting with the presidents of North Dakota state universities and colleges to propose a bold new program to draw millions of federal research dollars to North Dakota. Today, the University of North Dakota (UND) in Grand Forks and North Dakota State University (NDSU) in Fargo anchor a research corridor that works cooperatively with the state's other colleges and universities and collaborates

### The goal

The Red River Valley Research Corridor was designed to expand on the research capacities of North Dakota's universities to help build and attract high-tech businesses, generate new economic opportunities, and create good-paying jobs for the region.

### The result

Since 2002, more than \$100 million in scientific research funding has been directed to UND and NDSU, helping to develop them into world-class research institutions. Success in these areas has led to millions of dollars of research work for other colleges and universities and regional high-tech companies, creating jobs and economic growth throughout the state.



# building

## HIGH-TECH BUSINESSES

### KEY RESEARCH AREAS

Connect with innovative research, development and commercialization work in the following key science and technology areas:

*For details, check out the websites for each university.*

North Dakota State University [www.ndsu.edu/research](http://www.ndsu.edu/research)

- Nanoscale science and engineering
  - Wireless networks
  - Microsensors, including RFID (radio frequency identification)
  - Polymers and coatings
  - Agriculture and other biosciences
- University of North Dakota [www.und.edu/research](http://www.und.edu/research)
- Biosciences—medicine, neuroscience, biodefense
  - Energy and the environment
  - Aerospace sciences and engineering
  - Healthy foods and human health

### RESEARCH AND TECHNOLOGY PARKS

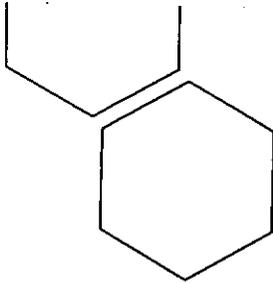
The Research Corridor offers several excellent options where you will have ready access to state-of-the-art facilities and to faculty, staff and students. *For details on each park, visit their websites.*

Fargo

- NDSU Research and Technology Park  
[www.ndsuresearchpark.com](http://www.ndsuresearchpark.com)
- Center for Nanoscale Science and Engineering  
[www.ndsu.edu/cnse](http://www.ndsu.edu/cnse)

Grand Forks

- University Research and Technology Park  
[www.utepark.net](http://www.utepark.net)
- Energy and Environmental Research Center  
[www.undeerc.org](http://www.undeerc.org)





## DO YOU HAVE "THE NEXT BIG IDEA"?

The Red River Valley Research Corridor is ready with infrastructure and programs in place to help you obtain funding for research, to start your company, or to make your growing company more dynamic and profitable.

It's been done here before—many times—and you can do it again. To connect with the action in the Corridor, simply contact us online or by phone.



**Coordinating Center**

100 North Third Street  
Suite 30  
Grand Forks, ND 58203

**Fargo Office**

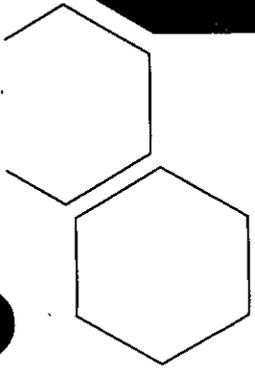
101 North Tenth Street  
Suite 300  
Fargo, ND 58102

Toll-free: 888.775.0192

Fax: 701.775.3909

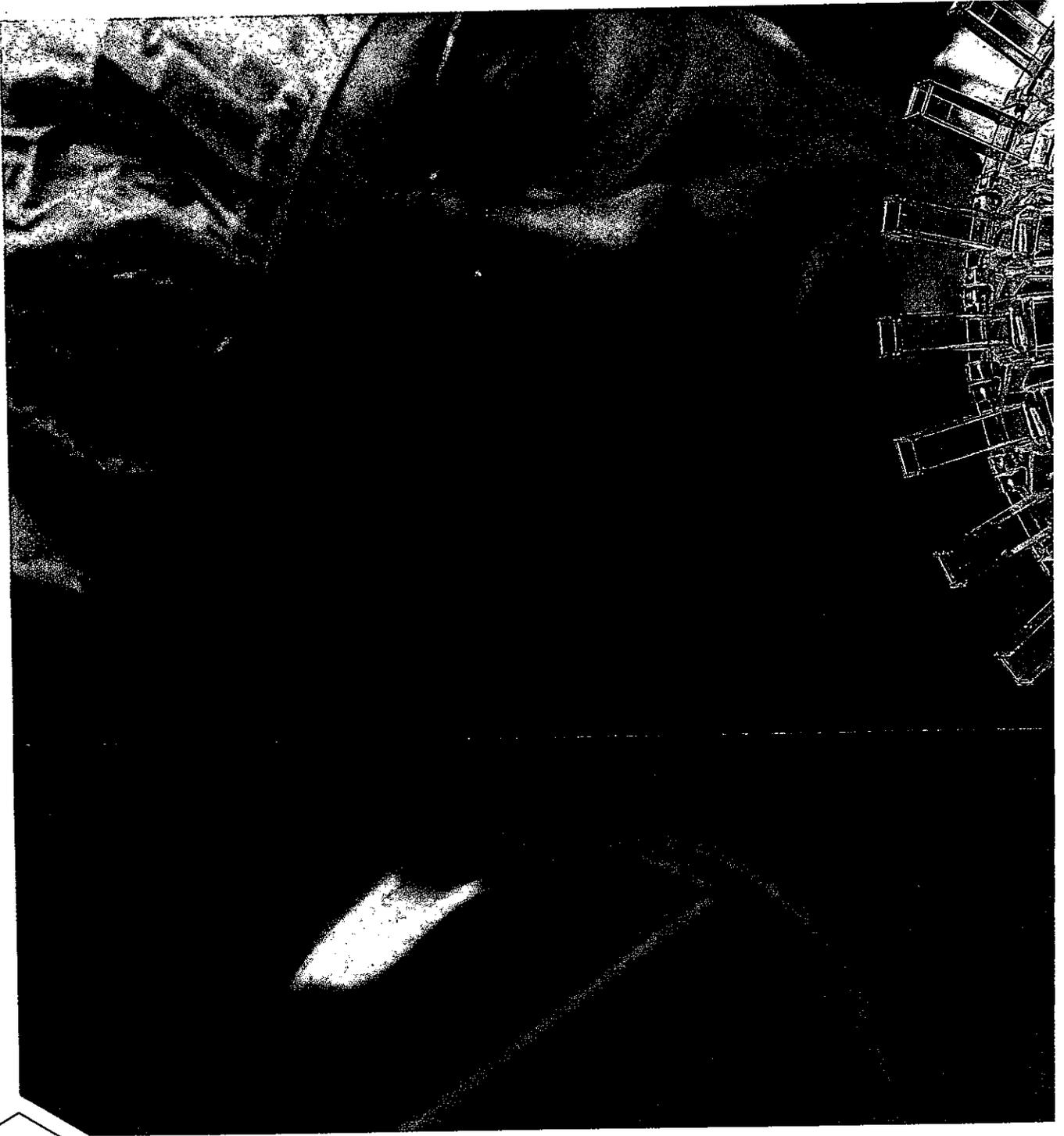
Email: [delore@theresearchcorridor.com](mailto:delore@theresearchcorridor.com)

[www.theresearchcorridor.com](http://www.theresearchcorridor.com)



## WHAT CAN THE CORRIDOR DO FOR YOU?

If you're a researcher or entrepreneur, we have programs and infrastructure in place and ready to work for you immediately. Contact us and we'll put you in touch with the right people to help you find research funding, license your technology, turn an idea into a company or make a growing company stronger.



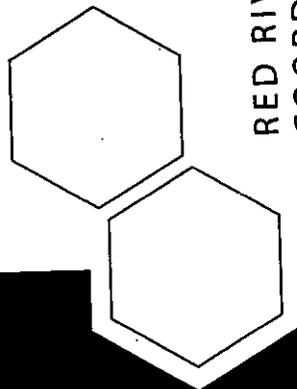


## TECH TRANSFER

If innovation is your quest, you can find it here in the Corridor—whether you are looking for a technology or process developed at the university or seeking specific expertise to help solve a problem. A spirit of collaboration thrives here and the team is in place for successful commercialization.

North Dakota State University [www.ndsu.nodak.edu/techtransfer](http://www.ndsu.nodak.edu/techtransfer)  
University of North Dakota [www.und.nodak.edu/research](http://www.und.nodak.edu/research)

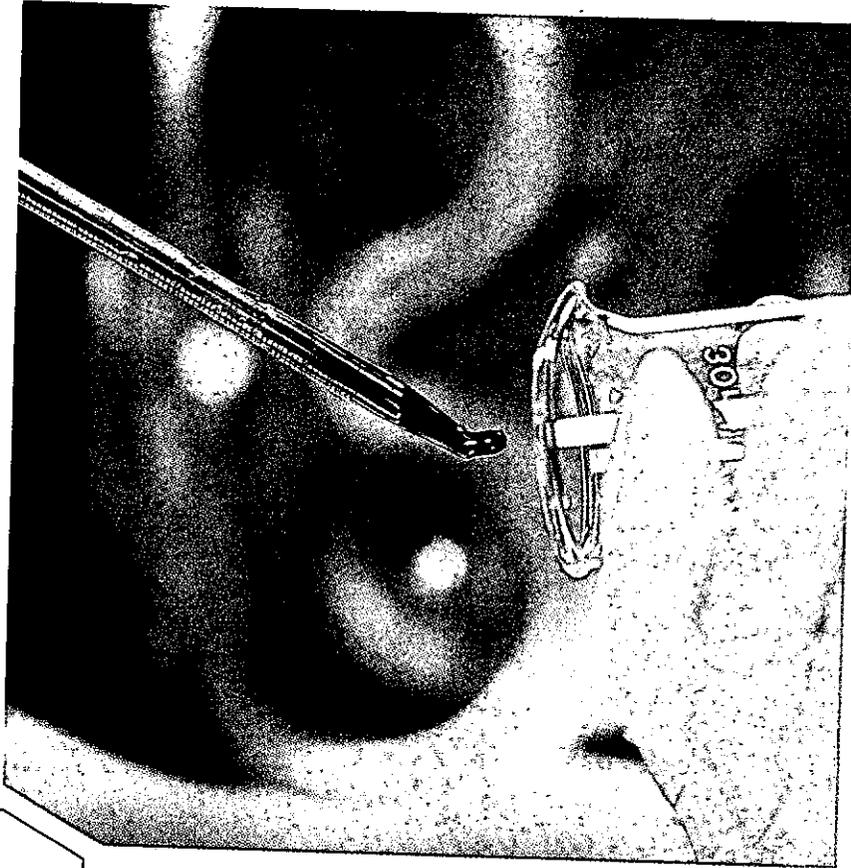
North Dakota's EPSCoR program is building the state's research competitiveness through infrastructure improvements, science outreach and recruitment, and initiatives that result in university-business collaborations. [www.ndsu.nodak.edu/epscor](http://www.ndsu.nodak.edu/epscor)



## RED RIVER VALLEY RESEARCH CORRIDOR COORDINATING CENTER

The Center was established to catalyze the region's science and technology-based development strategy. The Center is led by Dr. Delore Zimmerman, President of CEO Praxis, Inc. in Grand Forks and Fargo. The Center works to:

- Acquire federal research funding.
- Provide key infrastructure that will attract research work.
- Convene technology action committees to activate regional



## DO YOU HAVE "THE NEXT BIG IDEA"?

The Red River Valley Research Corridor is ready with infrastructure and programs in place to help you obtain funding for research, to start your company, or to make your growing company more dynamic and profitable.

It's been done here before—many times—and you can do it again. To connect with the action in the Corridor, simply contact us online

## BUSINESS DEVELOPMENT

To find out what we can do to help your company or research project, contact us online at [www.theresearchcorridor.com](http://www.theresearchcorridor.com)

Learn more about business in the Corridor by visiting these websites:

- Fargo-Cass County Economic Development Corporation  
[www.fedc.com](http://www.fedc.com)
- Grand Forks Region Economic Development Corporation  
[www.grandforks.org](http://www.grandforks.org)
- North Dakota Department of Commerce  
[www.growingnd.com](http://www.growingnd.com)
- UND Center for Innovation  
[www.innovators.net](http://www.innovators.net)
- NDSU Research and Technology Park  
[www.ndsuresearchpark.com/entrepreneurship](http://www.ndsuresearchpark.com/entrepreneurship)
- Red River Valley Research Corridor Coordinating Center  
[www.theresearchcorridor.com](http://www.theresearchcorridor.com)



## REGIONAL SCIENCE AND TECHNOLOGY GROWTH COMPANIES

North Dakota's Red River Valley - Corridor is a great place to grow a company. Here are a few examples of some of our most successful science and technology-based firms. For more information on any of the companies, visit their websites.

Aatrix Software  
Grand Forks, N.D.  
[www.aatrix.com](http://www.aatrix.com)

Agri ImaGIS  
Maddock, N.D.  
[www.satshot.com](http://www.satshot.com)

AgSCO, Inc.  
Grand Forks, N.D.  
[www.agscoinc.com](http://www.agscoinc.com)

Aldevron  
Fargo, N.D.  
[www.aldevron.com](http://www.aldevron.com)

Alien Technology  
Fargo, N.D.  
[www.alientechnology.com](http://www.alientechnology.com)

Arrow-Tech, Inc.  
Rolla, N.D.  
[www.arrowtechinc.com](http://www.arrowtechinc.com)

Appareo Systems  
Fargo, N.D.  
[www.appareosystems.com](http://www.appareosystems.com)

Bobcat Company  
West Fargo, N.D.  
[www.bobcat.com](http://www.bobcat.com)

CEO Praxis, Inc.  
Grand Forks, N.D.  
[www.ceopraxis.com](http://www.ceopraxis.com)

Cirrus Design  
Grand Forks, N.D.  
[www.cirrusdesign.com](http://www.cirrusdesign.com)

Clinical Supplies  
Management, Inc.  
Fargo, N.D.  
[www.csm-plus.com](http://www.csm-plus.com)

Dakota Technologies  
Fargo, N.D.  
[www.dakotatechnologies.com](http://www.dakotatechnologies.com)

DakTech Computers  
Fargo, N.D.  
[www.daktech.com](http://www.daktech.com)

Denet Labs  
Grand Forks, N.D.  
[www.denetlabs.com](http://www.denetlabs.com)

Global Electric Motorcars (GEM)  
Fargo, N.D.  
[www.gemcar.com](http://www.gemcar.com)

Imation  
Wahpeton, N.D.  
[www.imation.com](http://www.imation.com)

Killdeer Mountain  
Manufacturing, Inc.  
Killdeer, N.D.  
[www.kmmnet.com](http://www.kmmnet.com)

Meridian Environmental  
Technology, Inc.  
Grand Forks, N.D.  
[www.meridian-enviro.com](http://www.meridian-enviro.com)

Microbeam Technologies, Inc.  
Grand Forks, N.D.  
[www.microbeam.com](http://www.microbeam.com)

Microlap Technologies, Inc.  
Rolla, N.D.  
[www.microlap.com](http://www.microlap.com)

Microsoft Business Solutions  
Fargo, N.D.  
[www.microsoft.com](http://www.microsoft.com)

Neuropsychiatric Research  
Institute  
Fargo, N.D.  
[www.nrifargo.com](http://www.nrifargo.com)

Orion Biosciences  
Fargo, N.D.  
[www.orionbiosciences.com](http://www.orionbiosciences.com)

Packet Digital  
Fargo, N.D.  
[www.packetdigital.com](http://www.packetdigital.com)

Pedigree Technologies  
Fargo, ND  
[www.pedigreetechnologies.com](http://www.pedigreetechnologies.com)

Phoenix International  
Fargo, N.D.  
[www.phoeintl.com](http://www.phoeintl.com)

Pracs Institute  
Fargo, N.D. and East Grand  
Forks, Minn.  
[www.pracs.com](http://www.pracs.com)

SEO Precision, Inc.  
Crosby, N.D.  
[www.seoprecision.com](http://www.seoprecision.com)

Technology Applications  
Group, Inc.  
Grand Forks, N.D.  
[www.tagnite.com](http://www.tagnite.com)

# Summary of the 2005 NDUS Legislative Agenda

## An Agenda for North Dakota's "Brighter Future"

### The Roundtable on Higher Education

recognizes that an investment in the North Dakota University System is an investment in a brighter future for North Dakota.

#### Fulfilling a Dual Mission

*The Roundtable on Higher Education charged the NDUS with:*

- Continuing to provide high-quality education
- More directly and strategically applying the tremendous power and potential of the University System to enhance the economy of North Dakota

#### Focusing on the Fundamentals

*Six key facts are fundamental to achieving the University System's dual mission:*

- The North Dakota University System is essential to enhancing the economy of North Dakota.
- Flexibility with accountability has unleashed the tremendous capacity of the University System; strategic investments will be needed to further realize the system's full potential.
- Public/private partnerships and collaborations are shaping North Dakota's future; continued strengthening of these relationships will benefit all of North Dakota.
- Student learning and research are integral to economic development.
- Funding the Long-Term Finance Plan is critical to the University System's core functions of student learning, research and public service.
- Funding high-quality, accessible higher education is a shared responsibility; funding sources include the state, the students and campus-generated income.

**Dual Mission:** *Success of the University System's two-pronged legislative agenda will be essential to fulfilling the dual mission envisioned by the Roundtable on Higher Education.*

#### Continued Emphasis on the University System's Core Functions

The NDUS 2005-07 budget request includes funding to sustain and further enhance the quality of education, sustain broad and affordable access to post-secondary education for North Dakota citizens and continue to expand NDUS research consistent with the state's needs.

This is accomplished through four major funding components as outlined in the Long-Term Finance Plan:

- **Parity Funding** (the cost to continue) to sustain the quality of academic and support service programs currently available to students and the current level of research and outreach
- **Equity Funding** (determined by a comparison of each NDUS institution to its national peer group) to enhance programs and services to students and the state; to increase national competitiveness in attracting students, faculty and research investments
- **SBHE Initiative Funds** for investments in statewide and systemwide priorities that utilize the collective assets of the NDUS in meeting the needs of the state
- **Major Capital Asset Investments** to provide students and business with up-to-date facilities for education and training

#### Increased Investments in Economic Enhancement

Three major initiatives will further contribute to the state's economic growth:

- **Economic Development Centers of Excellence** focusing on the creation and support of industry clusters, resulting in new, high-quality employment and economic growth in North Dakota
- **Expansion of Workforce Training** needed to respond to the increased demand for business and industry training, which is essential to sustaining and growing North Dakota's business sector (This funding is provided through the Department of Career and Technical Education.)
- **Attraction of Students and Retention of Graduates** by enhancing student internship opportunities, retaining North Dakotans by providing financial aid assistance to the most financially needy students and launching an aggressive recruitment plan for attracting non-resident students

**To better serve students and the state, progress on the Long-Term Finance Plan is the #1 Priority of the NDUS in the 2005 Legislative Session.**

Without progress on the plan, an increasing and disproportionate share of the cost of education will continue to be shifted to students, and the NDUS and state will lose momentum in achieving the goals of the Roundtable on Higher Education.

# ADVANCED MANUFACTURING

INNOVATION • AUTOMATION • INTEGRATION

VOL. 6 NUMBER 2 MARCH/APRIL 2004

## WORLDWATCH

REPORT ON NORTH DAKOTA BY DUFF MCCUTCHEON

### North Dakota set for growth of RFID industry

Thanks in part to a \$10 million U.S. Department of Defense contract, as well as Radio Frequency ID (RFID) leader Alien Technology's decision to build a production facility in the North Dakota city, Fargo's North Dakota State University (NDSU) is poised to become a world center for RFID technology.

RFID technology involves the embedding of tiny chips into products — anything from buildings to packets of razor blades — that bounces information about the product back to a computer when radio signals are sent its way. The technology got a huge boost when retail giant Wal-Mart announced that it would be using RFID as part of its supply chain management and will be requiring its major suppliers to implement the system — embedding RFID chips into all products shipped to the company.

According to Philip Boudjouk, VP of Research with NDSU's Creative Activities and Technology Transfer, RFID is going to have major impacts on manufacturers and their supply chains.

"Since these chips are programmable, you can input information on the chip at each stage of manufacturing, including, say, the tolerances," he says. "If, for example, you're making parts to a high level of tolerance and those tolerances are measured by laser beams, then the result of that standard can be imparted to the chip. So that information follows that product throughout its travels so you can get the pedigree of that product."

Ever since the Department of Defense gave NDSU the nod (as well as close to \$20 million in research dollars) to begin research into RFID in 2001, the university has been involved in all aspects of RFID. "We're involved in the basic research to drive down the costs of the technology; process engineering in the design of new chips; as well as improving the polymers that coat the chips."

However, it's the university's relationship with California's Alien Technology that has RFID people taking notice. The fledgling company is among the world's leaders in the technology thanks to its patented manufacturing method that allows it to make RFID chips in very high volumes (billions) at very low cost. They've also got proprietary technology that can place millions of these chips where they want them within an hour. It can flow millions of the chips over pre-set and pre-sized cavities within a product, which allow the chips to fall right into place.



**ABOVE:** Researchers at North Dakota State University are helping to drive down the costs of producing RFID chips. **INSET:** This tiny bottle holds thousands of RFID chips.

41-14-05

**15-10-17. Specific powers and duties of the state board of higher education.**

The state board of higher education has all the powers and shall perform all the duties necessary to the control and management of the institutions described in this chapter. In addition to the powers and duties specified in section 6 of article VIII of the Constitution of North Dakota, the board may:

1. a. Appoint and remove the president or other faculty head, and the professors, instructors, teachers, officers, and other employees of the several institutions under its control, and to fix their salaries within the limits of legislative appropriations therefor, and to fix the terms of office and to prescribe the duties thereof, provided that the consideration of the appointment or removal of any such personnel shall be in executive session if the board chooses unless the individual involved requests that the meeting be open to other individuals or to the public.

b. Appoint and remove the commissioner of higher education, fix the commissioner's salary within the limits of legislative appropriations, and prescribe the commissioner's duties.

c. Appoint and remove all university system office personnel, fix their salaries within the limits of legislative appropriations, fix their terms of office, and prescribe their duties.

2. Authorize the employment of law enforcement officers having concurrent jurisdiction with other law enforcement officers to enforce laws and regulations at its institutions.

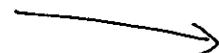
3. Set tuition and fees.

4. a. Establish a retirement program as an alternative to chapter 15-39.1 for university system employees subject to the following guidelines:

(1) Benefits under the program must be provided through annuity contracts purchased by the board but which become the property of the participants;

(2) The cost of the annuity contracts must be defrayed by contributions made pursuant to rules of the state board of higher education;

(3) Eligible employees appointed before July 1, 1973, shall participate in the alternate retirement program only by their individual election. When the electing eligible employee is a member of the teachers' fund for retirement, the employee's assessments and employer's contributions together with interest credited at the current rate for one-year certificates then being paid by the Bank of North Dakota must be transferred to the employee's account in the alternate program. The election must be made before July 1, 1980, and shall relinquish all rights the eligible employee or the employee's beneficiary may have to benefits provided in chapters 15-39 and 15-39.2; and



(4) Employees of the university system who are members of the public employees retirement system and who become entitled to participate in the alternate retirement program are entitled to a special annuity purchase in the alternate retirement program in accordance with this subdivision. An eligible employee who consents to have that employee's contribution included is entitled to have that employee's contribution and employer's contribution, with interest, in the public employees retirement system fund, used by the retirement board of the public employees retirement system to purchase for that employee an annuity in the alternate retirement program in lieu of any other rights under the public employees retirement fund. However, before the employer's contribution may be used for an annuity purchase, the employee's combined years of service with the public employees retirement system and the alternate retirement program must equal or exceed the years of service necessary to be eligible for retirement benefits under the public employees retirement system. An employee who transferred from the public employees retirement system before March 30, 1987, and who received a refund of that employee's contribution is entitled to have the employer's contribution, with interest, used to purchase an annuity even if that employee did not purchase an annuity in the alternate employee program with the employee's contribution. If an employee makes the election allowed under this subdivision, that employee relinquishes all rights the employee or any of the employee's beneficiaries may have had to benefits provided under chapter 54-52.

b. Provide for the administration of the alternate retirement program and establish rules for the program consistent with this subsection. This subsection does not derogate any existing retirement programs approved by the board.

5. Determine policy for purchasing by the university system in coordination with the office of management and budget as provided by law.

6. Establish by rule an early retirement program for faculty and officers of the board as defined by the board. The limitations on severance pay pursuant to section 54-14-04.3 and on requiring the employee to pay contributions to continue on the state uniform group insurance program upon retirement or upon termination of employment pursuant to section 54-52.1-03 do not apply to the early retirement program.

7. Adopt rules to protect the confidentiality of student records, medical records, and, consistent with section 44-04-18.4, trade secret, proprietary, commercial, and financial information.

8. Authorize and encourage university system entities to enter into partnerships, limited liability companies, joint ventures, or other contractual arrangements with private business and industry for the purpose of business or industrial development or fostering basic and applied research or technology transfer.

9. Adopt rules promoting research, encouraging development of intellectual property and other inventions and discoveries by university system employees, and protecting and marketing

the inventions and discoveries. The rules must govern ownership or transfer of ownership rights and distribution of income that may be derived from an invention or discovery resulting from research or employment in the university system. The rules may provide for transfer of ownership rights or distribution of income to a private, nonprofit entity created for the support of the university system or one of its institutions.

**Source:** S.L. 1883, Sp., ch. 40, §§ 3, 5, 8, 12; 1883 Sp., ch. 42, § 2; 1887, ch. 168, § 1; 1890, ch. 158, §§ 4, 5; 1890, ch. 160, §§ 6, 9; 1891, ch. 89, §§ 14, 15; R.C. 1895, §§ 878, 881, 884, 890, 893, 914, 915, 926, 927, 939, 941; S.L. 1897, ch. 89, §§ 17, 18; R.C. 1899, §§ 878, 881, 884, 890, 893, 914, 915, 926, 927, 939, 941, 982; S.L. 1903, ch. 50, § 1; R.C. 1905, §§ 1043, 1046, 1049, 1055, 1058, 1083, 1084, 1095, 1096, 1105, 1107, 1179; S.L. 1907, ch. 240, § 3; 1911, ch. 61, §§ 10, 11; C.L. 1913, §§ 1542, 1545, 1548, 1554, 1557, 1587, 1588, 1599, 1600, 1609, 1611, 1732; S.L. 1915, ch. 237, § 7; 1925 Supp., § 364a7; R.C. 1943, § 15-1017; S.L. 1971, ch. 165, § 1; 1971, ch. 166, § 1; 1973, ch. 132, § 3; 1973, ch. 133, § 1; 1979, ch. 206, § 1; 1979, ch. 207, § 1; 1979, ch. 568, § 7; 1983, ch. 194, § 1; 1983, ch. 319, § 10; 1985, ch. 204, § 1; 1985, ch. 205, § 1; 1987, ch. 3, § 14; 1987, ch. 197, § 2; 1987, ch. 199, § 1; 1987, ch. 200, § 1; 1989, ch. 194, § 1; 1989, ch. 195, § 1; 1993, ch. 54, § 106; 1995, ch. 168, § 1; 1995, ch. 243, § 2; 1995, ch. 329, § 1; 1999, ch. 157, § 2; 1999, ch. 439, § 2; 2001, ch. 162, § 1.

**Note:** Section 1 of chapter 134, S.L. 2003, provides: "**TRANSFER OF LAND AUTHORIZED.**

1. The state board of higher education for the benefit of lake region state college, formerly known as university of North Dakota - lake region and formerly known as lake region community college, may convey the land described in this subsection to the city of Devils Lake, North Dakota, for the price and on the terms as determined by the state board of higher education. The land to be conveyed is described as follows:

A parcel of land situated in the E1/2 of the W1/2 of Section 27, Township 154 North, Range 64 West of the 5th principal meridian, Ramsey County, North Dakota, being more particularly described as follows: All that portion of said section 27 lying west of the east line of the W1/2 of said Section 27 and east of the easterly right of way line of the Burlington Northern Railroad. Said parcel is approximately 8 feet in width and 2,900 feet in length. Said parcel contains 26,303 square feet, more or less.

2. The provisions of sections 54-01-05.2 and 54-01-05.5 do not apply to the transfer authorized by this Act."

Sections 1 and 2 of chapter 163, S.L. 2001, effective January 30, 2001, provide: "**SECTION 1. Construction of student housing on the North Dakota state university campus - Appropriation.** The state board of higher education may authorize North Dakota state university to provide for the construction of a student housing apartment building on the university campus. North Dakota state university may utilize any available local funds or funds received from other sources, including fire insurance recovery proceeds resulting from the F court building fire at that campus, for this project. There is appropriated for this project from local funds or other sources the sum of \$2,310,000."

"**SECTION 2. Renovation of Robinson hall on the North Dakota state university campus - Appropriation.** The state board of higher education may authorize North Dakota state university to



# NORTH DAKOTA

## UNIVERSITY SYSTEM

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### SBHE Policies

**SUBJECT:** PERSONNEL

**EFFECTIVE:** June 20, 2002

**Section:** 611.2 Employee Responsibility and Activities: Intellectual Property

#### 1. General Principles.

The primary purposes of this policy are to encourage and promote research and scholarship based on the traditional principles of the academic profession. These products may constitute Intellectual Property that could be of financial benefit to the individuals involved and the Institution. This policy establishes guidelines to support faculty, staff, and students, in identifying, protecting and administering Intellectual Property and defining the rights and responsibilities of all involved. This policy governs unless a policy on specific Intellectual Property provides a different rule.

#### 2. Definitions.

- a. "Author": Person who creates a Copyrightable Work.
- b. "Copyrightable Work or Work": An original Work of authorship which has been fixed in any tangible medium of expression from which it can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device, such as books, journals, software, computer programs, musical work, dramatic works, videos, multimedia products, sound recordings, pictorial and graphical works, etc. A Work may be the product of a single Author or a group of Authors who have collaborated on a project. A Work is created by an Author.
- c. "Creator": Either an inventor in the context of an Invention, or an Author in the context of a Copyrightable Work.
- d. "Institution": The individual colleges and universities and the North Dakota University System.
- e. "Intellectual Property": Collectively, all forms of property created by the mind including, but not limited to, Inventions, Copyrightable Work, Trademarks, and Tangible Research Property.
- f. "Invention": A process, method, discovery, device, plant, composition of matter, or other Invention that reasonably appears to qualify for protection under the United States patent law (including, but not limited to, utility patent, plant patent, design patent, certificate of Plant Variety Protection, etc.), whether or not actually patentable. An Invention may be the product of a single inventor or a group of inventors who have collaborated on a project.
- g. "Mediated Courseware": Teaching aids created and/or deployed electronically. Mediated Courseware may incorporate text, graphics, video, and audio elements. Examples of such materials include, but are not limited to, hypertext modules, simulation software, web sites, and databases containing numbers, images, or text.
- h. "Significant Use of University System or Institution Resources": Significant Use of Institution Resources means an Author's use of other employees' time or Institution facilities or equipment that appreciably increases the Institution's costs beyond those normally incurred in support of an employee in the Institution. Significant Use does not include the normal use of Institution employees, facilities, or equipment commonly available to faculty, staff, or the public, such as libraries, Internet access, office space, office equipment, computers, and/or office supplies. Unless otherwise agreed, Significant Use also does not include the use of Institutional developmental leave time, so long as it does not appreciably increase the Institution's costs beyond those normally incurred in support of an employee of the Institution.
- i. "Tangible Research Property": Tangible items produced in the course of research including, but not limited to, such items as biological materials, engineering drawings, integrated circuit chips, computer databases, prototype devices, circuit diagrams, and equipment. Individual items of Tangible Research Property may be associated with one

or more intangible properties, such as Inventions, Copyrightable Work, and Trademarks. An item of Tangible Research Property may be the product of a single Creator or a group of individuals who have collaborated on the project.

- j. "Trademark" (including Service Mark): A distinctive word, design, or graphic symbol, or combination word and design, that distinguishes and identifies the goods and services of one party from those of another, such as names or symbols used in conjunction with plant varieties or computer programs, or the Institutional names, logos, or derivatives thereof.
  - k. "Work For Hire": Defined pursuant to Federal Copyright Law which includes a Work prepared by an employee within the scope of employment or a Work created pursuant to a written agreement identifying the Work as a Work for Hire.
3. General Patent Policy.
- a. The North Dakota State Board of Higher Education encourages the faculty, staff, and others associated with the Institutions under its jurisdiction to seek patents on Inventions as a method of bringing recognition and remuneration to all parties involved. Each Institution shall establish a "patent review procedure" to define the Institution's processing of such Inventions or discoveries, consistent with Board policy. The inventor (s) shall submit to the Institution the conception and/or reduction to practice of all potentially patentable discoveries prior to public "enabling" disclosure.
  - b. A patentable discovery may arise from the development of a new and useful process, device or apparatus, article of manufacture, composition of matter (including chemical compounds, microorganisms, and the like), plant, or related improvement, or a new use for a known material or device. A public "enabling" disclosure is one which will enable others in the same or a related field to fully understand and practice the Invention. The Institutional "patent review procedure" shall assure provision of guidelines to the inventor (s) in defining what constitutes a public "enabling" disclosure.
  - c. The Institution shall have the right of first refusal to the title of all patentable discoveries derived with the use of facilities, gifts, grants, or contract funds through the university, subject to restrictions arising from the overriding obligations of the Institution pursuant to gifts, grants, contracts, or other agreements with outside organizations. The inventor(s) shall provide all necessary declarations, assignments, or other documents as may be necessary in the course of Invention evaluation, patent prosecution, or protection of patent rights to assure that title in such Inventions shall be held by the Institution or other parties as may be appropriate under the circumstances.
  - d. The Institution shall have six months in which to assess the technical and commercial viability and patentability of the discovery in accordance with Institutional procedures. If the Institution judges the discovery not to be patentable, or decides not to pursue a patent, and in the absence of over-riding obligations to outside sponsors of the discovery, all rights will revert to the inventor. In no instance, and regardless of ownership of the patent, may the Institution's name be used in connection with the marketing of the Invention.
    - 1. Subject to restrictions arising from overriding obligations of the Institution pursuant to gifts, grants, contracts, or other agreements with outside organizations, the Institution agrees, for and in consideration of the assignment of patent rights, to pay annually to the named inventor(s), or to the inventor(s)' heirs, successors, or assigns, a minimum of 30 percent of the net royalties and fees received by the Institution. Net royalties are defined as gross royalties and fees less the expenses incurred by the Institution in conducting the research and in procuring, protecting, preserving, maintaining, and licensing the patent and related property rights, and such other costs, taxes, or reimbursements as may be necessary or required by law.
    - 2. When there are two or more inventors, each inventor shall share equally in the inventor's share of royalties, unless all inventors have agreed in writing to a different distribution of such share. The Institution will have final authority over any agreement purporting to share rights and/or royalties between participating parties.
    - 3. In addition to the inventor(s) share, the net royalties shall be disbursed by negotiated agreement with allocations to the originating department, the income accruing to Institutional, and the Institution. In the disposition of any net royalty income accruing to Institutional parties, other than the inventor(s), support of research shall receive first consideration. The "patent review procedure" shall outline the negotiation and distribution mechanism at each Institution.
    - 4. The provisions of this section apply to plant variety protection unless inconsistent with Institution policy.

## 4. General Copyright Policy.

- a. Except as otherwise explicitly provided under this policy or applicable law, an employee who creates a Work retains copyright ownership of the Work. If there has been Significant Use of University System or Institutional Resources, the provisions of section 4b of this policy shall apply.
- b. If there has been Significant Use of Institutional Resources, as defined in section 2 of this policy, to create a Copyrightable Work, the ownership of which is vested in the individual employee, the Institution shall be reimbursed out of the royalties, in accord with an agreement between the employee and the Institution, up to that amount that constitutes the Institution's Significant Use. The Institution shall be reimbursed for the Significant Use of any facilities, personnel or resources, except those considered part of the normal academic environment including library facilities.
- c. If employees are employed or commissioned by the Institution or agencies of the Institution for the creation of Work, or if by prior agreement they are assigned to produce or develop Work in the course of their regular duties, and if such Work is deemed appropriate for copyright, it must be reported to the Institution pursuant to its copyright review procedure. In such instances the Institution shall have the first option to secure copyright in the name of the Institution. Should the Institution decide, in writing, it would not be appropriate to secure copyright, the employee then may proceed to personally secure the copyright.
- d. Royalties received as a result of copyright ownership by the Institution will be disbursed at least 30 percent to the employee(s) and the remainder pursuant to the copyright review procedure.

## 5. Mediated Courseware.

- a. Self-initiated Mediated Courseware. When employees develop Mediated Courseware without specific direction by the Institution, unless otherwise agreed, the ownership of the courseware shall remain with the employee. Normally, no royalty, rent or other consideration shall be paid to the employee when that Mediated Courseware is used for instruction at the Institution and such Mediated Courseware shall not be used or modified without the consent of the employee. While the Creator is under Institutional ownership, the Mediated Courseware shall not be sold, leased, rented or otherwise used in a manner that competes in a substantial way with the for-credit offering of the employee's own Institution unless that transaction has received the approval of the chief academic officer of the Institution. The Institution shall have a perpetual, non-exclusive royalty-free right to use such courseware for archival research purposes. Should approval be granted to offer the course outside of the Institution, the provisions of section 4b of this policy shall apply.
- b. Institution-directed Mediated Courseware. When the Institution directs in an employment contract the creation of a specific Mediated Courseware, the resulting Mediated Courseware belongs to the Institution and the Institution shall have the right to revise it and decide who will utilize the Mediated Courseware in instruction. The Institution may specifically agree to share revenues and control rights with the employee.
- c. Institutions shall develop procedures for reporting the development of Institution-directed Mediated Courseware to the appropriate administrator at the Institution.

## 6. Copyrightable Software.

Unless a separate written agreement provides otherwise, software created by employees within the scope of their employment and not covered under Mediated Courseware in section 5 of this policy shall be treated as a Work for Hire, owned by the Institution and commercialized pursuant to the General Patent Policy, with the employee(s) getting a minimum of 30 percent of the net royalties and fees.

## 7. Student Work.

- a. The ownership of copyrights in student Work is governed by the following:
  1. Copyright ownership of student Work that is performed in whole or in part by the student with financial support in the form of wages, salaries, stipend, or grants from funds administered by the Institution shall be determined in accordance with the terms of the support agreement, or in the absence of such terms, shall become the property of the Institution.
  2. Copyright ownership of student Work generated by research performed in whole or in part utilizing equipment or facilities provided by the Institution under conditions that impose copyright restrictions shall be determined in accordance with such restrictions.

3. Students will own the copyrights to their Work not within the provisions of (1) and (2) above; however, a student must, as a condition to a degree award, grant royalty-free permission to the Institution to reproduce and publicly distribute, including by electronic means, copies of the student's Work.
  4. Where there is Significant Use of Institution Resources, copyright ownership shall be determined under section 4b of this policy.
- b. Ownership of student Inventions shall be governed by the Patent Policy in section 3 of this policy.
8. General Trademark Policy

Each Institution may develop a Trademark policy that provides for the protection of the Trademarks and Service Marks of the Institution.

9. Institutional Procedures. Each Institution shall adopt procedures implementing this policy that include:
- a. Procedures for required disclosure of Intellectual Property;
  - b. Procedures for review, evaluation, and protection of Intellectual Property;
  - c. Rules governing distribution of net royalties or fees;
  - d. A process for resolving disputes; and
  - e. A process for informing faculty, staff, and students of the rights and responsibilities of Intellectual Property.
10. Transfer of Rights
- a. Institutions may assign or transfer ownership rights in Intellectual Property to independent foundations created for the purpose of obtaining or administering and marketing Institution Intellectual Property, receiving gifts, or supporting or promoting the Institution or Institution research.
  - b. It is the responsibility of employees to ensure that the terms of their consulting agreements with third parties do not conflict with their commitments to the Institution. Each employee shall make the nature of the employee's obligations to the Institution clear to any third party for whom the employee expects to consult. Specifically, the scope of the consulting services must be distinguished from the scope of research commitments to the Institution.

**HISTORY:** Replaces the current 611.2. New policy. SBHE Minutes, April 24-25, 1989, page 5812. Amendment SBHE Minutes, June 20-21, 2002.

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# NORTH DAKOTA

## UNIVERSITY SYSTEM

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### SBHE Policies

**SUBJECT:** PERSONNEL

**EFFECTIVE:** June 24, 1993

**Section:** 611.4 Employee Responsibility and Activities: Conflict of Interest

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1. An officer of the North Dakota State Board of Higher Education authorized to sell or lease any property or make any contract in the officer's official capacity is subject to the provisions of N.D.C.C. Section 12.1-13-03 and may not be interested in any such sale, lease or contract.
  2. Pursuant to N.D.C.C. Section 48-02-12, employees of the Board may not have any interest in a public construction or repair contract.
  3. An employee of the Board may not have an interest in any contract involving the expenditure of public or institutional funds entered into by the institution that the employee serves or by the Board unless:
    - a. N.D.C.C. Sections 12.1-13-03 and 48-02-12 do not apply; and
    - b. the contract is approved by the institution's chief financial officer or, if the employee in question is the chief financial officer or president of an institution or an officer of the Board, by the Board, following full disclosure of the employee's interest.
  4. All employees involved in projects receiving federal funds shall consult applicable federal laws and regulations and comply with conflict of interest rules which may govern federal grants or other sponsored agreements.
  5. An officer or other employee who violates this policy is subject to dismissal or other disciplinary action.

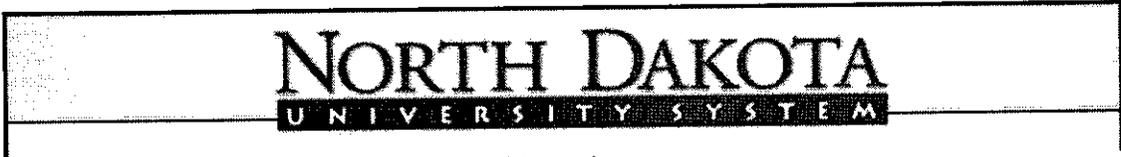
**STATUTORY REFERENCES:** N.D.C.C. Section 12.1-13-03; N.D.C.C. Section 48-02-12

**AMENDS AND REPLACES:** Replaces Article III, Section 5(A), 11/79

**HISTORY:** SBHE Minutes, December 9-10, 1982, page 5101.  
Amendment SBHE Minutes, June 24, 1993.

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**SBHE Policies**

**SUBJECT:** PERSONNEL

**EFFECTIVE:** February 18, 2000

**Section:** 611.5 Employee Resp. and Activities: Outside Employ. or Consulting Practices; Use of Institution Property

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1. University system employees may be employed or engage in consulting activities or other services outside of their university system employment if the consulting activity or service or other outside employment does not interfere with university system job duties and does not constitute a conflict of interest.
  2. Employees may not use institution or other state property, equipment, supplies or staff for political purposes. "Political purposes" means those activities defined in N.D.C.C. § 39-01-04.
  3. Employees may not use institution or system property, equipment, supplies or staff for remunerated consulting activities or other services for remuneration or for private or personal use, except as authorized under institution or system policies. Use of institution or system property, equipment, supplies or staff for remunerated consulting activities or other services for remuneration outside of university system employment is permitted only subject to written authorization and agreement establishing terms for payment or reimbursement to the institution for such use.
  4. Each institution shall adopt policies or procedures implementing this policy, including rules governing payment or reimbursement for authorized use of institution or system property, equipment, supplies or staff.

**AMENDS AND REPLACES:** Replaces Article III, Section 5(B).

**HISTORY:** Replaces Article III, Section 5(B). SBHE Minutes, December 9-10, 1982, page 5101.  
Amendment SBHE Minutes, June 25, 1987, page 5614.  
Amendment SBHE Minutes, February 17-18, 2000.

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# NORTH DAKOTA

## UNIVERSITY SYSTEM

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### SBHE Policies

**SUBJECT:** PERSONNEL

**EFFECTIVE:** April 18, 2002

**Section:** 611.6 Employee Responsibility and Activities: Confidential Proprietary Information

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1. Pursuant to N.D.C.C. section 44-04-18.4, trade secret, proprietary, commercial and financial information is confidential and not subject to the state's open records law if it is of a privileged nature and has not been previously publicly disclosed. Institutions shall adopt necessary policies or procedures to protect confidential information, including such information received or generated in connection with grants or contracts. The existence of a confidential grant, contract or proposal and nonconfidential grant or contract terms, the name of the funding entity, or the general nature of the research shall not be proprietary or confidential.
2. No policy shall limit or affect the applicability or implementation of any rule or regulation of the State Health Department.
3. Confidential information shall be identified by the sponsor as such at the time of disclosure to the institution. Such information shall not mean: (1) information already in the public domain at the time of disclosure; (2) information rightfully received by the institution from a third party without obligation of confidence; (3) information publicly disclosed either prior to or subsequent to the institution's receipt of such information by the sponsor or a third party; or (4) information which the institution can demonstrate to have been known prior to receipt from the sponsor.
4. Institution policies shall allow the free dissemination of data from knowledge creation efforts while maintaining confidential information and preserving the intellectual property rights resulting from such programs. The right to publish the results derived from research and development programs shall be vested at all times in the institution, its faculty, staff, or students.

However, the sponsor may request: (1) a limited time period in which the sponsor may examine potential publications to provide advisory comments and to identify its proprietary information; and (2) a time period in which public "enabling" disclosures of research results or discoveries should be withheld to allow the preservation of intellectual property rights. Other restrictions may apply within the context of local institutional policy and state law.

**Statutory References:** N.D.C.C. Section 15-10-17(17); N.D.C.C. Section 44-04-18.4

**HISTORY:** New policy. SBHE Minutes, February 9-10, 1989, page 5790.  
Amendment SBHE Minutes, November 4, 1993, page 6403.  
Amendment SBHE Minutes, January 15, 1998, page 6823.  
Amendment SBHE Minutes, April 18, 2002.

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# NORTH DAKOTA

## UNIVERSITY SYSTEM

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### SBHE Policies

**SUBJECT:** PERSONNEL

**EFFECTIVE:** April 25, 1989

**Section:** 611.8 Employee Responsibility and Activities: Research on Human Subjects

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1. The conduct of research involving humans as subjects, including humans as sources of information, raises unique concerns which have motivated the promulgation of specific regulations to safeguard the subjects and their right to maintain their privacy. Institutional policies shall define regulations which include requirements of confidentiality regarding subject identity and informed consent to the release of data or other information produced by the research.
2. Use of human subjects includes not only the manipulation of humans and their behavior under controlled circumstances, but also collection of information from humans by survey or observation. The institutional regulations shall require pre-commencement review by an assigned institutional review board or its representatives. Researchers whose work uses human subjects shall be required to comply with these regulations.
3. Institutional review boards shall establish their own policy for the protection of proprietary and confidential information contained in proposals and protocols submitted to them. Institutional policies shall specifically address situations in which a breach of confidentiality may result in social or economic harm to the subject and in which the publication format of educational and scientific data may lead to identification of a single subject.

**HISTORY:** New policy. SBHE Minutes, April 24-25, 1989, page 5813.

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# NORTH DAKOTA

## UNIVERSITY SYSTEM

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### SBHE Policies

**SUBJECT:** PERSONNEL

**EFFECTIVE:** April 15, 2004

**Section:** 611.9 Selection of Textbooks and Other Curricular Materials

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The following rules govern selection of textbooks and other curricular materials:

1. An instructor may not receive financial compensation or any other form of remuneration, excluding supporting educational materials for teaching, from a publisher or an agent of the publisher for the purpose of selecting or assigning textbooks or other curricular materials.
2. An instructor or other employee who is paid or receives other remuneration in connection with the sale or assignment of textbooks or other curricular may, as provided under institution procedures implementing this policy:
  - a. Assign all royalty payments or other remuneration resulting from assignment of the materials at the employing institution; or
  - b. Retain royalty payments or other remuneration, in which case the final decision to assign the materials shall be made as provided under each institution's procedures.
3. With the input of faculty, student and administration, each institution shall adopt procedures implementing this policy, including a process for review or appeal.

**HISTORY:** New policy. SBHE Minutes, April 15, 2004.

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# INDUSTRIAL COMMISSION OF NORTH DAKOTA

John Hoeven  
Governor

Wayne Stenehjem  
Attorney General

Roger Johnson  
Agriculture Commissioner

## Memorandum

TO: Senator Tony Grindberg

FR: ~~Karlene Fine~~, Authorized Officer  
North Dakota Student Loan Trust

DT: March 24, 2005

RE: Anticipated Income for Student Loan Trust

You requested information on the anticipated income for the Student Loan Trust in the 2007-2009 and 2009-2011 biennium. In the information previously prepared for you we indicated anticipated income for the 2005-2007 biennium of \$6.3 million between the two resolutions held in the Trust. (Income to the 1979 Resolution of \$4.1 million and \$2.2 million in the 1996 Resolution.)

As I noted in my previous material there are several factors which could reduce the future earnings of the Trust:

- Congress could at any time pass a law prohibiting the recycling of 9.5% loans which would greatly reduce future earnings of both of the Resolutions in the Trust.
- Anytime that the Industrial Commission withdraws more than an amount equal to biennial earnings of the Trust, the future earnings potential of the Trust is diminished
- Future earnings of the 1979 Resolution will be reduced as short term interest rates paid to the Bank on the residual bonds (Libor plus 70 basis points) rise. [Rising interest rates could reduce the income up to a maximum of \$1.450 million per biennium.]

If there are no changes to the federal regulations, the minimum we believe we could sustain in profits is \$4,250,000 a biennium. If interest rates stay the same we anticipate our income to be at \$5.7 million after the \$9 million transfer takes place.

Attached is a summary sheet of the projected income for the next three biennia. If you have questions, please feel free to call Ed Sather (328-5604) or me (328-3722). Karlene

Attachment

## Student Loan Trust

<b>1979 Resolution</b>									
<u>2003-2005 Biennium</u>		<u>2005-2007 Biennium</u>		<u>2007-2009 Biennium</u>		<u>2009-2011 Biennium</u>			
Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	
Net Income	\$ 2,093,000	\$ 1,807,000	\$ 2,050,000	\$ 2,050,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000	\$ 1,750,000
Transfers	\$ (30,359,000)	\$0	\$0	\$ (9,000,000)	\$0	\$0	\$0	\$0	\$0
<b>1996 Resolution</b>									
Fiscal Year	2004	2005	2006	2007	2008	2009	2010	2011	
Net Income	\$ 2,211,000	\$2,211,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
Total Net Income	\$4,304,000	\$4,018,000	\$3,150,000	\$3,150,000	\$2,850,000	\$2,850,000	\$ 2,850,000	\$ 2,850,000	\$ 2,850,000
Total Income 03-05 Biennium									
Total Income 05-07 Biennium		\$8,322,000							
Total Income 07-09 Biennium									\$5,700,000
Total Income 09-11 Biennium									\$ 5,700,000

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018  
JANUARY 10, 2005, 1:30 P.M.  
SENATE APPROPRIATIONS COMMITTEE  
HARVEST ROOM  
SENATOR RAY HOLMBERG, CHAIRMAN**

**JIM HIRSCH – DIRECTOR, THE DIVISION OF WORKFORCE DEVELOPMENT**

Mr. Chairman and members of the committee my name is James Hirsch, Director of the Workforce Development Division with the North Dakota Department of Commerce.

The Workforce Development Division is responsible for providing administrative staff support to the North Dakota Workforce Development Council, North Dakota Youth Development Council and the North Dakota State Commission on National and Community Service.

Members of the Councils and Commission are appointed to three year terms by the Governor and serve in an advisory capacity to the Governor.

A copy of a division organizational chart and the current membership for each of the Councils and the Commission is included with my written testimony.

The two Councils are required under the Workforce Investment Act of 1998. The Council's have responsibility for planning and oversight of approximately \$13 million in federal workforce training funding available to North Dakota each biennium.

The State Commission is required under the National and Community Service Act of 1990. The State Commission is responsible for the administration of approximately \$1.5 million in administration and AmeriCorps\*State formula funds available to North Dakota each biennium.

The Council and Commission depend upon partnerships to get things accomplished. These partnerships include:

- State & local agencies;
- Education agencies;
- Business & Business Organizations;
- American Indian tribes;
- Local communities; and
- Federal agencies.

The Workforce Development Division, Council and Commission have three over arching goals:

1. Insuring that North Dakota employers have access to an available & skilled workforce;
2. Retaining youth in North Dakota; and
3. Promoting the expansion of civic engagement and volunteerism opportunities in the state.

These are some of the initiatives we are pursuing in support of these goals:

- We are providing matching funds to local communities to support statewide standardized Community Labor Availability Studies.
  - These studies are important tools in attracting new business to the state by addressing the issue of an available workforce:
    - 26 communities participated in the 2004 standardized Community Labor Availability Studies;
    - Studies are posted on the [www.ndcommerce.com](http://www.ndcommerce.com) web site;
    - Interest is growing in anticipation of the 2006 studies.
  
- We are supporting a Demand Driven Workforce System.
  - In October of 2004, we hosted a successful Governor's Workforce Summit 2004, to obtain input from business and industry about workforce issues they are facing and best practices they have implemented.
    - State agencies and local communities have taken specific steps to address issues identified during the summit.
  
  - With partner agencies, we are coordinating Industry Sector Workforce Needs and Skill Assessment Studies: The purpose of these studies are to:
    - Identify the current and future workforce and skill needs of North Dakota employers;
      - Results are used by the colleges and training providers to adjust current program offerings and identify new programs based on the needs of North Dakota employers; and
      - Results are used by agencies administering workforce development and training programs to establish priorities and target the investment of state and federal workforce development and training funding;
      - Industries currently being studied include:
        - Manufacturing including Value Added Agriculture,
        - Energy,
        - Information Technology,
        - Health Care, and
        - Truck Driving.
  
- We are addressing worker and skill shortages through administration of competitive demonstration grants from the federal government:
  - The North Dakota Department of Commerce received a \$2.14 million complete grant award from the U.S. Department of Labor to conduct an H 1B Technical Skills Demonstration to address the nursing shortages in North Dakota. This demonstration is addressing the shortage through delivery of off-campus career ladder training to entry-level health care workers.
    - Career Ladders in the nursing profession include:
      - Certified Nurse Assistant
      - Certified Medication Aid

- Licensed Practical Nurse
    - Registered Nurse
  - Off campus training of LPN's and RN's has been provided in nine locations:
    - Fargo
    - Grafton
    - Langdon
    - Devils Lake
    - Jamestown
    - Williston
    - Minot
    - Rugby
    - Hettinger
  - Over 1,317 participants have been trained in nursing careers statewide since the start of the project in February 2002.
- We are supporting efforts to retain youth in North Dakota by making information about career opportunities available to North Dakota youth and through the expansion Internships/Apprenticeship/Cooperative Education opportunities.
  - The North Dakota Workforce Development Council has provided \$200,000 in federal Workforce Investment Act Incentive funds to support expansion of Career Education awareness and the [www.ImagineND.com](http://www.ImagineND.com) web site which are intended to get information to North Dakota youth on careers available in North Dakota.
  - The North Dakota Workforce Development Council has secured \$225,000 in federal Workforce Investment Act Incentive funds to expand internship and apprenticeship opportunities.
  - The North Dakota Workforce Development Council has secured \$100,000 in federal Governor's Workforce Investment Act Set aside funding to support the marketing of internships, apprenticeship and cooperative education opportunities to North Dakota business and students enrolled in North Dakota colleges and universities.
- Through the State Commission on National and Community Service we are expanding volunteer and civic engagement opportunities to meet community service needs and provide opportunities for youth to become connected and involved with their communities.
  - We have expanded the number of AmeriCorps projects in North Dakota from 1 in 2002 to 7 in 2004.
  - AmeriCorps is the equivalent of a domestic Peace Corps.
    - A total of 134 AmeriCorps Member positions have been created.
    - These AmeriCorps members are providing volunteer services across the state by addressing a number of community and social needs:
      - Tutoring and after school activities for youth;
      - Environmental projects to help restore rivers;
      - Providing counseling and services to special populations.

These efforts are making a difference.

It is all about providing opportunities for our employers to prosper and grow their local workforce and providing the local workforce with opportunities to grow in their careers.

North Dakota employers must stay competitive in order to succeed. Workforce is and will continue to be an increasingly big part of this success.

Thank you!

Attachments:

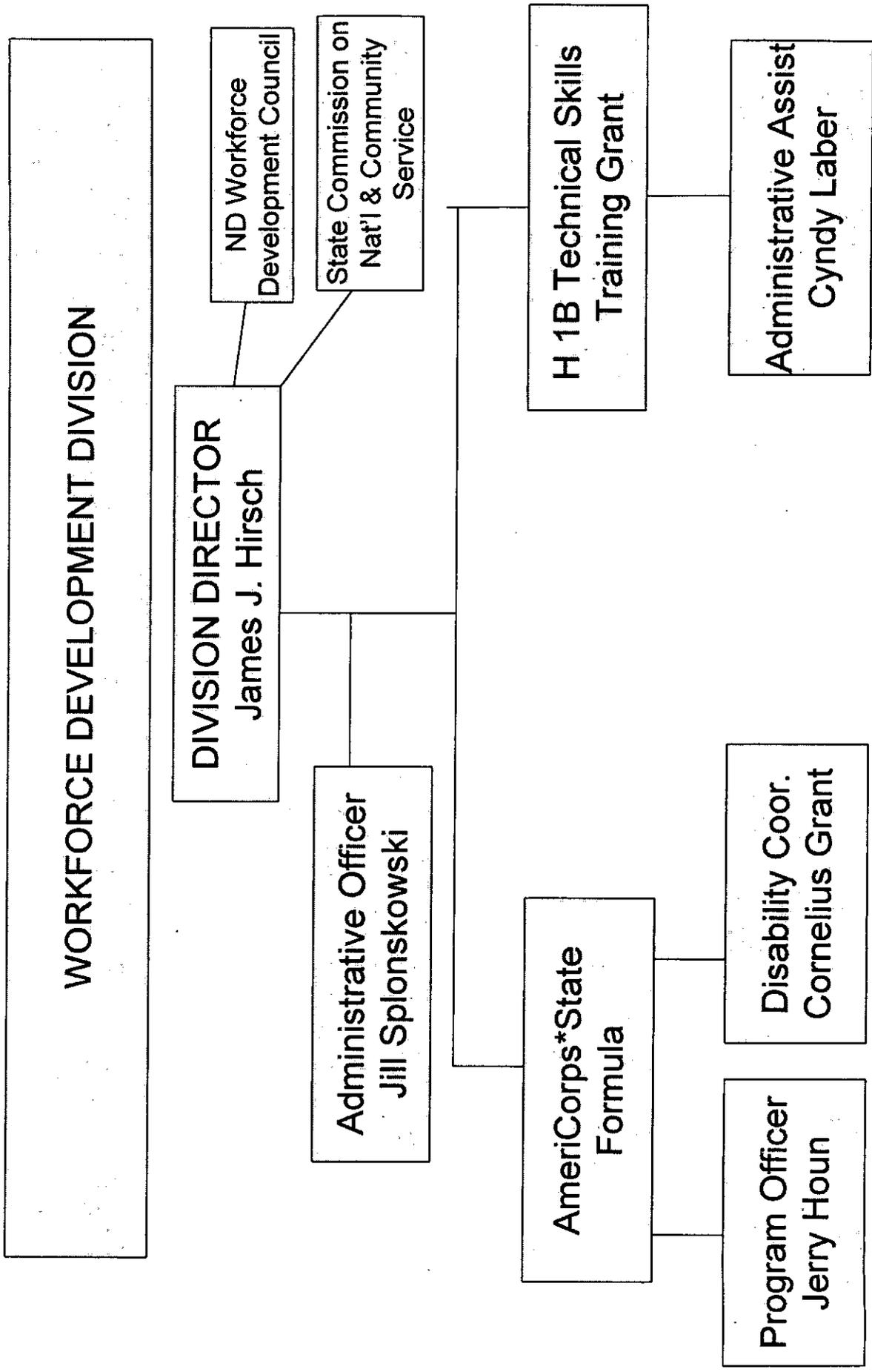
Division Organizational Chart

Membership Lists

North Dakota Workforce Development Council

North Dakota Youth Development Council

North Dakota Workforce Development Council – State Commission on National and Community Service





**NORTH DAKOTA DEPARTMENT OF COMMERCE**

**COMMON ACCOUNTABILITY MEASURES REPORT  
UNDER HOUSE BILL 1019 (2003 LEGISLATIVE SESSION)**

**WORKFORCE DEVELOPMENT AND WORKFORCE TRAINING  
PROGRAMS**

**REPORT PERIOD: JULY 1, 2003 – SEPTEMBER 30, 2004**

**REPORT DATE: FEBRUARY 16, 2005**

The 2003 Legislative Assembly assigned the Department of Commerce with the responsibility of monitoring and reporting annually Common Measures Accountability for workforce development and training activities.

The workforce development and workforce training programs covered under this report include:

**Department of Human Services**

Job Opportunities and Basic Skills (JOBS) training program  
Basic Employment Skills Training (BEST) program

**Job Service North Dakota**

Workforce 2000 Program  
North Dakota New Jobs Training Program  
Senior Community Service Employment Program (SCSEP)  
Trade Adjustment Assistance Program (TAA)  
Workforce Investment Act

- Adult
- Youth
- Dislocated Worker

**University Systems**

Workforce Training Quadrants

The North Dakota Department of Commerce is using the services of the North Dakota Career Resource Network – FINDET to complete the data collection, conduct the follow-up, verify wage gains, and develop the report document.

The common measures accountability became effective July 1, 2003. We need to recognize that this will be a work in progress. The final report for the current Biennium will not be available until September 2006. This date will allow the tracking of wage gains 12 months after completion of the service or training.

The interim reports provide cumulative data on the number of participants served, training investment to date, the number of participants who meet the definition of 12 months after completion of service or training, and the wage gain for those who are employed and meet the definition of 12 months after completion of service or training.

Department of Commerce  
 Accountability Measures Under House Bill 2003 (2003 Legislative Session)  
 Summary Table by Program  
 Report Period: July 1, 2003 - September 30, 2004  
 Report Date: 02/16/05

Program	Program Activity				Post-training		12 Months after Completion of Training				
	Total Program Participants	Total Unduplicated Participants	Federal Investment	State Investment	Average Cost Per Participant	Participants Employed	Average Annual Salary Part. Empl.	Participant Count	Participants Employed	Average Annual Pre-trng Salary Part. Empl.	Average Annual Salary Increase Part. Empl.
Basic Employment Skills Training	686	685	166,722	6,283	252	49	25,852	97	5	30,272	7,640
Job Opportunities & Basic Skills	1,358	852	1,695,866	0	1,249	322	6,456	173	86	1,880	7,112
ND New Jobs Training											
Senior Community Service Employment	107	41	636,976	0	5,953	16	6,208	9	2	6,560	232
The ND Workforce Training System	12,021	4,291	0	843,750	70	2,766	32,159	795	641	27,812	3,356
Trade Adjustment Assistance	101	71	274,818	0	2,721	36	18,656	2	1	0	10,860
Workforce 2000	638	601	0	399,875	627	441	36,272	82	74	35,268	4,512
Workforce Investment Act - Adults	1,024	791	2,190,904	0	2,140	352	14,436	162	114	6,168	9,476
Workforce Investment Act - Dislocated Worker	412	323	742,653	0	1,803	186	18,988	80	52	12,684	5,088
Workforce Investment Act - Older Youth	1,164	710	2,827,891	0	2,429	260	7,372	158	100	1,604	7,584
<b>Total</b>	<b>17,511</b>	<b>8,365</b>	<b>8,535,830</b>	<b>1,249,908</b>	<b>559</b>	<b>4,428</b>	<b>27,008</b>	<b>1,558</b>	<b>1,075</b>	<b>20,732</b>	<b>4,884</b>

**Program Activity:**

**Total Program Participants:** The cumulative number to date of individuals provided workforce development services or workforce training by program (July 1, 2003 through September 30, 2004). This count includes individuals who may have participated in more than one service or training event.

**Total Unduplicated Participants:** Programs provide multiple service and training opportunities for individuals. This column unduplicates Total Program Participants by Social Security Number (SSN). Additionally, this count is reduced by those participants with invalid/missing SSN, those whose training began outside the range of available data sets (prior to the timespan for which the needed data has been captured and is available), and those whose training has not yet ended. Within The ND Workforce Training System, the providing of SSN's by participants is voluntary.

**Federal Investment:** Total cumulative federal funds to date (July 1, 2003 through September 30, 2004) expended to deliver the service or training to the Total Program Participants.

**State Investment:** Total cumulative state funds to date (July 1, 2003 through September 30, 2004) expended to deliver the service or training to the Total Program Participants.

**Average Cost Per Participant =** (Sum of cumulative Federal and State Investments) divided by Total Program Participants.

**Post-Training:**

**Participants Employed:** The number of individuals (based on Total Unduplicated Participants) employed the first quarter after the completion of service or training as indicated by Unemployment Insurance (UI) wage-record files. The lower number of Participants Employed in relation to Total Unduplicated Participant count is a result of several factors, including:

- 1) Due to wage-reporting time lags, the Participants Employed count is based on UI wage-record data through the third quarter of 2004 (two quarters of data is not yet available);
- 2) the UI database does not include all of the employment in ND; i.e., individuals who are self-employed or in jobs not covered by unemployment insurance; and 3) some individuals may have withdrawn from the labor market to return to education or training.

**Average Annual Salary of Participants Employed:** The quarterly earnings of those Participants Employed the first quarter after completion of service or training as indicated by UI wage-record files, multiplied by four (to annualize the salary).

**12 Months After Completion of Training:**

**Participant Count:** The number of individuals (based on Total Unduplicated Participants) who have completed service or training at least twelve months earlier.

**Participants Employed:** The number of the Participant Count who were employed twelve months after completion of service or training as indicated by UI wage-record files.

**(See the explanation above under the Post-Training section for Participants Employed.)**

**Average Annual Pre-Training Salary of the Participants Employed:** The average quarterly earnings of the Participants Employed for the quarter immediately prior to the start of service or training as indicated by UI wage-record files, multiplied by four (to annualize the salary).

**Average Annual Salary Increase of the Participants Employed =** (Average quarterly earnings of the Participants Employed for the quarter 12 months after completion of service or training as indicated by UI wage-record files, multiplied by four (to annualize the salary)) minus the Average Annual Pre-Training Salary of the Participants Employed.

**NORTH DAKOTA DEPARTMENT OF COMMERCE  
COMMON ACCOUNTABILITY REPORT  
WORKFORCE DEVELOPMENT & WORKFORCE TRAINING PROGRAMS**

**Senior Community Service Employment Program (SCSEP):**

Federally-funded program to foster and promote useful part-time opportunities in community service activities for unemployed low-income persons who are 55 years of age and older and have poor employment prospects.

**WIA Adult Program:**

Funds provide support, employment/employability assistance, and training to eligible participants age 18 and older. Eligibility criteria include priority of service to economically disadvantaged individuals who are seeking and unable to locate employment leading to self-sufficiency.

**WIA Dislocated Worker Program:**

Funds provide support, employment/employability assistance, and training to eligible participants age 18 and older. Eligibility criteria includes individuals who have been laid off, notified of layoff or terminated, unlikely to return to the occupation, have wages qualifying them for unemployment and who are seeking and unable to locate employment leading to self-sufficiency. Self-employed business people and farmers/ranchers may also qualify.

**WIA Youth Program:**

Funds provide support, employment/employability assistance, and training to eligible participants age 14 - 21. Eligibility criteria includes individuals who are economically disadvantaged and face a defined barrier to academic or employment success such as deficient in basic literacy skills, a school dropout, runaway or foster child, a parent, offender, or disabled individual.

**Trade Adjustment Assistance (TAA):**

Federal program providing special job training, job search assistance, relocation, and related services to workers who become unemployed as a result of increased imports or loss of jobs to other countries. Program provides for re-employment services and allowance to assist workers in returning to suitable employment.

**North Dakota New Jobs Training Program:**

State-funded job training program designed to provide incentives to businesses and industries that are expanding employment opportunities or locating employment opportunities within the state. Funds are obtained in the form of a loan, repayable grant, or self-financing to cover the cost of training and program administration associated with the project start-up or expansion. The loan or grant plus interest is repaid through the capture of the state income tax withholding generated from the new jobs created during the term of the New Jobs Training agreement, not to exceed ten years.

**Basic Employment Skills Training (BEST):**

The program serves individuals receiving Food Stamps and is intended to expose participating individuals to job seeking and retention skills. It is operational in Burleigh and Cass counties.

**JOBS Program:**

This program serves Temporary Assistance to Needy Families (TANF) recipients through a contract with Job Service North Dakota. Adults in a TANF household must be referred to the JOBS program with the end goal of becoming employed and self-sufficient over time. The JOBS program provides assessment activities, workshops, and training to assist TANF clients to find and maintain employment.

**The North Dakota Workforce Training System:**

In applying the accountability measures specified in HB-1019, it is important to note that the primary purpose of the Workforce Training System (the quadrant delivery system) is not to create employment for unemployed individuals or to increase the salaries of those trained. Rather, the primary purpose as defined by the private sector members of the task force that designed the workforce training system, is to assure employers in all areas of North Dakota have access to high quality training – training which enhances the knowledge and skills of their employees. A more knowledgeable and skilled workforce allows business and industry to remain competitive and, in turn, continue to provide employment for individuals in their respective communities and regions. There are specific accountability measures defined in state statutes (NDCC 52-08-11 and 2003 N.D. Session Laws, Ch. 3, Section 18 ) which are used by the North Dakota Legislature, local private sector workforce training boards, and by the State Board of Higher Education in determining how well the workforce training system is performing and how well the training needs of business and industry are being met. The results are provided to the local workforce training boards, State Board of Higher Education and to the North Dakota Legislature on an annual basis.

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 2005, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**JIM HIRSCH – DIRECTOR, THE DIVISION OF WORKFORCE DEVELOPMENT**

Mr. Chairman and members of the committee my name is James Hirsch, Director of the Workforce Development Division within the North Dakota Department of Commerce.

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- State and local agencies;
- Education agencies;
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- American Indian tribes;
- Local communities; and
- Federal agencies.

The Workforce Development Division, Council and Commission have three primary goals:

1. Insuring that North Dakota employers have access to an available and skilled workforce;
2. Retaining youth in North Dakota; and
3. Promoting the expansion of civic engagement and volunteerism opportunities in the state.

The following are initiatives that support these goals:

- We are providing matching funds to local communities to support statewide standardized Community Labor Availability Studies.
  - These studies are important tools in attracting new business to the state by addressing the issue of an available workforce:
    - 26 communities participated in the 2004 standardized Community Labor Availability Studies;
    - Studies are posted on the [www.ndcommerce.com](http://www.ndcommerce.com) web site;
    - Interest is growing in anticipation of the 2006 studies.
  
- We are supporting a Demand Driven Workforce System.
  - In October of 2004, we hosted a successful Governor's Workforce Summit 2004, to obtain input from business and industry about workforce issues they are facing and best practices they have implemented.
    - State agencies and local communities have taken specific steps to address issues identified during the summit.
  - We are piloting Industry Sector Workforce Needs and Skill Assessment Studies: The purpose of these studies are to:
    - Identify the current and future workforce and skill needs of North Dakota employers;
      - Results would be useful to colleges and training providers in adjusting current program offerings and identifying new programs based on the needs of North Dakota employers; and
      - Results could be used by state agencies administering workforce development and training programs to establish priorities and target the investment of state and federal workforce development and training funding;
  
- We are addressing worker and skill shortages through administration of competitive demonstration grants from the federal government:
  - The North Dakota Department of Commerce received a \$2.14 million complete grant award from the U.S. Department of Labor to conduct an H 1B Technical Skills Demonstration to address the nursing shortages in North Dakota. This demonstration is addressing the shortage through delivery of off-campus career ladder training to entry-level health care workers.
    - Career Ladders in the nursing profession include:
      - Certified Nurse Assistant
      - Certified Medication Aid
      - Licensed Practical Nurse
      - Registered Nurse
    - Off campus training of LPN's and RN's has been provided in nine locations:
 

▪ Fargo	▪ Jamestown
▪ Grafton	▪ Williston
▪ Langdon	▪ Minot
▪ Devils Lake	▪ Rugby
	▪ Hettinger
    - Over 1,317 participants have been trained in nursing careers statewide since the start of the project in February 2002.

- We are supporting efforts to retain youth in North Dakota by making information about career opportunities available to North Dakota youth and through the expansion of Internships/Apprenticeship/Cooperative Education opportunities.
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  - The North Dakota Workforce Development Council has secured \$100,000 in federal Governor's Workforce Investment Act Set aside funding to support the marketing of internships, apprenticeship and cooperative education opportunities to North Dakota business and students enrolled in North Dakota colleges and universities.
- ◆ Through the State Commission on National and Community Service we are expanding volunteer and civic engagement opportunities to meet community service needs and provide opportunities for youth to become connected and involved with their communities.
  - We have expanded the number of AmeriCorps projects in North Dakota from 1 in 2002 to 7 in 2004.
  - AmeriCorps is the equivalent of a domestic Peace Corps.
    - ◆ A total of 117 AmeriCorps Member positions have been created.
    - ◆ These AmeriCorps members are providing volunteer services across the state by addressing a number of community and social needs:
      - Tutoring and after school activities for youth;
      - Environmental projects to help restore rivers;
      - Providing counseling and services to special populations.

These efforts are making a difference.

It is all about providing opportunities for our employers to prosper and grow their local workforce and providing the local workforce with opportunities to grow in their careers.

North Dakota employers must stay competitive in order to succeed. Workforce is and will continue to be an increasingly big part of this success. Thank you!

Attachments: Division Organizational Chart.  
Membership List:

North Dakota Workforce Development Council  
North Dakota Youth Development Council  
North Dakota Workforce Development Council – State Commission on  
National and Community Service



**WORKFORCE DEVELOPMENT DIVISION**

**DIVISION DIRECTOR**  
James J. Hirsch

ND Workforce  
Development Council

State Commission on  
Nat'l & Community  
Service

Administrative Officer  
Jill Splonskowski

AmeriCorps\*State  
Formula

Program Officer  
Jerry Houn

Disability Coor.  
Cornelius Grant

H 1B Technical Skills  
Training Grant

Administrative Assist  
Jennifer Shea

**THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL**

July 1, 2001 - June 30, 2007

NAME	CATEGORY	APPOINTMENT
Mr. Jim Walker 520 Gary Avenue Bismarck ND 58501 701-223-9594 <a href="mailto:jrwalk41@msn.com">jrwalk41@msn.com</a>	Organized Labor and Professional Groups - Communication Workers of America	July 1, 2002 - June 30, 2005  (Planning Committee)
Mr. Alvin "Butch" Brandt 617 6 <sup>th</sup> Street Wyndmere ND 58081 701-439-2557 <a href="mailto:butch_b42@hotmail.com">butch_b42@hotmail.com</a>	Organized Labor and Professional Groups - Melroe Bobcat	July 1, 2002 - June 30, 2005
Ms. Cathi Christopherson P.O. Box 1151 Bismarck ND 58502-1151 701-222-7959 <a href="mailto:Cathi.christopherson@MDUResources.com">Cathi.christopherson@MDUResources.com</a>	Business - Region VII MDU Resources Group	July 1, 2002 - June 30, 2005  Vice Chairperson (Executive Committee)
Ms. Candice Dietz 2600 9 <sup>th</sup> Avenue SW Fargo ND 58103 701-293-6905 <a href="mailto:candice@preferencepersonnel.com">candice@preferencepersonnel.com</a>	Business - Region V Preference Personnel	November 15, 2004 - June 30, 2007
Mr. Lee Peterson P.O. Box 2057 Bismarck ND 58502-2057 701-328-5300 <a href="mailto:lpeterson@state.nd.us">lpeterson@state.nd.us</a>	State Agency - Commissioner North Dakota Department of Commerce	Open-ended  (Executive Committee)
Mr. James "Jim" Dahlen PO Box 879 Devils Lake ND 58301-0879 701-662-4933 <a href="mailto:FORWARDdl@stellarnet.com">FORWARDdl@stellarnet.com</a>	Community Group - (Economic Development) Forward Devils Lake Corporation	July 1, 2001 - June 30, 2007
Mr. Paul Steffes 3050 Hwy 22 North Dickinson ND 58601 701-483-5400 <a href="mailto:psteffes@steffes.com">psteffes@steffes.com</a>	Business - Region VIII Steffes Corporation	July 1, 2001 - June 30, 2007
Dr. Robert Potts 600 East Boulevard Ave Bismarck ND 58505-0230 701-328-2963 <a href="mailto:ndus.chancellor@ndus.nodak.edu">ndus.chancellor@ndus.nodak.edu</a>	State Agency- Chancellor, North Dakota University System	Open-ended
Dr. David Gipp, President 3315 University Drive Bismarck ND 58504 701-255-3285 Ext. 8 <a href="mailto:dmgipp@aol.com">dmgipp@aol.com</a>	Community Group - (Vocational Education) United Tribes Technical College	July 1, 2001 - June 30, 2007  (Planning Committee)

Mr. David Kemnitz 1323 East Front Avenue Bismarck ND 58504 701-223-0784 <a href="mailto:dkemnitz@ndaflcio.org">dkemnitz@ndaflcio.org</a>	Organized Labor and Professional Groups - President ND AFL-CIO	July 1, 2003 - June 30, 2006  (Executive Committee)
Ms. Maren Daley 1000 East Divide Avenue Bismarck ND 58502-5507 701-328-3030 <a href="mailto:mdaley@state.nd.us">mdaley@state.nd.us</a>	State Agency - Executive Director, Job Service North Dakota	Open-ended  Ex-Officio (Executive Committee)
Mr. Wayne L. Kutzer 600 E Boulevard, 15 <sup>th</sup> Floor Bismarck ND 58505-0610 701-328-2259 <a href="mailto:wkutzer@state.nd.us">wkutzer@state.nd.us</a>	State Agency - State Director, State Board for Career & Technical Education	Open-ended  (Executive Committee)
Ms. Rosella Grant 1006 West Capitol Avenue Bismarck ND 58501 701-223-3929 <a href="mailto:grantrosella@hotmail.com">grantrosella@hotmail.com</a>	Organized Labor and Professional Groups	July 1, 2002 - June 30, 2005
Mr. Leo Cummings HC3, Box 2 Newtown ND 58763 701-627-4756 <a href="mailto:cummings@mhanation.com">cummings@mhanation.com</a>	Community Group -477 Administrator (Three Affiliated Tribes North Segment Community Board)	July 1, 2001 - June 30, 2007  (Planning Committee)
Mr. Al Lukes P.O. Box 5540 Bismarck ND 58506 701-221-4401 <a href="mailto:alukes@bepc.com">alukes@bepc.com</a>	Business – At Large Dakota Gasification Company	July 1, 2002 - June 30, 2005  Chairperson (Executive Committee)
Mr. Charles Axtman 302 16th Avenue NE Jamestown ND 58401 701-252-6908 <a href="mailto:axtman@daktel.com">axtman@daktel.com</a>	Business - Region VI	July 1, 2003 - June 30, 2006
Mr. Lee Lampert Divide County High School Crosby ND 58730 701-982-3324 <a href="mailto:lee.lampert@sendit.nodak.edu">lee.lampert@sendit.nodak.edu</a>	Community Group - (Secondary Education) Vocational Education Director	July 1, 2002 - June 30, 2005
Mr. Brian Mathews 1550 South 48 <sup>th</sup> Street Grand Forks ND 58201 701-787-3508 <a href="mailto:bmat@amazon.com">bmat@amazon.com</a>	Business – Region IV Amazon.Com	July 1, 2003 - June 30, 2006

Mr. David Massey 600 East Boulevard Avenue Bismarck ND 58505-0440 701-328-2393 <a href="mailto:dmassey@state.nd.us">dmassey@state.nd.us</a>	State Agency - Assistant Superintendent, Department of Public Instruction	Open-ended
Ms. Carol Olson 600 East Boulevard Avenue Bismarck ND 58505-0250 701-328-2538 <a href="mailto:socols@state.nd.us">socols@state.nd.us</a>	State Agency - Executive Director, Department of Human Services	Open-ended
Dr. Sharon Hart 800 North 6 <sup>th</sup> Street Wahpeton ND 58076 701-671-2222 <a href="mailto:Sharon.Hart@ndscs.edu">Sharon.Hart@ndscs.edu</a>	Community Group - (Higher Education) President - North Dakota State College of Science	September 1, 2004 - June 30, 2007
Mr. Todd La Motte 301 4 <sup>th</sup> Street Devils Lake ND 58301 701-662-4976 <a href="mailto:lamottes@gondtc.com">lamottes@gondtc.com</a>	Business – Region III La Motte's Paint & Glass	November 15, 2004 - June 30, 2006
Mr. Bruce Walker 219 South Main Minot ND 58701 701-852-0136 <a href="mailto:Bruce@coldwellbanker.com">Bruce@coldwellbanker.com</a>	Business – Region II Coldwell Banker, 1 <sup>st</sup> Minot Realty	July 1, 2002 - June 30, 2005  (Executive Committee)
Ms. Sharon Buhr 570 Chautauqua Boulevard Valley City ND 58072 701-845-6456 <a href="mailto:buhr@csicable.net">buhr@csicable.net</a>	Community Group – Local School Board	October 5, 2003 - June 30, 2006
Mr. Robert Blackford PO Box 842 Kenmare ND 58746 701-385-4594 <a href="mailto:woldrill@restel.net">woldrill@restel.net</a>	Business – Region I Wolverine Drilling	July 1, 2003 - June 30, 2006
Mr. James J. Hirsch 1600 East Century Avenue, Suite 2 P.O. Box 2057 Bismarck ND 58502-2057 701-328-5345 <a href="mailto:jhirsch@state.nd.us">jhirsch@state.nd.us</a>	Ex-Officio Member/No Vote Council	Open-ended  (Executive Committee)
Ms. Cheryl M. Kulas Executive Director North Dakota Indian Affairs Commission 600 East Boulevard 1 <sup>st</sup> Floor Judicial Wing Bismarck ND 58505-0300 701-328-2432 <a href="mailto:ckulas@state.nd.us">ckulas@state.nd.us</a>	Ex-Officio Member/No Vote	Open-ended

**THE NORTH DAKOTA YOUTH DEVELOPMENT COUNCIL**  
**July 1, 2001 - June 30, 2007**

NAME	CATEGORY	APPOINTMENT
<p>Ms. Korrine Lang            1000 East Divide Avenue            Bismarck ND 58506-5507            701-328-3045  <a href="mailto:klang@state.nd.us">klang@state.nd.us</a></p>	<p>One-Stop Center Operator            (Job Service North Dakota)</p>	<p>July 1, 2003 - June 30, 2006</p>
<p>Ms. Brenda Christensen            2105 Lee Avenue            Bismarck ND 58504            701-258-2240  <a href="mailto:brendac@cap7.com">brendac@cap7.com</a></p>	<p>Public Housing and            Community Block Grants            (Community Action Region            VII)</p>	<p>July 1, 2002 - June 30, 2005</p>
<p>Ms. Lyn Dockter-Pinnick            1500 University Avenue West            Minot ND 58703            701-857-9602            701-833-4651 (cell)  <a href="mailto:pinnicLD@jcdc.jobcorps.org">pinnicLD@jcdc.jobcorps.org</a></p>	<p>Chairperson            Job Corps            (Youth Development Council            Chairperson)</p>	<p>July 1, 2003 - June 30, 2006</p>
<p>Mr. Tim Eissinger            1641 - 31<sup>st</sup> Ave South            Fargo ND 58103            701-237-3123, Ext 1322  <a href="mailto:teissngr@cableone.net">teissngr@cableone.net</a></p>	<p>Alternative Schools            (Dakota Boys &amp; Girls Ranch)</p>	<p>July 1, 2001 - June 30, 2007</p>
<p>Anita Kostek            1005 18 ½ Avenue SW            Minot ND 58701            701-838-5856 (h)            701-858-2267 (w)  <a href="mailto:ivn_tech@yahoo.com">ivn_tech@yahoo.com</a>  <a href="mailto:ajkostek@yahoo.com">ajkostek@yahoo.com</a></p>	<p>Job Corps Graduate – ING            Insurance</p>	<p>July 1, 2003 - June 30, 2006</p>
<p>Mr. Scott Holdman            3627 12<sup>th</sup> Avenue North            Grand Forks ND 58203-2010            701-795-6958            701-739-4885(mobile)            701-795-6998(fax)  <a href="mailto:scottholdman@ifdsdevelopmentcounsel.com">scottholdman@ifdsdevelopmentcounsel.com</a>  <a href="http://www.ifdsdevelopmentcounsel.com">www.ifdsdevelopmentcounsel.com</a></p>	<p>Vice Chairperson            Youth Program Student –            Graduate            Community Financial Catalyst, Inc.</p>	<p>July 1, 2002 - June 30, 2005</p>
<p>Wayne L. Kutzer            600 E Boulevard, 15<sup>th</sup> Floor            Bismarck ND 58505-0610            701-328-2259  <a href="mailto:wkutzer@state.nd.us">wkutzer@state.nd.us</a></p>	<p>Children Services            Coordinating Committee            State Director, State Board for            Career &amp; Technical Education</p>	<p>July 1, 2001 – June 30, 2007</p>

Vacant	Public School System	July 1, 2001 - June 30, 2004  Will fill on July 1, 2005 to be same as term for Commission.
Ms. Ethel Keeley Keeley Consulting Inc. 883 San Angelo Dr. Apt. 4 Bismarck ND 58504-7491 701-223-7119 <a href="mailto:ethelkeeley@earthlink.net">ethelkeeley@earthlink.net</a>	Business - Keeley Consulting	July 1, 2001- June 30, 2007
Ms. Gloria Maragos PO Box 1741 Minot ND 58702-1741 701-857-7608/H 701-838-6078 <a href="mailto:Gmaragos@ndcourts.com">Gmaragos@ndcourts.com</a>	Judiciary Juvenile Court	July 1, 2002 - June 30, 2005
Ms. Gaylene Massey 701 16 <sup>th</sup> Avenue SW Mandan ND 58554 701-667-1445 <a href="mailto:gmassey@state.nd.us">gmassey@state.nd.us</a>	ND Youth Corrections	July 1, 2002 - June 30, 2005
Mr. Leo Cummings HC3, Box 2 Newtown ND 58763 701-627-4756 <a href="mailto:lcummings@mhanation.com">lcummings@mhanation.com</a>	Workforce Investment Act Director Three Affiliated Tribes	July 1, 2001 – June 30, 2007
Debbie Painte 3315 University Drive Bismarck ND 58504 701-255-3285 Ext <a href="mailto:dpainte@uttc.edu">dpainte@uttc.edu</a>	Workforce Investment Act Director United Tribes Technical College	
Ms. Cheryl Penny Box D Fort Yates ND 58538 701-854-3874 <a href="mailto:cheryl_penny@yahoo.com">cheryl_penny@yahoo.com</a>	Workforce Investment Act Director Standing Rock Sioux Tribe	July 1, 2001 – June 30, 2007
Vacant	Workforce Investment Act Director Turtle Mountain Band of Chippewa	July 1, 2001 – June 30, 2004
Vacant	Workforce Investment Act Director Spirit Lake Nation	July 1, 2001 – June 30, 2004

Mr. Al Austad 4104 35 <sup>th</sup> Avenue NW Mandan ND 58554 701-663-1476 (h) 701-471-1824 (c) <a href="mailto:j-a-austad@bis.midco.net">j-a-austad@bis.midco.net</a>	Organized Labor	January 1, 2002 – June 30, 2007
Harley Engelman 600 South 2 <sup>nd</sup> Street, Suite 1B Bismarck ND 58504 701-328-8957 <a href="mailto:soengh@state.nd.us">soengh@state.nd.us</a>	Department of Human Services	July 1, 2003 – June 30, 2006
Mr. James Hirsch P.O. Box 2057 Bismarck ND 58502-2057 701-328-5345 <a href="mailto:jhirsch@state.nd.us">jhirsch@state.nd.us</a>	Ex-Officio Member/No Vote Council Director and Secretary	Open-ended

**THE NORTH DAKOTA WORKFORCE DEVELOPMENT COUNCIL  
STATE COMMISSION ON NATIONAL AND COMMUNITY SERVICE**

**July 1, 2002 - June 30, 2007**

<b>NAME</b>	<b>CATEGORY</b>	<b>APPOINTMENT</b>
Ms. Cathi Christopherson P.O. Box 1151 Bismarck ND 58502-1151 701-222-7959 <a href="mailto:Cathi.christopherson@MDUResources.com">Cathi.christopherson@MDUResources.com</a>	Business – Region VII MDU Resources Group	July 1, 2002 - June 30, 2005
Mr. James "Jim" Dahlen PO Box 879 Devils Lake ND 58301-0879 701-662-4933 <a href="mailto:FORWARDdl@stellarnet.com">FORWARDdl@stellarnet.com</a>	Community Based Organization - Forward Devils Lake Corporation	July 1, 2002 to June 30, 2007
Dr. David Gipp, President 3315 University Drive Bismarck ND 58504 701-255-3285 Ext. 8 <a href="mailto:dmgipp@aol.com">dmgipp@aol.com</a>	Educator – United Tribes Technical College	July 1, 2002 to June 30, 2007
Mr. Wayne L. Kutzer 600 E Boulevard, 15 <sup>th</sup> Floor Bismarck ND 58505-0610 701-328-2259 <a href="mailto:wkutzer@state.nd.us">wkutzer@state.nd.us</a>	Educator -State Agency - State Director, State Board for Career & Technical Education	July 1, 2003 to June 30, 2006
Ms. Rosella Grant, <b>Vice Chair</b> 1006 West Capitol Avenue Bismarck ND 58501 701-223-3929 <a href="mailto:grantrosella@hotmail.com">grantrosella@hotmail.com</a>	Local Organized Labor and Professional	July 1, 2003 to June 30, 2006
Mr. Leo Cummings HC3, Box 2 Newtown ND 58763 701-627-4756 <a href="mailto:lcummings@mhanation.com">lcummings@mhanation.com</a>	Representative of American Indian Tribes - Three Affiliated Tribes	July 1, 2002 to June 30, 2007
Mr. Al Lukes, <b>Chairperson</b> P.O. Box 5540 Bismarck ND 58506 701-221-4401 <a href="mailto:alukes@bepc.com">alukes@bepc.com</a>	Business – Dakota Gasification Company	July 1, 2002 to June 30, 2005
Mr. David Massey 600 East Boulevard Avenue Bismarck ND 58505-0440 701-328-2393 <a href="mailto:dmassey@state.nd.us">dmassey@state.nd.us</a>	State Education Agency - Assistant Superintendent, Department of Public Instruction	July 1, 2002 to June 30, 2005
Ms. Carol Olson 600 East Boulevard Avenue Bismarck ND 58505-0250 701-328-2538 <a href="mailto:socols@state.nd.us">socols@state.nd.us</a>	Older Adults Service & Volunteerism -State Agency - Executive Director, Department of Human Services	July 1, 2003 to June 30, 2006



<p>Dr. Sharon Hart 800 North 6<sup>th</sup> Street Wahpeton ND 58076 701-671-2222 <a href="mailto:Sharon.Hart@ndscs.edu">Sharon.Hart@ndscs.edu</a></p>	<p>Educators – (Higher Education) President – North Dakota State College of Science</p>	<p>September 1, 2004 to June 30, 2007</p>
<p>Ms. Sharon Buhr 570 Chautauqua Boulevard Valley City ND 58072 701-845-6456 <a href="mailto:buhr@csicable.net">buhr@csicable.net</a></p>	<p>Local Government – Local School Board</p>	<p>July 1, 2003 to June 30, 2006</p>
<p>Ms. Lisa Ringstad 705 Burrel Avenue Cooperstown ND 58425 701-797-3530 <a href="mailto:lisingstad@invisimax.com">lisingstad@invisimax.com</a></p>	<p>National Service Program -Cooperstown Community Activities Authority</p>	<p>July 1, 2002 to June 30, 2005</p>
<p>Mr. Max Laird 642 6<sup>th</sup> Avenue NE Thompson ND 58278-9324 (H)701-599-2834 (W) 795-2782 (Cell) 741-9438 <a href="mailto:mlaird@gfschools.org">mlaird@gfschools.org</a></p>	<p>Educator – Grand Forks Public School System</p>	<p>July 1, 2002 to June 30, 2005</p>
<p>Ms. Gloria Maragos PO Box 1741 Minot ND 58702-1741 701-857-7608/H 701-838-6078 <a href="mailto:Gmaragos@ndcourts.com">Gmaragos@ndcourts.com</a></p>	<p>Educational Training &amp; Development of Youth</p>	<p>July 1, 2002 to June 30, 2007</p>
<p>Ms. Brittini Alm Youthworks 104 6<sup>th</sup> Street NE, Apt. #2 Mandan ND 58554 701-220-5685 <a href="mailto:brittinalm@hotmail.com">brittinalm@hotmail.com</a></p>	<p>Youth age of 16 –25 who is a participant or supervisor of a service program for school-aged youth, a campus-based or national service program.</p>	<p>March 1, 2004 to June 30, 2007</p>
<p>Mr. John Pohlman State Director 225 South Pierre Street #225 Pierre SD 57501 605-224-5996 Ext. 13 <a href="mailto:jpohlman@cns.gov">jpohlman@cns.gov</a></p>	<p>Ex-Officio Member (No Vote) Corporation for National and Community Service</p>	<p>Open-ended</p>
<p>Mr. James J. Hirsch P.O. Box 2057 Bismarck ND 58502-2057 701-328-5345 <a href="mailto:jhirsch@state.nd.us">jhirsch@state.nd.us</a></p>	<p>Ex-Officio Member/No Vote Council Director and Secretary</p>	<p>Open-ended</p>

Staff Contact Information:

James J. Hirsch  
Director  
Phone: 701-328-5345  
Facsimile: 701-328-5320  
Email: [jhirsch@state.nd.us](mailto:jhirsch@state.nd.us)

Jerry Houn  
Program Officer  
Phone: 701-328-7263  
Facsimile: 701-328-5320  
Email: [jhoun@state.nd.us](mailto:jhoun@state.nd.us)

Jill Splonskowski  
Administrative Officer  
Phone: 701-328-7266  
Facsimile: 701-328-5320  
Email: [jsplonskowski@state.nd.us](mailto:jsplonskowski@state.nd.us)

NORTH DAKOTA DEPARTMENT OF COMMERCE  
WORKFORCE DEVELOPMENT DIVISION  
1600 EAST CENTURY AVENUE, SUITE 2  
P.O. BOX 2057  
BISMARCK ND 58502-2057

*Same given to the Senate*

**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**

**MARCH 1, 2005, 9:00 A.M.**

**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**

**BRYNHILD HAUGLAND ROOM**

**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**AL LUKES – CHAIRMAN, WORKFORCE DEVELOPMENT COUNCIL**

Mr. Chairman and members of the committee my name is Al Lukes, Senior Vice President and Chief Operating Officer, Dakota Gasification Company and Chairperson for the North Dakota Workforce Development Council and the State Commission on National and Community Service.

The Workforce Development Council and the State Commission receives staff support from the Workforce Development Division within the North Dakota Department of Commerce.

A copy of a division organizational chart and the current membership for each of the Councils and the Commission is included with the written testimony provided by James Hirsch.

I would like to share with you a five minute video that summarizes the mission and work of the Council and Commission.

The Council and Commission has responsibility for coordination, planning, and oversight of approximately \$15 million in federal workforce training and federal AmeriCorps\*State Formula funds each biennium.

The Workforce Development Division, Council and Commission have three over arching goals:

1. Insuring that North Dakota employers have access to an available & skilled workforce;
2. Retaining youth in North Dakota; and
3. Promoting the expansion of civic engagement and volunteerism opportunities in the state.

The video provided examples of how these goals are being supported. I would like to supplement the information provided in the video.

- Through the Division, matching funds are being provided to local communities to conduct statewide standardized Community Labor Availability Studies.
  - These studies are important tools in attracting new business to the state.
    - 26 communities participated in the 2004 standardized Community Labor Availability Studies;
    - Studies are posted on the www.ndcommerce.com web site;
  
- The activities of the Council and Workforce Development Division support the development of a Demand Driven Workforce System.
  - In October of 2004, we hosted a successful Governor's Workforce Summit 2004, to obtain input from business and industry about workforce issues they are facing and best practices they have implemented.
  
  - This past year, with our state agency partners, we undertook an Industry Sector Workforce and Skill Needs Assessment Studies: The purpose of these studies are to:
    - Identify the current and future workforce and skill needs of North Dakota employers;
      - We will provide the results to our state's colleges and training providers for use in planning for changes to program offerings and to establish new programs to address the needs of North Dakota employers; and
      - The Council will use the results to establish priorities and target the investment of federal workforce development and training funding;
  
- A Technical Skills Training Grant was identified in the video. Since the start of the grant in February 2002, over 1,317 individuals have been trained in nursing careers.

- The Council supported the investment of \$200,000 in federal Workforce Investment Act Incentive funds to support expansion of Career Education awareness and the [www.ImagineND.com](http://www.ImagineND.com) web site as a way to get information about North Dakota careers to our youth.
- The Council supported the investment of \$225,000 in federal Workforce Investment Act Incentive funds to expand internship and apprenticeship opportunities.
- The Council supported the investment of \$100,000 in federal Governor's Workforce Investment Act Set aside funding to support the marketing of internships, apprenticeship and cooperative education opportunities to North Dakota business and students enrolled in North Dakota colleges and universities.
- The Commission is supporting the expansion of volunteer and civic engagement opportunities across the State.
  - The number of AmeriCorps projects in North Dakota expanded from 1 in 2002 to 7 in 2004.
  - AmeriCorps is the equivalent of a domestic Peace Corps.
  - A total of 134 AmeriCorps Member positions have been created.

We feel we are making a Difference:

It is all about providing opportunities for our employers to prosper and grow their local workforce and providing the local workforce with opportunities to grow in their careers.

North Dakota employers must stay competitive in order to succeed. Workforce is and will continue to be an increasingly big part of this success.

Thank you!

**Department of Commerce Testimony on SB 2018  
March 14, 2005, 9:00 A. M.  
House Appropriations Committee  
Government Performance Sub-Committee  
Brynhild Haugland Room  
Representative Al Carlson, Chairman**

Mr. Chairman and members of the committee my name is James Hirsch, Director of the Workforce Development Division with the North Dakota Department of Commerce.

During our hearing on March 7<sup>th</sup> the Committee raised two questions related to the Workforce Development Division. I would like to respond to them.

- 1. Community Labor Availability Studies:** The Workforce Development Division provides communities with matching funds for standardized statewide Community Labor Availability Studies. We market these studies and identify communities interested in participating through the Economic Development Association of North Dakota and Local Development Corporations.

In 2002, 14 communities participate in the studies. In 2004, 26 communities participated. We have been contacted by several additional communities for inclusion in our 2006 study.

Labor Availability Studies are important tools for communities in attracting new business and helping existing business expand. The studies can also help mitigate out migration for our smaller communities. Communities having a significant number of currently employed workers seeking other employment or indicate an interest in other employment are at risk of losing these individuals if employment or training opportunities are not available to them.

I have included a map of the primary and secondary areas included in the Community Labor Availability Studies for 2004. I have also included a copy of the Community projected cost to participate in the studies.

The bottom line is proactive communities recognize the importance of economic and workforce intelligence to support their goals. New business startups and locations tend to go to communities who have a handle on their available workforce and supply of labor.

2. **Funding for Internships:** The Workforce Development Division did not have any appropriated funding to support Internships in our 2003 – 2005 budget and we do not have any requested for the 2005 -2007 biennium.

The North Dakota Workforce Development Council did support the use of special federal funds to support the marketing and expansion of Internships, Apprenticeships and Cooperative Education.

- ◆ \$100,000 in Governor's Discretionary Workforce Investment Act funding from Program Year 2003 and 2004 were used to market internships to North Dakota businesses.
- ◆ \$225,000 in Workforce Investment Act Incentive funds was provided to Job Service North Dakota to develop demonstrations and fund expansion of Apprenticeship and Internships to youth eligible for Workforce Investment Act services.

The Workforce Investment Act Incentive funds are one time funding sources to help establish demonstrations and new program and service delivery techniques.

The Governor's Discretionary Workforce Investment Act funding is ongoing, but limited. An estimate of available funding is approximately \$150,000 to \$175,000 annually.

Thank you. I would be happy answer any questions.





**STATEWIDE COMMUNITY LABOR AVAILABILITY AND  
UNDEREMPLOYMENT STUDIES**

**Community Financial Support Estimate**

Big Four Communities	\$6,000
Medium Four Communities	\$3,000
Communities over 2000 Population	\$2,000
Communities over 1000 Population	\$1,000
Communities under 1000 Population	\$500

Communities pay approximately 1/3 of cost of doing statewide community labor availability studies.

DEPARTMENT OF COMMERCE  
WORKFORCE DEVELOPMENT BUDGET

	<u>03-05 Adjusted Appropriation</u>	<u>05-07 Senate Budget</u>
Workforce Council	\$ 279,734	\$ 288,262
Workforce Division	\$ 433,338	\$ 439,166
H1B Technical Skills Training Grant	\$ 989,122	
State Commission on Community Services	\$ 1,571,394	\$ 1,461,631
<b>TOTAL BUDGET</b>	<b><u>\$ 3,273,588</u></b>	<b><u>\$ 2,189,059</u></b>
General Fund	\$ 302,362	\$ 312,509
Federal Fund	\$ 2,771,226	\$ 1,676,550
Special Fund	\$ 200,000	\$ 200,000

Since our budget request was submitted in July, 2004 we have received an extension on the H1B Technical Skills Training Grant and need additional federal authority to be added to SB 2018 to finish out this grant

**REQUEST FOR ADDITIONAL FEDERAL AUTHORITY**

**H1B Technical Skills Training Grant**

Salaries	\$ 35,878
Operating	\$ 41,000
Grants	<u>\$ 623,122</u>
Total Budget - 100% Federal Funds	<u><u>\$ 700,000</u></u>

APPENDIX A

Session 2005B0100601 Number 2

Description Job Opportunities Internet Web Site

Statutory authority NDCC 54-60

Special fund number and name 330 Economic Development Comm Fund

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 3/31/04	Estimated 2003-05	Estimated 2005-07
Beginning balance	0	0	0	0	0
Revenues	0	0	0	0	0
Total available	0	0	0	0	0
Expenditures		0	0	0	0
Ending balance	0	0	0	0	0

Use the narrative button to explain the justification for continuing the statutory authority for this continuing appropriation.



**Continuing Appropriations Narrative**  
00601 DEPT OF COMMERCE

Version 2005B0100601  
Project 2 Job Opportunities Internet Web Site

Page 1 of 1  
Date:  
Time: 10:39:48

12/29/2004

**CONTINUING APPROPRIATION JUSTIFICATION**

Even though continuing appropriation language was provided in 54-60-10 for the career guidance and job opportunities internet web site, \$200,000 of special fund expenditure authority was also appropriated in the 2003-05 budget for the Department of Commerce. The Department has utilized the expenditure authority, and will continue to do so for the 2005-2007 biennium. Therefore, the continuing appropriation language will not be utilized.

## CENTERS OF EXCELLENCE - FUNDING COMPARISON FOR THE 2003-05 BIENNIUM

	Executive Budget		House Version		Senate Version			Approved Version - 2003 Legislative Assembly			
	Student Loan Trust Fund	General Fund	General Fund	General Fund	General Fund	Development Fund	Total	General Fund	Ag PACE Fund	Development Fund	Total
House Bill No. 1003	\$5,000,000 <sup>1</sup>	\$2,000,000 <sup>2</sup>	\$2,000,000	\$1,900,000 <sup>3</sup>	\$2,500,000 <sup>4</sup>	\$1,900,000	\$2,300,000 <sup>4</sup>	\$800,000 <sup>5</sup>		\$2,050,000 <sup>6</sup>	\$2,300,000
House Bill No. 1019				1,000,000 <sup>7</sup>		2,500,000					2,050,000
House Bill No. 1021						1,000,000					800,000
<b>Total</b>	\$5,000,000	\$2,000,000	\$2,000,000	\$2,900,000	\$2,500,000	\$5,400,000	\$2,300,000	\$800,000	\$2,050,000	\$5,150,000	

<sup>1</sup>The 2003-05 executive budget recommendation for higher education included \$5,000,000 from the student loan trust fund to establish centers of excellence, as determined by the State Board of Higher Education, to provide support for University System instruction, research, and outreach efforts.

<sup>2</sup>The House version of House Bill No. 1003 provided funding of \$2,000,000 from the general fund for centers of excellence. The funding was to support public private partnership research efforts that focus on research that will have a positive impact on the state's economy and gross state product, including research efforts that emphasize aerospace, biotechnology, energy, medicine, and technology transfer.

<sup>3</sup>The Senate version of House Bill No. 1003 provided funding of \$1,900,000 from the general fund for centers of excellence, a decrease in funding of \$100,000 from the House version. Of the \$1,900,000, \$1,500,000 was for the John D. Odegard Center for Aerospace - Center of Excellence in Multimedia Technology, including \$206,000 for an Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service Initiative. The remaining \$400,000 was for future centers of excellence to be allocated by the State Board of Higher Education.

<sup>4</sup>The approved version of House Bill No. 1003 provided funding of \$1,550,000 from the general fund for centers of excellence, a decrease in funding of \$450,000 from the House version and a decrease of \$350,000 from the Senate version. Of the \$1,550,000, \$1,150,000 was for the John D. Odegard Center for Aerospace - Center of Excellence in Multimedia Technology, including \$206,000 for an Expanded Air Service Enterprise - Upper Great Plains Air Taxi Service Initiative. The remaining \$400,000 was for future centers of excellence to be allocated by the State Board of Higher Education. In addition, the approved version appropriated \$750,000 from the general fund to North Dakota State University (NDSU) for the university's Center for Genetic Research.

<sup>5</sup>The Senate version of House Bill No. 1019 created a new section of North Dakota Century Code providing that the Department of Commerce shall establish and administer a centers of excellence program. The Department of Commerce may designate centers of excellence based on established eligibility criteria, and centers of excellence would include the NDSU Center for Beef Systems, NDSU Center for Nanoscale Science and Engineering, University of North Dakota (UND) Center for Innovation, NDSU Center for Technology Enterprise, UND Center for Aerospace Sciences, and NDSU Center for High Performance Computing. The Senate version also appropriated \$2,000,000 from the general fund to the Development Fund and designated \$2,500,000 of funding from the Development Fund for centers of excellence, including \$1,500,000 for the NDSU Center for Technology Enterprise and \$1,000,000 for the UND Center for Innovation.

<sup>6</sup>The approved version of House Bill No. 1019 created a new section to North Dakota Century Code providing that the State Board of Higher Education shall establish a centers of excellence program. The State Board of Higher Education would designate centers of excellence, and centers of excellence would include the NDSU Center for Technology Enterprise and UND Center for Innovation. The approved version also appropriated \$1,550,000 from the general fund to the Development Fund and designated \$2,050,000 of funding from the Development Fund for centers of excellence, including \$1,250,000 for the NDSU Center for Technology Enterprise and \$800,000 for the UND Center for Innovation.

<sup>7</sup>The Senate version of House Bill No. 1021 provided funding of \$1,000,000 from the general fund for establishment of a beef systems center of excellence at NDSU pursuant to the provisions of Senate Bill No. 2334.

<sup>8</sup>The approved version of House Bill No. 1021 provided funding of \$800,000 from the agriculture partnership in assisting community expansion (Ag PACE) fund for establishment of a beef systems center of excellence at NDSU pursuant to the provisions of Senate Bill No. 2334. The approved version also provided that \$1,000,000 in federal funds and \$1,000,000 in special funds must be collected prior to receiving the \$800,000 from the Ag PACE fund.

## CENTERS OF EXCELLENCE

The centers of excellence (COE) program was created by Section 23 of House Bill No. 1019 (2003), the Department of Commerce appropriations bill. North Dakota Century Code (NDCC) Section 15-10-41 provides the statutory framework for the COE program. During the 2003-04 interim, the Legislative Council Economic Development Committee received the State Board of Higher Education (SBHE) presentation of definitions and eligibility criteria for the COE program pursuant to Section 15-10-41(1). The Economic Development Committee recommended changes to the COE program are provided for in Section 4 of Senate Bill No. 2032, the committee's comprehensive business initiative bill. The Department of Commerce appropriations bill, Senate Bill No. 2018, includes a section amending Section 15-10-41, at Section 9 of the Act.

Senate Bill Nos. 2018 and 2032 amendments to NDCC Section 15-10-41 are identical, except for the

following new language in Senate Bill No. 2018 which is not included in Senate Bill No. 2032:

The Bank of North Dakota may loan up to fifty million dollars to the department of commerce to provide matching funds to recipients of funds awarded under this section. The debt service due under the loan must not exceed five million dollars per biennium. The loan may be entered into upon the terms, conditions, and payment provisions as the parties deem to be in the best interest of the state. Repayment of each loan by the department of commerce is contingent upon receipt of sufficient biennial appropriations by the legislative assembly for that purpose.

The following is a brief comparison between the current COE program law and the proposed COE program law under Section 4 of Senate Bill No. 2032:

Centers of Excellence Program - NDCC Section 15-10-41	
Current	Proposed (SB 2032, Section 4)
<p>1</p> <ul style="list-style-type: none"> <li>• SBHE shall establish the COE program, consistent with the purpose of subsection 2</li> <li>• SBHE shall designate COEs</li> <li>• Legislatively designated COEs:                             <ul style="list-style-type: none"> <li>• North Dakota State University (NDSU) Center for Technology Enterprise</li> <li>• University of North Dakota (UND) Center for Innovation</li> </ul> </li> <li>• SBHE, with North Dakota Economic Development Foundation (foundation) and private sector, shall establish program definitions and eligibility criteria</li> <li>• SBHE shall report definitions and eligibility criteria to the Legislative Council (2003-04 Economic Development Committee)</li> <li>• Foundation may recommend to SBHE high-priority COEs</li> </ul> <p>2</p> <ul style="list-style-type: none"> <li>• COE program purpose:                             <ul style="list-style-type: none"> <li>• Develop and engage strategies for science and technology:                                     <ul style="list-style-type: none"> <li>• Research and development</li> <li>• Commercialization</li> <li>• Entrepreneurship</li> <li>• Infrastructure</li> <li>• Growth and expansion of knowledge-based industries</li> <li>• Activities to develop innovative approaches that expand the gross state product (GSP)</li> </ul> </li> <li>• Assist efforts to attract private and federal assistance for:                                     <ul style="list-style-type: none"> <li>• Science and technology research and development</li> <li>• Commercialization in growth clusters most likely to increase the GSP</li> </ul> </li> </ul> </li> <li>• Increase collaboration among state, federal, and private research and development organizations and technology commercialization organizations</li> </ul>	<p>1</p> <ul style="list-style-type: none"> <li>• SBHE shall establish the COE program</li> <li>• Program provides COE commission (commission) awards funds to:                             <ul style="list-style-type: none"> <li>• Research universities</li> <li>• University-related foundations</li> <li>• Public institutions</li> </ul> </li> </ul> <p>2</p> <ul style="list-style-type: none"> <li>• Defines "industry cluster" as:                             <ul style="list-style-type: none"> <li>• Advanced manufacturing</li> <li>• Energy</li> <li>• Information and technology</li> <li>• Tourism</li> <li>• Value-added agriculture</li> <li>• Aerospace and any other industry the Department of Commerce specifically identifies as contributing to the GSP</li> </ul> </li> </ul> <p>3</p> <ul style="list-style-type: none"> <li>• Creates eight-member commission:                             <ul style="list-style-type: none"> <li>• North Dakota Economic Development appoints two members</li> <li>• SBHE appoints three members</li> <li>• Legislative Assembly appoints three members (nonvoting)</li> </ul> </li> <li>• Commission duties:                             <ul style="list-style-type: none"> <li>• Review applications</li> <li>• Make designation determinations</li> <li>• Award funds</li> </ul> </li> <li>• SBHE shall provide staff for commission</li> </ul> <p>4</p> <ul style="list-style-type: none"> <li>• SBHE:                             <ul style="list-style-type: none"> <li>• Establish forms</li> <li>• Accept applications</li> <li>• Review applications for completeness</li> <li>• Forward applications to commission</li> </ul> </li> <li>• Commission may designate COEs</li> <li>• Legislative Assembly established COEs:                             <ul style="list-style-type: none"> <li>• NDSU Center for Technology Enterprise</li> <li>• UND Center for Innovation</li> </ul> </li> </ul>

Current	Proposed (SB 2032, Section 4)
<p>3</p> <ul style="list-style-type: none"> <li>• To expand efforts to stimulate economic growth in identified industry clusters, by strengthening leadership and support of National Science Foundation Experimental Program to Stimulate Competitive Research (EPSCoR) programs and by encouraging partnerships with other state institutions</li> <li>• Provide leadership in science and technology policy at regional, national, and international level</li> <li>• Create employment opportunities for North Dakota University System (NDUS) graduates</li> <li>• Identifies industry clusters as: <ul style="list-style-type: none"> <li>• Advanced manufacturing</li> <li>• Aerospace</li> <li>• Energy</li> <li>• Information and technology</li> <li>• Tourism</li> <li>• Value-added agriculture</li> </ul> </li> <li>• SBHE allocates funds for undesignated COEs by using eligibility criteria</li> <li>• SBHE, with foundation, reports to Budget Section</li> <li>• Use of funds: <ul style="list-style-type: none"> <li>• Enhance capacity</li> <li>• Enhance infrastructure</li> <li>• Leverage state, federal, and private sources of funding</li> </ul> </li> <li>• Funds may not be used to: <ul style="list-style-type: none"> <li>• Supplant funding for current operations</li> <li>• Supplant funding for current academic instruction</li> <li>• Pay indirect costs</li> </ul> </li> <li>• If an applicant demonstrates the potential to deliver expertise and service to an industry cluster that will contribute to the GSP, SBHE may award funds to: <ul style="list-style-type: none"> <li>• Research university</li> <li>• University-related foundation</li> <li>• Public institution in North Dakota</li> </ul> </li> <li>• Recipient that is a state institution or nonprofit university-related foundation shall: <ul style="list-style-type: none"> <li>• Provide SBHE documentation of availability of \$2 matching for each \$1 COE funds</li> <li>• First four years shall provide annual reports to SBHE, Governor, and foundation</li> </ul> </li> </ul>	<p>5</p> <ul style="list-style-type: none"> <li>• Complete application must: <ul style="list-style-type: none"> <li>• Develop and engage strategies for: <ul style="list-style-type: none"> <li>• Science and technology research and development</li> <li>• Commercialization</li> <li>• Entrepreneurship</li> <li>• Infrastructure</li> <li>• Utilization to assist the growth and expansion of knowledge-based industries</li> <li>• Other activities in the state to develop innovative approaches to expand GSP</li> </ul> </li> <li>• Create employment opportunities for North Dakota residents</li> <li>• Assist efforts to attract private and federal assistance for science and technology research and development organizations in North Dakota</li> </ul> </li> </ul> <p>6</p> <ul style="list-style-type: none"> <li>• Commission shall do the following in designating a COE: <ul style="list-style-type: none"> <li>• Ensure application was complete</li> <li>• Consider whether proposed COE will: <ul style="list-style-type: none"> <li>• Strengthen leadership and support of EPSCoR programs and encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in industry clusters</li> <li>• Provide leadership in science and technology policy at regional, national, and international levels</li> <li>• Create employment opportunities for NDUS graduates</li> </ul> </li> </ul> </li> </ul> <p>7</p> <ul style="list-style-type: none"> <li>• SBHE shall allocate COE funds in accordance with commission award determinations that have been approved by the Budget Section</li> <li>• SBHE, with commission and foundation, report to Budget Section regarding status of allocations of COE funds and actual COE fund distributions</li> </ul> <p>8</p> <ul style="list-style-type: none"> <li>• Recipient of COE funds shall use funds to: <ul style="list-style-type: none"> <li>• Enhance capacity</li> <li>• Enhance infrastructure</li> <li>• Leverage state, federal, and private source funds</li> </ul> </li> <li>• COE funds may not be used to: <ul style="list-style-type: none"> <li>• Supplant funding for current operations</li> <li>• Supplant funding for current academic infrastructure</li> <li>• Pay indirect costs</li> </ul> </li> </ul> <p>9</p> <ul style="list-style-type: none"> <li>• Recipient that is a state institution or nonprofit university-related foundation shall: <ul style="list-style-type: none"> <li>• Provide SBHE documentation of proof of availability of \$2 matching funds for each \$1 COE funds, before funds are actually distributed</li> <li>• First four years shall provide annual report to SBHE, Governor, and foundation</li> </ul> </li> </ul>

**Testimony to Senate Appropriations Committee**  
**Regarding SB-2018**  
**Robert Potts, Chancellor, North Dakota University System**  
*January 10, 2005*

Mr. Chairman, members of the Senate Appropriations Committee, I am Robert Potts, Chancellor of the North Dakota University System. Thank you for the opportunity to appear before your committee to provide comments on SB-2018, the appropriations bill for the Department of Commerce.

The North Dakota University System and the Department of Commerce are forging close and productive ties in working together to increase economic activity in the state. Since becoming Chancellor six months ago, I have had a number of invitations and opportunities to work with Lee Peterson, Linda Butts and other members of the staff at the Department of Commerce on economic development matters. These include activities to help attract businesses to North Dakota, promotion of international trade, and service on the Commerce Cabinet and the Workforce Development Council. Included in SB-2018 before you today are provisions regarding Centers of Excellence that will continue to build these strong ties between the University System and the Department of Commerce for the benefit of all of North Dakota.

I want to discuss with you for a few minutes the Centers of Excellence provisions in the Department of Commerce's appropriation bill, SB-2018. The State Board of Higher Education, all of the 11 campuses within the University System, my staff and I are delighted and excited about the potential of the centers of excellence for expanding the economy of North Dakota and creating high value employment opportunities for our graduates. This proposal allows higher education to become an even stronger partner with the private and public sectors in expanding the economy of the state.

Your University System is strongly supportive of the centers of excellence concept. To be specific, the board, at its February 19, 2004, meeting passed a resolution stating: "*The State Board of Higher Education commends Governor Hoeven for his leadership in creating a stronger partnership for economic development in North Dakota and declares its full support for the governor's proposed economic development centers of excellence initiative.*" We also know that several of you have been key players in developing this concept.



The regional meetings with business and community leaders that Governor Hoeven held throughout the state this past year, in cooperation with all 11 campuses, have generated a considerable amount of enthusiasm for the creation of additional centers of excellence in all campus regions. Those meetings have also generated a number of great ideas for potential centers of excellence geared to the needs and opportunities of the various regions of the state. Hopefully, a number of these potential centers will become a reality as a result of the legislation you have before you and the new partnerships that can develop from this initiative.

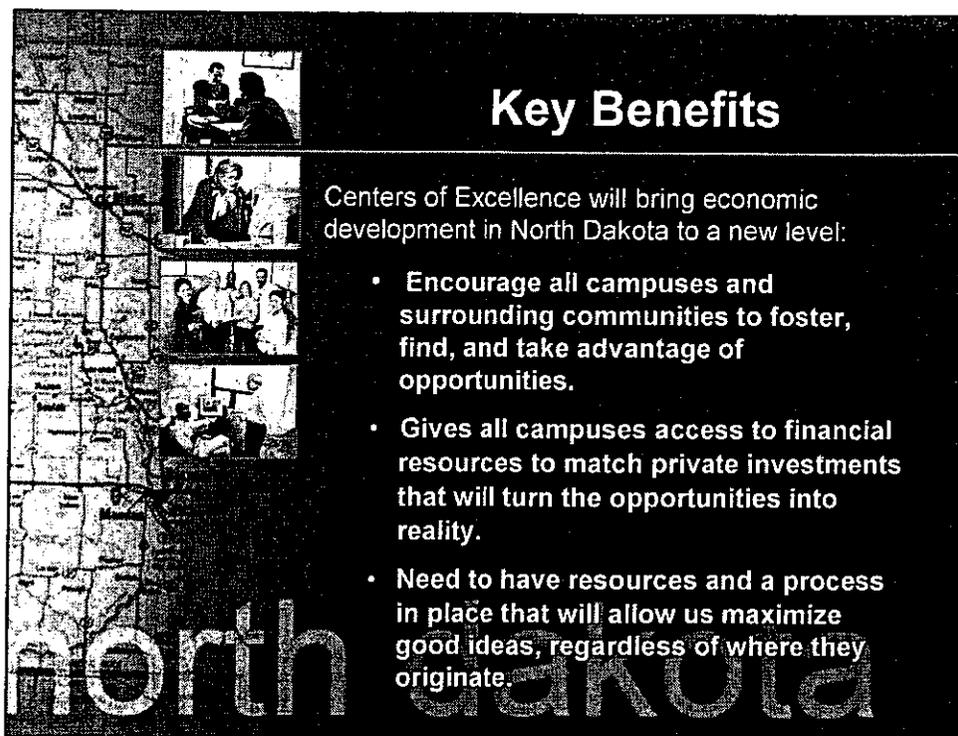
There is no question that the bill in its present form has the potential to stimulate significant economic development in the state. But the bill in its present form also includes provisions that cause concern for the State Board of Higher Education and for the college and university presidents. We believe the bill can be significantly improved and receive broad and unanimous NDUS support if it is amended to include the following provisions:

- Wording that makes clear that all campuses in the NDUS are eligible to submit proposals for centers of excellence
- A section that makes clear that in the funding approval process for centers to be affiliated with University System campuses, the SBHE has final approval authority before any center proposal is submitted to the Budget Section for authorization of the release of the allocated funding.
- Wording in the criteria and requirements section of the bill that gives the Commission discretion, not only to approve (before forwarding to other approval entities) high quality proposals from research institutions and affiliated foundations, but also high quality proposals from non-research institutions and affiliated foundations that show great promise of stimulating economic growth, job creation, and self-sustainability, but with lower matching requirements, and less of a research and technology focus.

I do not have a set of amendments to offer today but I have had conversations with Governor Hoeven, Lt. Gov. Dalrymple, Commissioner Peterson, Senator Grindberg and others about our concerns and believe we all agree that these items need to be addressed before the SB-2018 leaves your committee.

Enacting into law a solid and well-designed plan for centers of excellence is important to the future of North Dakota. The framework for that to happen is outlined in SB-2018. We look forward to working with the committee and the Governor's Office in refining this legislation so that it achieves its full potential.

Thank you again for the opportunity to provide comments. I will be pleased to respond to any questions you may have.



## Key Benefits

Centers of Excellence will bring economic development in North Dakota to a new level:

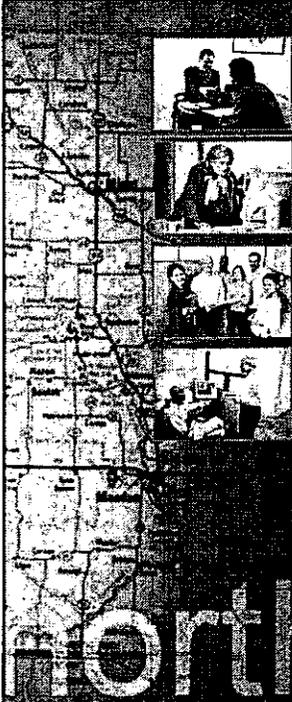
- Encourage all campuses and surrounding communities to foster, find, and take advantage of opportunities.
- Gives all campuses access to financial resources to match private investments that will turn the opportunities into reality.
- Need to have resources and a process in place that will allow us maximize good ideas, regardless of where they originate.



## Key Benefits

The Centers of Excellence concept has a proven track record of success:

- In North Dakota, at NDSU & UND:
  - NDSU – Research Park, Phoenix International and Alien Technology.
  - UND – Center for Aerospace Sciences, Center for Innovation and the Energy and Environmental Research Center.
- These are nationally recognized, much as the “research triangle” in North Carolina.



## Key Benefits

The benefits of the concept far exceed the cost and financing issues:

- The approval process involves the private sector (Foundation), the university system and the legislature.
- Current plan calls for \$50 million that will be leveraged to reach up to \$150 million.
- Will take a successful model and extend the reach to all corners of the state.

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## Next Steps

Recognition of statewide support across a variety of platforms and organizations:

- The ND Economic Development Foundation and the State Board of Higher Education are in support of the initiative.
- The Foundation would appreciate your support as this initiative moves forward in the legislative process.

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**DEPARTMENT OF COMMERCE TESTIMONY ON SB 2018**  
**MARCH 1, 9:00 A.M.**  
**HOUSE APPROPRIATIONS COMMITTEE, GOVERNMENT PERFORMANCE SUB-COMMITTEE**  
**BRYNHILD HAUGLAND ROOM**  
**REPRESENTATIVE AL CARLSON, CHAIRMAN**

**LEE PETERSON – COMMISSIONER, ND DEPARTMENT OF COMMERCE**

Introduction of Mark Nisbet, leading into Centers of Excellence presentation:

Economic Development Centers of Excellence are partnerships between higher education, the State and private business to create engines of economic development on and around our university and college campuses – economic engines that will be the fuel to ignite our state's economy into the future and result in more career opportunities for us and our young people.

Centers of Excellence represent a significant force for future economic growth in North Dakota and they lay the foundation for the kind of business climate that will move our state and our people toward an even brighter future. I ask each of you to help us achieve the goal of improving the quality of life for the people of North Dakota by committing to Centers of Excellence. We need to have resources in place so that great research and great ideas can realize their true potential and become great initiatives, great businesses, and great industries – here in North Dakota no matter where they originate across the state.

As a part of my testimony today, I am compelled to specifically address fundamental changes that were made to the Centers of Excellence portions of our budget bill by the Senate that we are asking to be repaired by the House. They include:

1. Restoring the \$5 million for Centers of Excellence in the 2005-07 biennium, along with restoring the long-term funding mechanism for Centers of Excellence of \$50 million, that will leverage up to \$100 million in funding from private and other resources.
2. Ensuring that all of our state's institutions of higher education will have the opportunity to compete for Centers of Excellence funding.
3. Preserving the Centers of Excellence approval process, as outlined in the Engrossed version of SB 2032 that ensures that the Centers of Excellence Commission, the Economic Development Foundation, the State Board of Higher Education, and the Budget Section all play a role in the process of approving Centers of Excellence.

# NORTH DAKOTA UNIVERSITY SYSTEM

## Testimony to House Appropriations

### Government Performance Division

#### on SB-2018

*Robert L. Potts, Chancellor*

MARCH 1, 2005

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Chairman Carlson, members of the House Appropriations Government Performance Division, I am Robert Potts, Chancellor of the North Dakota University System. Thank you for the opportunity to appear before your committee to provide comments on SB-2018.

The comments I would like to make today relate to sections of SB-2018 concerning centers of excellence. I speak for the State Board of Higher Education and all of the 11 campuses within the University System in saying we are excited about the potential of the centers of excellence in expanding the economy of North Dakota and creating high value employment opportunities for our graduates. The most intriguing aspect of this concept is that it would allow higher education to become an even stronger partner with the private and public sectors in expanding the economy of the state.

The University System supports the concept of centers of excellence but, unfortunately, is not able to support SB-2018 in its present form. The centers of excellence concept as originally proposed by Governor Hoeven and adopted by the State Board of Higher Education has tremendous potential for enhancing the economy of all regions of North Dakota. However, the legislation in its present form will not serve the entire state nor will it effectively tap the tremendous economic development potential of all of the colleges and universities located across the state.

There are four areas of the bill which are of concern and which we respectfully ask you to address:

#### **Eligibility Requirements:**

Subsection 5 of the bill will require that applications must be focused on science and technology research and development. This requirement will exclude, or at least make it extremely difficult, for non-research institutions to be competitive in obtaining funding for centers. The desired results from the centers of excellence are outlined in Subsection 6 of the bill. They are:

1. Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;
2. Create high-value private sector employment opportunities in this state;
3. Provide for public-private sector involvement and partnerships;
4. Leverage other funding;

5. Increase research and development activities that may involved federal funding from the national science foundation experimental program to stimulate competitive research;
6. Foster and practice entrepreneurship;
7. Link to targeted industry clusters; and
8. Include provision for becoming self-sustaining.

It is important to note that each of these desired results can be achieved without requiring all of the centers to be based upon science and technology research and development. Removing this requirement will allow all of the colleges and universities to submit proposals to contribute to the eight key results outlined in the bill and, thereby, serve all regions of the state.

**Matching Fund Requirement:**

Another major barrier for the University System is the ability to meet the funding match requirement. The legislation will require the colleges and universities to provide two dollars of matching funds for each dollar of state funds awarded. It is understood and accepted by all of the colleges and universities that providing matching funds is an important requirement for receiving state support for centers of excellence. The issue is not the requirement for matching funds. The issue is the level of the match that is feasible and necessary to assure success of the centers and which will maximize the economic development potential of the partnerships between the private sector investors and the colleges and universities. To have a rigid two to one matching requirement, particularly if it is a cash match, may bar high quality proposals from research universities as well as smaller colleges and universities.

Legislation passed during the 2003 Legislative Session required the SBHE to develop definitions and criteria for centers of excellence relating to economic development. The University System formed a joint committee in cooperation with the North Dakota Economic Development Foundation to assist in developing the definitions and criteria which were later adopted by the foundation and the State Board of Higher Education.

One of the recommendations developed by the joint committee addressed the funding match requirement. The committee recommended the goal for the funding match be two dollars to one dollar but that the commission (which will be formed as part of the centers of excellence legislation and which would have the responsibility for reviewing and recommending the approval or denial of funding) be given discretion to reduce the match requirement for high quality proposals that show strong promise of stimulating economic growth, job creation, and self-sustainability but which are not able to meet the full two-to-one match requirement.

The NDUS and all of its colleges and universities encourage your committee to adopt the recommendation of the Joint Committee on Economic Development Centers of Excellence, so that all areas of the state have the potential to create centers of excellence that meet the needs and opportunities of the region and the state.

**Funding Level:**

The third area of concern is the funding level. A total of \$2.5 million will not be adequate to foster the creation of centers of excellence across the state. Other states have recognized the value of centers and are investing significant amounts (hundreds of millions in

some states) to create centers that will enhance their state economies. An amount sufficient to attract national attention (at least \$50 million) will be needed for North Dakota to be competitive with other states and to achieve the desired results from the centers of excellence concept.

**Designating Authority:**

The final area of concern is the language which would give the North Dakota Legislative Assembly the authority to designate centers of excellence on or associated with the campuses.

It is clearly the intent of the Roundtable on Higher Education, and also the intent of the NDUS, to view the legislative and executive branches, the private sector, and the University System as "key partners" in creating a university system in North Dakota that meets the present and future needs of the state and its citizens. North Dakota has come a long way in building those partnerships in recent years, in fact, continues to receive national recognition for the impressive results that have been achieved.

On behalf of the presidents and the State Board of Higher Education, I respectfully ask you to delete the language in the bill that provides for the legislative assembly to designate centers of excellence. Such a revision will avoid infringement upon the constitutional authority of the SBHE.

Enacting into law a solid and well-designed plan for centers of excellence is important to the future of North Dakota. The framework for that to happen is outlined in SB-2018. We will be happy to provide amendments incorporating the changes we propose to the Senate passed bill, if you wish us to do so.

Thank you again for the opportunity to provide comments. I will be pleased to respond to any questions you may have.





# Centers of Excellence

## *North Dakota's New Vision for the Future*

**Mark Nisbet**  
Chairman, Joint Committee on Centers of Excellence  
Principal Manager, Xcel Energy - North Dakota



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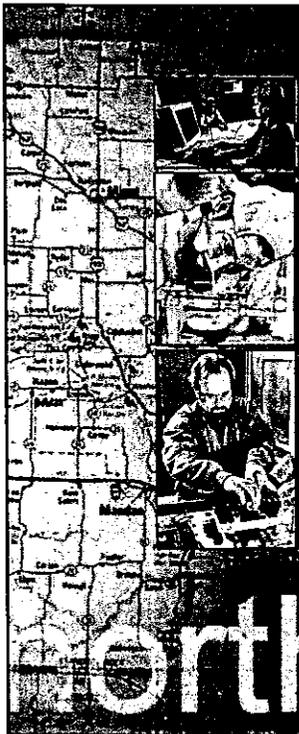
# COE Defined

What is a Center of Excellence (COE) for Economic Development?

A COE for Economic Development is a hub of research and development around which related businesses expand and dynamic new businesses cluster. A COE provides access to new technologies, specialized knowledge and an educated workforce. The two primary benefits of a Center of Excellence are:

- (1) Job creation and economic growth for the State of North Dakota; and
- (2) Excellence in education and training, which fosters a highly skilled workforce.

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## Overall Concept

A big, bold idea essential to North Dakota's future:

- Connects potential of colleges and universities across the state with private industry to generate higher-paying, skilled jobs, and career opportunities for the future.
- Will create and attract new businesses, and foster the expansion of existing businesses.
- Create centers that nurture our best and brightest minds to commercialize ideas into products, skills, and services.



## Ultimate Goals

Ultimately, a Center of Excellence should:

- Create more jobs and higher-paying jobs in the private sector.
- Assist existing businesses to innovate and expand through the creation of new products and services resulting from academic or applied research and development or the application of new technology.
- Commercialize these new products and services by supporting entrepreneurship.
- Promote additional new businesses resulting from the knowledge and expertise in the Center.



## Ultimate Goals

Ultimately, a Center of Excellence should:

- **Contribute to the growth of North Dakota's economy through innovation.**
- **Leverage resources through collaboration among state, private and federal resources.**
- **Bring the academic and/or service programs associated with the Center to a level of performance and productivity consistent with recognized national standards for that specific type of institution.**

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## Creation of Opportunity

Centers of Excellence (COE) will bring economic development in North Dakota to a new level:

- **Encourage all campuses and surrounding communities to foster, find, and take advantage of opportunities.**
- **Gives all campuses access to financial resources to match private investments that will turn the opportunities into reality.**
- **Provides resources and a process that will allow us to maximize good ideas, regardless of where they originate.**

# north dakota



## A Successful Model

The Centers of Excellence concept has a proven track record of success in North Dakota:

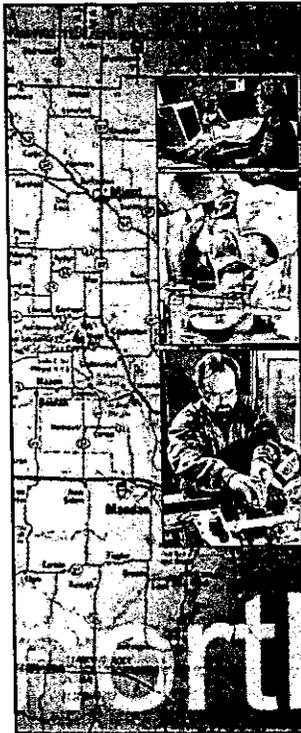
- NDSU – Research Park, Phoenix International and Alien Technology.
- UND – Center for Aerospace Sciences, Center for Innovation and the Energy and Environmental Research Center.
- Other campuses across North Dakota are actively working to develop Centers of Excellence.
- Centers have been economic engines in North Carolina, Texas, Massachusetts, Utah and Silicon Valley in California.



## Range of Investments

The benefits of the concept far exceed the cost and financing issues:

- The approval process involves the private sector, the university system, and the legislature.
- Current plan calls for \$50 million that will be leveraged to generate up to \$150 million in total funding resources.
- Will take a successful model and extend the reach to all corners of the state.



## Time is of the Essence

Supporters of this initiative realize that:

- A process and funds have to be in place when opportunities present themselves.
- Projects won't wait for approval by Legislature every two years.
- Protections are in place to ensure funds are used wisely.

# North dakota



## Growing Support

Statewide support across a variety of platforms and organizations is building:

- Entities in support of the initiative include:
  - ND Economic Development Foundation
  - State Board of Higher Education
  - Greater ND Chamber of Commerce
  - Economic Development Association of ND
  - National Federation of Independent Business (NFIB/ND)
  - Dakota Manufacturing Extension Partnership (TD MEP)

# North dakota

**Status Report on Current Economic Development  
Centers of Excellence  
March 16, 2005**

**CURRENT ECONOMIC DEVELOPMENT CENTERS OF EXCELLENCE**

<b>Legislatively Designated and Funded Centers of Excellence</b>	<b>State Funding</b>	<b>Related Private Sector Party</b>	<b>Contact Person</b>
NDSU Center for Technology Enterprise	\$1,250,000	Research & Technology Park Incubator.(501-C-3)	Tony Grindberg
UND Center for Innovation	\$800,000	Donors to Ina Mae Rude Entrepreneur Center	Bruce Gjovig
NDSU Center for Genetic Research	\$750,000	Cargill Co. is the primary potential private sector party	Dr. Phil Boudjouk
UND Center of Excellence in Multimedia Technology	\$944,000	Currently UND Aerospace Foundation & potentially e-Solving	Henry Borysewicz
UND Expanded Air Service	\$206,000	Aerospace Capitol Group, James C. Ray Foundation	John Boehle
UND Design Center	\$100,000	Initiative discontinued	Dr. Peter Alfonso, Ph.D
NDSU Beef Systems Center of Excellence	\$800,000	In discussion with unnamed potential private business partner	Dr. Ken Odde
<b>SBHE Funded Centers of Excellence</b>			
BSC National Energy Technology Training & Education Center	\$300,000	Elec. Power Research Inst., Honeywell, Great River Energy, Basin Elec.	Dave Clark
WSC Center of Excellence in Oilfield Training	\$100,000	Amerada Hess, Halliburton, Schlumberger & several other companies	Dr. Joe McCann

## SUMMARY OF ECONOMIC DEVELOPMENT CENTERS OF EXCELLENCE

### **NDSU Center for Technology Enterprise**

**\$1,250,000**

**As of August 5, 2004**

**1) Brief Description, including purpose and planned outcomes**

The initiative is to expand NDSU's position in the Red River Valley Research Corridor to commercialize new technologies and stimulate entrepreneurial activity. The grant was awarded to the NDSU Research & Technology Park, a 501-C(3) organization. The Center for Technology Enterprise will create an environment for university researchers, students and others to commercialize new technologies that will lead to new business creation and grow North Dakota's economy through entrepreneurship. This project expands the infrastructure of the Red River Valley Research Corridor by positioning NDSU and the State of North Dakota to expand on the success of the Higher Education "Roundtable" *Cornerstone #1-Economic Development*

**2) Progress to date, including estimated completion dates**

The following describes the progress to date:

- Architect was chosen in January and design work is underway
- \$1,950,000 has been identified through private and local sources
- Project is scheduled to begin either the Fall of 2004 or Spring of 2005 which linked to completed funding commitments, identified tenants and completion of research park infrastructure requirements.

**3) How will this activity be sustained beyond the 03-05 biennium?**

This project when completed will generate income through lease agreements and fees for service. The operation will be a self-sustaining entity by the end of the first five years of operation. The private funding sources of income will also assist with start-up operations during the initial five-year start-up period. Additional State of ND funds may be requested in the future to continue to expand the infrastructure of this operation as it adds to North Dakota's economic growth.

### **UND Center for Innovation**

**\$ 800,000**

**As of March 8, 2005**

**1) Brief Description, including purpose and planned outcomes:**

The 19,000 square foot Ina Mae Rude Entrepreneur Center will be adjacent to the Skalicky Tech Incubator located on the UND Technology Park. The \$4 million facility includes flexible office space, wet lab, server farm, and high-tech distance learning center (Idea Lab) for entrepreneur training across the state. This is space for emerging entrepreneurs, successful entrepreneurs, entrepreneur students (majors, interns, MBAs), faculty, researchers, advisors to entrepreneurs and private investors to network and focus on new ventures that are formed on new ideas, innovation, research, technologies and processes (esp. aviation, IT, health sciences, and engineering). This entrepreneur peer-to-peer learning environment creates a continuous Entrepreneur Forum. A focus will be placed on networking with private

investors for access to early stage capital. The Center for Innovation programs, existing tech incubator and UND Tech Park all complement and enhance this new entrepreneurial environment. The two incubator facilities will host 40-50 entrepreneur ventures at a time, employing up to 150, with an emphasis on hiring students and graduates. The existing incubator hosted more than 80 startup ventures since 1996, and currently hosts 23 ventures. The new incubator more than doubles current capacity and thus will double outcomes. This project expands the infrastructure of the Red River Valley Research Corridor and positions North Dakota for more tech-based ventures with higher paying jobs.

**2) Progress to date, including estimated completion dates:**

Matching Funds raised by: July 2003  
Benefactor Ray Rude commits \$1.75 million May 2003  
Benefactor James Ray commits \$500,000 May 2003  
Architectural Contract signed: July 2003  
Beechwood hired as developer: July 2003  
Groundbreaking Cerebration: Sept 2003  
Foundation let bids: March 22, 2004  
UND ground lease & usage agreement: signed by President Kupchella and Chancellor Hillman on April 19, 2004  
Construction Started: April 21, 2004 (Construction Engineers, Grand Forks)  
EDA Grant preliminary approved May 2004, final approval in August 2004  
Additional private funds of \$200,00 raised for additional technology infrastructure  
Construction completed January 2005  
Dedication Ceremonies Jan 27, 2005

**3) How will this activity be sustained beyond the 03-05 biennium?**

The UND Center for Innovation Foundation, a 501(c)(3) organization, is responsible for future operational expenses through lease agreements and fees for services. The trustees of the Foundation are successful entrepreneurs committed to expanding entrepreneurship in the state. Additional funds may be requested from the State of North Dakota to further expand the infrastructure of the Center for Innovation to expand technology commercialization, innovation and tech entrepreneurship

**NDSU Center for Genetic Research**

**\$ 750,000**

**As of March 15, 2005**

**1) Brief Description, including purpose and planned outcomes**

North Dakota is one of the states having the largest potential future benefits from Ag Biotechnology, but has not been a major beneficiary of biotechnology research. A number of crops have been developed but not commercialized, including potatoes, sugarbeets and wheat. Commercialization is in fact one of the major impediments to further adoption of biotechnology crops and investment.

The purpose of this project is to facilitate longer-term development of AgBiotechnology in North Dakota. The focus will be on commercial issues and facilitating the final stages of commercialization of GM traits in grains and oilseeds for food and non-food uses. The focus



is on crops having the biggest impact on North Dakota and hence would be on major grains and oilseeds including 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> tier traits. A major focus will be to facilitate the longer term coexistence of biotechnology developed with conventional agriculture.

An organization has been developed including leadership and group leaders, as well as an advisory panel. Initiatives will be undertaken in research, extension and outreach and policy. In addition, a business plan will be developed to facilitate longer-term investment and commercialization of AgBiotechnology in North Dakota.

## 2) Progress to date, including estimated completion dates

The initial project being funded is focused on sequencing of the wheat genome. Being coordinated by Dr. Shahryar Kianian in the NDSU Plant Sciences Department, the project aims to use Radiation Hybrid (RH) mapping to develop a saturated map of the wheat genome. These are necessary steps to complete before the sequencing of a genome. By funding this initiative, needed proof-of-concept information will be gathered that will be critical to Dr. Kianian's submission of a multi-million dollar proposal to NSF for the Plant Genome Research Program.

In addition, a longer-term plan and research initiative has been created with Dr. William Wilson, NDSU Ag Economics. The purpose of his work will be to develop a longer-term business plan for the Center. This will be completed prior to January and used for administrating the Center and communicating with the legislature. In addition, Dr. Wilson will initiate a series of research projects to facilitate commercialization decisions about targeted AgBiotechnology traits and commodities. Research initiatives in agricultural economics include: valuing and prioritizing biotech traits, consumer/buyer acceptance, commercial marketing mechanisms, mechanisms to facilitate and foster public and private partnerships on biotechnology development and commercialization, and risk analysis, among others.

### Status Update (3/05)

*Major activities under this Center have been concentrated since mid-2004 and include:*

- *Business plan for AgBiotechnology* A longer-term business plan was created for development of agbiotechnology in North Dakota (at the request of Representative Berg). This was distributed internally as well as shared to legislative leaders in December 2004.
- *Collaborative Agreements:* A major activity of the Center has been to develop collaborative arrangements with targeted agbiotechnology partners. Commitments have been made with several firms and organizations to date. See below.
- *Center of Excellence Funding in 2005<sup>1</sup>:* In response to the request for Center proposals in August 2004, we developed a specific request to continue this Center. This would involve renaming it to the Center of Excellence in Agricultural Biotechnology and the budget was for \$1.3 million.

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<sup>1</sup>In addition to this, funding was sought for support of activities in agbiotechnology through the Federal Funding mechanisms at NDSU.

- *Outreach and Research: The Center has ongoing outreach and research functions. Numerous Outreach functions have been performed. A detailed multi-year research agenda has been created in Agricultural Economics.*

*Research Projects (to date). Several major projects nearing completion in agricultural economics include the following and detailed research reports are (will be) available:*

- 1) *GM Wheat: Welfare Distribution of Introducing GM in a Highly Differentiated Market. Model was developed to analyze benefits and price and trade impacts of GM wheat. This was applied to the case of RRW due to data availability. It is anticipated this will be used to analyze the impacts of introducing fusarium resistant wheat based on data from field trials during 2005.*
  - 2) *Price impacts of Introducing GM Technology on Conventional Technology Prices: Model developed to analyze the price impacts of introducing a GM trait on prices for conventional technology. Results show that introducing a GM trait in wheat would have the impact of decreasing conventional technology prices in the area of 20%, resulting in gains in net income for growers in North Dakota of about \$60 million.*
  - 3) *Strategies for Commercializing GM Traits: A model was developed to analyze the strategies and issues associated with introducing GM traits. These include licensing and trait stacking, as well as purchasing a seed firm.*
  - 4) *Traceability and Segregation: Models have been developed and are being refined to analyze risks and costs, as well as strategies for segregating GM grains for shipment from North Dakota. The models are now being used to analyze the impacts of traceability requirements in the European Union (EU).*
  - 5) *Valuing GM Traits: A model has been developed to analyze the costs, risks, and benefits of different GM traits. This is based on real options methodologies. It is now being applied to the case of Round-up Ready® wheat for illustration. But the intention would be to apply it to a multitude of prospective traits for North Dakota crops. Results should provide a means of prioritizing investment in research and prioritizing activities in agbiotechnology.*
- 3) How will this activity be sustained beyond the 03-05 biennium?**  
 In the long-term, funding will be sought from private firms, biotechnology trade associations, continuing state support, federal research programs (e.g. NRI, NSF) and special appropriations. It is envisioned that future research in agricultural economics will be sustained through support from National Research Initiatives.

**UND John D. Odegard Ctr. for Aerospace Science-Center of Excellence  
in Multimedia Technology** **\$ 944,000**

**As of March 10, 2005**

**1) Brief Description, including purpose and planned outcomes:**

We live in an inundated information age where thousands of cable and satellite channels are available and a vast amount of information is being distributed via the Internet. Media content, and the technical expertise to create and deliver it, is in great demand. Further, these distribution channels have begun to overlap and converge, as evidenced by audio (including radio) and video programming available via the Internet, and TV programs with online components that offer information and interactivity. This convergence of individual media into a new multimedia represents a paradigm shift in the art, science, and technology of communications, as well as an enormous economic opportunity for North Dakota. A new generation of multimedia removes the barriers of remoteness.

The cost and expertise in technology remain barriers for most of those who would exploit the potential of the information age. This is where the Center of Excellence in Multimedia Technology (CMT) will fill a growing need. CMT will be a regional provider of custom media and information products and services, potentially drawing clients from Winnipeg, Minneapolis, and beyond. Building on extensive existing media facilities and technical and artistic expertise, CMT will provide a combination of services custom made for the information age – an integrated package of capabilities previously unavailable in the Midwest. Combined in CMT, these capabilities can transform North Dakota into an information age media powerhouse, generate considerable economic growth, create high-tech jobs in the private sector, and attract significant investment.

**2) Progress to date, including estimated completion dates:**

We are proceeding with upgrades to media production facilities and software programming workstations and servers.

Staff position additions to date:

- Marketing/Sales Manager (full-time)
- Instructional Design Specialist (full-time)
- Programmer (full-time)
- Multimedia Specialist (full-time)

Positions currently under recruitment:

- Programmer (full-time, two positions)

We are prepared to add new Programmer and Audio/Visual Specialist positions as commercial activity increases.

Current marketing efforts are focusing on commercialization opportunities for film, video, TV, Internet, graphics, and software production. We are making special efforts to pursue out-of-state and international markets. Currently, we are forming associations in Canada, Norway, and Italy.

A commercial contract was executed last year by the UND Aerospace Foundation with Education Development Center, Inc. (EDC), an international, non-profit organization based in Newton, Massachusetts, to provide software services (HTMLeZ). This contract has been renewed with expanded services. The value of the renewed contract is more than two and a half times that of the original (from \$6,000 in 2004 to \$15,400 in 2005). This year, we have also executed a multi-year contract to provide the software to the Rhode Island Dept. of Education, and have seen interest in Vermont and New Hampshire. Several individual contracts have been executed as well.

We have undertaken a market analysis and feasibility research project with the Center for Innovation at UND. These efforts will lead to a marketing strategy and summary business plan for the HTMLeZ software. These efforts will be partially funded by a \$15,000 Rural Business Enterprise Grant from the U.S. Dept of Agriculture. The grant was awarded in June, 2004. A *Marketing Opportunity Analysis and Business Assessment* has already been completed, and will be used to inform the business plan.

All of these activities will be continuing over the life of the grant, and beyond. There are no completion dates associated with such ongoing activity.

**3) How will this activity be sustained beyond the 03-05 biennium?**

These activities will be sustained in three major ways:

- Increased commercial activity  
For FY 2005, revenues from commercial activity exceed \$60,000 (as of 1/31/05). Private sector activity will increase as our marketing efforts mature and produce results. This increase will sustain our activity, while simultaneously creating jobs, wealth, and economic development opportunities for the region and the state.
- Continued UND Aerospace Foundation support  
The UND Aerospace Foundation has supported our commercial endeavors long before the Centers of Excellence program began. Through commercial activities, the Foundation generates support for the students, faculty, and staff of the John D. Odegard School of Aerospace Sciences. Our work with the Foundation over the years has brought us to this point of commercial potential and made possible our current level of commercial activity. The investment made by the State in the COE award will assist in capitalizing on that commercial potential.
- Seek new federal grants

***UND John D. Odegard Ctr. for Aerospace Science-  
Expanded Air Service Enterprise***

**\$ 206,000**

**As of March 4, 2005**

**1) Brief Description, including purpose and planned outcomes:**

Conduct a regional market analysis by UND aviation spin-off company, EASE LLC, to determine the feasibility of next-generation air service solutions deploying to the Northern Great Plains. This work represents a build-out of university research started when the founders of EASE LLC were graduate students in aviation at UND's John D. Odegard School of Aerospace Sciences. Specifically, the study is to answer the interrelated questions:

Is there a latent market for air services leveraging new technology innovations that economically connect small communities and commercial centers alike throughout the Northern Great Plains? And what would the provision of such services likely cost users?

**2) Progress to date, including estimated completion dates:**

Final report was completed and submitted to NASA, USDOT in May 2004.

**3) How will this activity be sustained beyond the 03-05 biennium?**

Ongoing work by EASE LLC continues to garner federal support as well as private equity participation supporting this ND-based initiative intended to provide new air transportation capabilities to our state and region, particularly its small communities underserved by the legacy air carriers. This CoE has facilitated the establishment of the region's first next-generation air service provider, Point2Point Airways, which will launch in North Dakota Q3 2005.



Federal funds and private equity matching this CoE award of \$206,000 now total more than \$3 million – a nearly 15:1 match ratio, making the Expanded Air Service Enterprise CoE the best leveraged *Center of Excellence* to be funded during the 03-05 biennium.

**UND Design Center**

**\$ 100,000**

**As of August 5, 2004**

**1) Brief Description, including purpose and planned outcomes:**

The NDC's mission is to commercialize university research and development to increase North Dakota's gross state product.

The NDC is a new inter-university department created specifically to commercialize NDUS research in the fields of engineering and computer science. Its staff will apply their 25+ years of design, engineering, and business development experience to augment NDUS researchers by resolving commercialization issues impeding the transfer of technology to the private sector. The NDC will initially be housed at UND and report to an advisory board comprised of UND and NDSU Research Directors as well as representatives from NEI and RRV Research Corridor. The NDC will leverage North Dakota's investment in its educational system by utilizing federal funding for its commercialization activities.

In its first year, the NDC will assess the research portfolios of the UND/NDSU and assist researchers in publicizing their work through NDC visual communication services. In its second year, the NDC will launch its research commercialization program using NDUS

student interns and research advisors. The infrastructure created during these two years will instantiate a system for increasing technology licensing revenue and creating spinoff companies as well as provide opportunities for NDUS students to create their own future careers here in North Dakota.

Furthermore, NDC spinoff companies will utilize ND companies across the state for manufacturing and prototype development assistance and thereby share the commercial successes occurring in the RRV Research Corridor with smaller ND towns. Revenues generated by NDC spinoff companies will increase research funding for the RRV Research Corridor and help the Corridor to become self-sustainable.

**2) Progress to date, including estimated completion dates:**

The two principals, Jonathan Gelfman and Darryl Sale, with UND assistance were unable to obtain the required \$300K match from non-state funds. Thus, the North Dakota Design Center initiative, as originally proposed, has dissolved.

**3) How will this activity be sustained beyond the 03-05 biennium?**

N/A

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**NDSU Beef Systems Center of Excellence**

**\$ 800,000**

**As of March 4, 2005**

**1) Brief Description, including purpose and planned outcomes**

The Beef Systems Center of Excellence will provide a state-of-the-art vehicle for research and educational activities on processing, genetics, and develop superior carcass quality using better management techniques. This will improve the ability of beef producers in the northern Great Plains to sell and market their beef and increase the value of their cattle due to improved genetics and management to achieve product specifications.

The objectives of this Center are to: 1.) Create a model for development of an integrated meat processing industry that could be implemented in other parts of the state, region, or country; 2.) Enhance NDSU's ability to provide leading research in the areas of genetics, management, and nutrition regimes on carcass quality, food safety and nutritional qualities, new and emerging technologies associated with beef processing, including value-added products; and 3.) Provide hands-on training, classroom education, and outreach opportunities in slaughter, meat processing, food safety, and further processing.

**2) Progress to date, including estimated completion dates**

The state funding for this center requires raising an additional \$1,000,000 federal and \$1,000,000 private before the state money is released. The principal investigators are continuing to identify and solicit funding from various private sources in order to meet Legislative intent of the match requirement before construction. They have received \$1,000,000 from USDA Rural Development and have commitments from various commodity groups and private donors for approximately \$500,000. The principal investigators are also working to come to an agreement with a private business partner who would operate the processing facility.

3) **How will this activity be sustained beyond the 03-05 biennium?**

This activity will be sustained through research grants from a range of sources, including commodity support as well as competitive Federal grants. A portion of the operating costs for the center will be recovered by operating the business.

**BSC Career and Technology Institute (CTI) – National Energy Technology Training and Education Center** **\$ 300,000**

As of March 15, 2005

1) **Brief Description, including purpose and planned outcomes**

The Career and Technology Institute (CTI) at Bismarck State College (BSC) will be a catalyst for change, furthering economic growth and development in North Dakota. The CTI is comprised of three centers: Workforce Training Center, Higher Education Center, and the National Energy Technology Education and Training Center (NETTEC).

Bismarck State College currently has five technical programs directly related to the electrical industry.

- Power Plant Technology-trains students for entry level positions in power plants.
- Process Plant Technology-trains students for entry level positions in refineries and ethanol plants.
- Electric Power Technology-an advanced curriculum targeted at incumbent workers in six specialization areas.
- Electrical Transmission Systems Technology-an advanced curriculum for incumbent electrical system operators and dispatchers to help meet certification requirements.
- Nuclear Power Technology-trains students for entry level positions in nuclear power plants.

Poised to become an international leader in energy education, BSC is the only degree-granting institution in the country that offers both online and on-campus instruction to the energy industry. Since 1999, growth of the energy programs has been dramatic with a 354 percent increase in enrollment. Entering students or workers already employed in the industry can now take courses in power plant, process plant, electric power, electric transmission systems and nuclear power technology. In excess of 450 students were enrolled in BSC's Energy Technology programs for the Spring 2005 semester. The majority of these students are located out-of-state, representing 47 different states. We currently have 96 employees working on the energy program initiatives and collected 1.6 million of out of state revenue in FY04 related to our energy technology programs. BSC is positioned well to be a premier Center of Excellence for the energy industry and providing primary sector economic development for Bismarck/Mandan and the State of North Dakota

The purpose of the \$300,000 in funding is for the construction of the Career and Technology Institute. The proposed budget of the CTI at the time we were awarded funding was 12.7 million.

**2) Progress to date, including estimated completion dates**

BSC has numerous industry and community partners as a result of program requests that meet the needs of the energy industry. BSC has direct programmatic partnerships with 26 of the largest energy companies in the United State. These partnerships have financially benefited our energy programs and have added value to the North Dakota economy.

The capital campaign for the Career and Technology Institute has resulted in significant business and industry donations and opportunity for federal, state and local grant funds. These include the following:

- Basin Electric has invested \$2 million as lead gift.
- Federal Economic Development Administration grant award of \$1.5 million.
- Great River Energy has pledged \$1.0 million in cash and construction materials.
- State of North Dakota provided \$500,000 in the 2003 Legislative session.
- City of Bismarck land donation of \$1.2 million.
- City of Bismarck vision fund grant of \$500,000.
- City of Mandan growth fund grant of \$175,000.

Our capital campaign cash and pledges total \$8.9 million which also includes the land value.

The latest architect estimate of cost completion is \$13.6 million which includes the land value. Thus the difference of \$4.7 million will need to be addressed through additional fundraising or design changes. Ultimately the availability of funding will determine the size and scope of the project.

The timeline for construction of the Career and Technology Institute is to commence with site work in the Summer, 2005 with occupancy in late 2007 or 2008.

**3) How will this activity be sustained beyond the 03-05 biennium?**

BSC's energy Technology programs are already self-sustaining. Our biggest need and issue is space. We are having to rent space to keep up with the growth in these programs. The tuition and fees collected from enrollments and the federal and private grant funds for program development has provided the ability for sustainment.

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***WSC Center of Excellence in Oil Field Training***

***\$ 100,000***

**As of August 5, 2005**

**1) Brief Description, including purpose and planned outcomes**

A center of excellence in oilfield training will be established through Williston State College Workforce Training that will be made available to oilfield companies throughout the state. The center will provide pre-hire training, upgrade training, refresher training, hazard awareness training and workforce development education in direct response to the needs of the industry. It is our intent to partner with other community colleges in the United States (and possibly Canada) who already have formed oilfield training consortia. Our goal is to deliver quality, cost-effective training in our region, which will meet the needs of local, national and international oilfield companies that operate in the Williston Basin.

**2) Progress to date, including estimated completion dates**



An advisory team met on April 1, 2004. This meeting provided an indication of industry support and direction for areas of specialized training needed by the oil industry.

**3) How will this activity be sustained beyond the 03-05 biennium?**

The mechanism of workforce training will allow oilfield training to sustain itself. This has been a cyclic sector of North Dakota's economy. This proposal will build capability so that WSC Workforce Training can respond more quickly when future upswings in the oilfield occur. The capacity built by this center of excellence will have the elasticity necessary to be utilized to the extent needed by oilfield service, new well drilling, or well workover companies into the future regardless of the level of activity in the industry.

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**CENTERS OF EXCELLENCE  
2003-05**

Centers of Excellence	General Fund Appropriation	BND Ag Pace	Commerce Development Fund	Dedicated EPSCoR Funds	TOTAL
UND Center for Aerospace Sciences - Multimedia Technologies	\$944,000		\$0		\$944,000
UND Center for Aerospace Sciences - Expanded Air Service Enterprise	\$206,000		\$0		\$206,000
ND Center for Persons With Disabilities	\$250,000				\$250,000
BSC Energy Technology Training and Education Center	\$650,000				\$650,000
NDSU Center of High Performance Computing	\$0		\$0		\$0
NDSU Center of Beef Systems	\$0	\$800,000	\$0		\$800,000
UND Center of Innovation	\$0		\$800,000		\$800,000
NDSU Center of Technology Enterprise	\$0		\$1,250,000		\$1,250,000
NDSU Center of Nanoscale Science and Engineering	\$0		\$0		\$0
NDSU Center for Biotechnology and Genetic Research	\$750,000				\$750,000
UND Design Center				\$100,000	\$100,000
Future Centers of Excellence	\$400,000		\$0		\$400,000
<b>TOTAL</b>	<b>\$3,200,000</b>	<b>\$800,000</b>	<b>\$2,050,000</b>	<b>\$100,000</b>	<b>\$6,150,000</b>

<sup>1</sup> \$1,550,000 of general fund was appropriated to the development fund.

**Existing Centers of Excellence Language in First Engrossment - Engrossed SB 2018**

Provided by Department of Commerce – 03/29/05

**Section 7 - Funding**

**SECTION 7. CENTERS OF EXCELLENCE - BUDGET SECTION APPROVAL.**

The centers of excellence line item of \$2,500,000 from the general fund appropriated in section 3 of this Act is made available for centers of excellence approved in accordance with guidelines in this Act. Funds may be provided only after a program has been approved by the centers of excellence commission, state board of higher education, economic development foundation, and the budget section.

**Section 21 – Outlines COE Program**

**SECTION 21. AMENDMENT.** Section 15-10-41 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-41. Centers of excellence - Centers of excellence commission - Report to budget section.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development through which the commission makes center funding award recommendations for institutions of higher education under control of the board, tribal colleges located in the state, private baccalaureate-granting institutions of higher education located in the state, and university-related or college-related foundations of public or private institutions of higher education located in the state.
2. In this section, unless the context otherwise requires:
  - a. "Board" means the state board of higher education.
  - b. "Center" means a center of excellence relating to economic development.
  - c. "Commission" means the centers of excellence commission.
  - d. "Foundation" means the North Dakota economic development foundation.
  - e. "Industry cluster" means one of the following industries:
    - (1) Advanced manufacturing;
    - (2) Energy;
    - (3) Information and technology;
    - (4) Tourism;
    - (5) Value-added agriculture; or

(6) An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.

3. The centers of excellence commission consists of six members. The foundation shall appoint three members of the commission and the board shall appoint three members of the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first of each odd-numbered year; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. Terms of initial commission board members must be staggered. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The commission shall meet as necessary to review all complete applications; approve, disapprove, or approve conditionally the applications; and make center funding award recommendations. The board shall provide the commission with appropriate staff services as may be requested by the commission.
4. The board shall provide application forms, accept applications, review applications for completeness and compliance with board policy, and forward complete applications to the commission according to guidelines established by the commission. Centers include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation. The legislative assembly may designate a center.
5. Before the commission may consider an application for center funding, the applicant shall establish in the application how the center will:
  - a. Develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, utilization to assist the growth and expansion of knowledge-based industries, and other activities in the state to develop innovative approaches that expand the gross state product.
  - b. Create private sector employment opportunities for residents of this state.
  - c. Assist efforts to attract private and federal assistance for science and technology research and development.
  - d. Assist efforts to commercialize and expand industry clusters.
  - e. Increase collaboration among state, federal, and private science and technology research and development organizations in the state.
6. In considering an application, the commission shall:

a. Make a determination that the requirements of subsection 5 have been established by the applicant.

b. Consider whether the center will:

- (1) Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;
- (2) Create high-value private sector employment opportunities in this state;
- (3) Provide for public-private sector involvement and partnerships;
- (4) Leverage other funding;
- (5) Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
- (6) Foster and practice entrepreneurship;
- (7) Link to targeted industry clusters; and
- (8) Include provisions for becoming self-sustaining.

7. Following approval by the board, foundation, and commission, the board and commission shall report the details of a proposed designated center to the budget section. An approved award determination reported to the budget section must include details regarding the terms under which the board will distribute allocated funds. The board, in partnership with the commission and foundation, shall report to the budget section annually on the status of allocations and actual fund distributions.

8. A recipient of funds awarded under this section shall use the funds to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A recipient of funds awarded under this section may not use the funds to supplant funding for current operations or academic instruction or to pay indirect costs.

9. Before funds awarded under this section are distributed to an institution of higher education under the control of the board or to a nonprofit university-related or college related foundation of an institution of higher education under control of the board, the recipient shall provide the board with detailed documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section.

An institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under control of the board which receives funds under this section shall provide the board, governor, and foundation with annual reports for four fiscal years following receipt of the funds.

### Section 33 – Repealer

**SECTION 33. REPEAL.** Section 15-10-41 of the North Dakota Century Code is repealed.

**Section 36 – Centers of Excellence Report to Legislative Council**

**SECTION 36. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program under section 15-10-41. The report must include information regarding funding, private sector participation, and accomplishments of each center of excellence and whether there are potential changes that could be made to improve the centers of excellence program.

**Proposed Language to be included in First Engrossment - Engrossed SB 2018**

Provided by Department of Commerce – 03/29/05

**Section 7 - Funding**

**SECTION 7. CENTERS OF EXCELLENCE - FUNDING.** The centers of excellence line item of \$5,000,000 from the general fund appropriated in section 3 of this Act is made available for centers of excellence approved in accordance with guidelines in this Act. Funds may be provided only after a program has been approved by the centers of excellence commission, state board of higher education, economic development foundation, and the budget section. The state board of higher education, North Dakota economic development foundation, and the budget section may only accept or reject a proposal recommended by the commission and may not amend the proposal in any way. If a proposal is rejected by the commission, state board of higher education, foundation or budget section, it may be returned to the commission for revision and upon approval be resubmitted for reconsideration by all entities. If the commission, board, and foundation approve applications requiring more than \$5,000,000 during the 2005-07 biennium, the commission may draw additional funds up to \$45,000,000 from the permanent oil tax trust fund as additional projects receive budget section approval notwithstanding the provisions of section 57-51.1-07.2. It is the intent of the legislative assembly that the centers of excellence be a continuing program for economic development and that the legislative assembly will continue to fund approved proposals until \$50,000,000 has been invested in North Dakota centers of excellence.

**Section 21 – Outlines COE Program**

**SECTION 21. AMENDMENT.** Section 15-10-41 of the North Dakota Century Code is amended and reenacted as follows:

**15-10-41. Centers of excellence - Centers of excellence commission - Report to budget section.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development through which the commission makes center funding award recommendations for institutions of higher education under control of the board and university-related or college-related foundations of public institutions of higher education located in the state.
2. In this section, unless the context otherwise requires:
  - a. "Board" means the state board of higher education.
  - b. "Center" means a center of excellence relating to economic development.

- c. "Commission" means the centers of excellence commission.
- d. "Foundation" means the North Dakota economic development foundation.
- e. "Industry cluster" means one of the following industries:
  - (1) Advanced manufacturing;
  - (2) Energy;
  - (3) Information and technology;
  - (4) Tourism;
  - (5) Value-added agriculture; or
  - (6) An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.

3. The centers of excellence commission consists of six members. The foundation shall appoint three of its members to the commission and the board shall appoint three of its members to the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first of each odd-numbered year; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. Terms of initial commission board members must be staggered. Members of the commission may be substituted by the foundation and board at their discretion. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The commission shall meet as necessary to review all complete applications; approve, disapprove, or approve conditionally the applications; and make center funding award recommendations. The board shall provide the commission with appropriate staff services as may be requested by the commission.

4. The board shall provide application forms, accept applications, review applications for completeness and compliance with board policy, and forward complete applications to the commission according to guidelines established by the commission. Centers include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

5. In considering an application, the commission shall consider whether the center will:

- (1) Promote private sector job growth and expansion of knowledge-based industries or the development of new products, high-tech companies, or skilled jobs in this state;
- (2) Create high-value private sector employment opportunities in this state;



- (3) Provide for public-private sector involvement and partnerships;
- (4) Leverage other funding;
- (5) Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
- (6) Foster and practice entrepreneurship;
- (7) Promote the commercialization of new products and services in targeted industry clusters;
- (8) Become financially self-sustaining; and
- (9) Establish and meet a deadline for acquiring and expending all public and private funds in the application.

6. The board, in partnership with the commission and foundation, shall report to the budget section annually on the status of allocations and actual fund distributions.

7. A recipient of funds awarded under this section shall use the funds to enhance capacity; enhance infrastructure; and leverage state, federal, and private sources of funding. A recipient of funds awarded under this section may not use the funds to supplant funding for current operations or academic instruction or to pay indirect costs.

8. Before funds awarded under this section are distributed to an institution of higher education under the control of the board or to a nonprofit university-related or college related foundation of an institution of higher education under control of the board, the recipient shall provide the board with detailed documentation of the availability of two dollars of matching funds for each dollar of funds provided or facilitated through the collaboration of the private sector participants awarded under this section. Matching funds may include a combination of cash and in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. The portion of cash match shall be a major factor considered by the commission, the foundation and board in deciding funding recommendations or granting approvals.

In addition, the recipient shall agree to provide the board, foundation, and the budget section with annual reports.

### **Section 33 – Repealer**

**SECTION 33. REPEAL.** Section 15-10-41 of the North Dakota Century Code is repealed.

**Section 36 – Centers of Excellence Report to Legislative Council**

**SECTION 36. CENTERS OF EXCELLENCE - REPORT TO LEGISLATIVE COUNCIL.** During the 2005-06 interim, the state board of higher education and the centers of excellence commission shall report to the legislative council on the status of the centers of excellence program under section 15-10-41. The report must include information regarding approved and rejected applications, funding, private sector participation, accomplishments of each center of excellence, to include information about how each center of excellence is meeting, or will meet, the criteria as provided in section 21 of this act, and whether there are potential changes that could be made to improve the centers of excellence program.

# AGRICULTURAL PRODUCTS UTILITZATION COMMISSION

John Schneider 328-5350

**\$3,821,794 appropriated in 03-05**  
**(includes carryover funds of \$839,000)**

The mission of the Agricultural Products Utilization Commission is to create new wealth and jobs through the development of new and expanded uses of North Dakota agricultural products. They accomplish this by administering four grant programs: **Farm Diversification, Marketing and Utilization, Prototype Development and the Basic and Applied Research grants.** Since the beginning of the biennium up to February 28, 2005, APUC had awarded over \$1.28 mil to 60 agricultural projects throughout ND.

## Grant type financial summary:

Basic and Applied Research – 8 projects = \$147,096.00  
 Marketing and Utilization - 35 projects = \$963,798.00  
 Farm Diversification – 10 projects = \$43,050.00  
 Prototype Development – 4 projects = \$67,950.00  
 International Marketing – 3 projects = \$62,000.00(1x federal funds)

	Total		----- \$1,283,894.00			
Project Title	Basic Research	Market & Util	Farm Diversification	Prototype Development	Fed. Specialty Crop (A058 01 02)	Fed. International Trade (A058 01 01)
DeVore Custom Meats			\$ 5,250.00			
Ft. Berthold Cattle Relend.		\$ 7,000.00				
Mexican Food Show						\$ 20,000.00
NDSU Pumpkin Seeds	\$ 23,500.00					
NDSU Grape Cultivars	\$ 25,000.00					
Soy BoyZ		\$ 29,543.00				
Dakota Pride Coop		\$ 31,500.00				
Marketplace of Ideas		\$ 15,000.00				
Cedar Valley Lodge			\$ 5,250.00			
Minot Intermodal TF		\$ 31,500.00				
Red Trail Energy		\$ 150,000.00				
Wilson Bale Handler				\$10,500.00		
Earth Harvest Mills		\$ 21,000.00				
BioDiesel TF		\$ 42,000.00				
eBirdseed		\$ 13,520.00				
Golden Valley Flax		\$ 12,338.00				
International CS		\$ 8,610.00				
ND Innovations		\$ 10,500.00				
Cuban Trade Mission						\$ 12,000.00
Dobowey Flax			\$ 3,000.00			
Bachmeier			\$ 5,000.00			
Sheyene River Bison			\$ 3,000.00			
Governor's Trade Mission						\$ 30,000.00
Maple River Winery		\$ 23,625.00				
Sund Manufacturing				\$ 13,650.00		
ND Dairy Coalition		\$ 65,000.00				
Dakota Valley Growers		\$ 19,700.00				
Northern Plains Potato		\$ 18,000.00				
ND Food Processors		\$ 7,500.00				
<b>Totals</b>	<b>\$ 48,500.00</b>	<b>\$ 506,336.00</b>	<b>\$ 21,500.00</b>	<b>\$ 24,150.00</b>		<b>\$ 62,000.00</b>

Project Title	Basic Research	Market & Util	Farm Diversification	Prototype Development	Fed. Specialty Crop (A058 01 02)	Fed. International Trade (A058 01 01)
Paul Sproule		\$ 51,000.00				
SunGold Foods		\$ 57,750.00				
MAP		\$ 10,000.00				
ND Trade Office		\$ 52,500.00				
UND Aviation Fuel	\$ 20,000.00					
Ross Gienger			\$ 5,250.00			
Wildrose Grocery		\$ 28,875.00				
ND Farm Bureau Cuba		\$ 25,000.00				
Berry Dakota		\$ 2,625.00				
NDSU Pumpkin Seeds II	\$ 23,500.00					
NDSU Grape Cultivars II	\$ 23,596.00					
Tublicks, Inc.	\$ 10,500.00					
Frank Dillman				\$ 20,000.00		
Summer's Harvest Mill		\$ 29,150.00				
Marketplace of Ideas		\$ 15,000.00				
Glovich Hunting Lodge			\$ 5,250.00			
Kleven Hunting Lodge			\$ 5,250.00			
Ag Open		\$ 5,000.00				
Identity Ag Processing		\$ 9,000.00				
ND Trade Office		\$ 22,478.00				
Crane Creek Garden		\$ 65,000.00				
ND Farmers Market		\$ 25,000.00				
Meridian Seed Inc.	\$ 5,250.00					
Viking Feeders		\$ 26,250.00				
Identity Ag Processing		\$ 5,000.00				
SEO Precision				\$ 23,800.00		
Earth Harvest Mills		\$ 11,634.00				
DataTic Technologies	\$ 15,750.00					
Reister Meats & Catering			\$ 5,250.00			
ND Irrigation Assoc.		\$ 16,200.00				
<b>Totals</b>	<b>\$ 147,096.00</b>	<b>\$ 963,798.00</b>	<b>\$ 42,500.00</b>	<b>\$ 67,950.00</b>		<b>\$ 62,000.00</b>
<b>Total Projects 60 - 2 sponsorships</b>			<b>Total To Date</b>		<b>\$ 1,283,344.00</b>	

DEPARTMENT OF COMMERCE  
 APUC BUDGET OVERVIEW

	<u>05-07 Governor's Recommendation</u>	<u>05-07 Senate Budget</u>
Salaries	\$ 224,934	\$ 224,060
Operating	\$ 88,583	\$ 88,583
Grants:	\$ 2,478,607	\$ 2,478,607
New General Funds	\$ 1,132,529	\$ 1,132,529
New Gas Tax Collections	\$ 575,000	\$ 575,000
Carryover Gas Tax	\$ 271,078	\$ 271,078
USDA Federal Funds	\$ 500,000	\$ 500,000
 TOTAL BUDGET	 <u><u>\$ 2,792,124</u></u>	 <u><u>\$ 2,791,250</u></u>

Mandated commitments in the 05-07

Senate Budget include:

Wheat Scab grant    \$100,000

HB 1478    E85 incentive    \$250,000

1. What does APUC have to grant out (pure cash)?  
\$1,132,529.00 - General Fund \$  
Gas tax collections in the budget is \$575,000 however  
APUC expects to collect about \$400,000  
Thus actual cash in the budget is \$1,532,529.00
2. What will APUC's uncommitted carry over be approximately?  
We estimate that we will have about \$380,000 of uncommitted  
carry over.
3. Is there something that can be done that will make APUC better?  
APUC is currently discussing the question with it's commissioners and  
would like to invite any input the committee members may have.

Project #	Project Title	Basic Research	Market & Util.	Farm Diversification	Prototype Development	Fed Specialty Crop (02)	Fed. International Trade (04)	
7/16/2001	08800-01 Lakota Dairy		\$ 207,000.00					used \$10,000, \$10,700 terminated didn't move forward
7/16/2001	08800-02 Western Star Dairy		\$ 48,000.00					returned \$15,586.63 1st pay, of \$28,000, terminated \$20,000.
7/16/2001	08800-03 Dry Mill Ethanol		\$ 35,000.00					Marketing campaign to increase Ethanol use.
7/16/2001	08800-04 Dakota Free Prod.		\$ 30,000.00					Still in business
7/16/2001	08800-05 Whole Peel Onion		\$ 12,000.00	\$ 5,000.00				study market for onion processing plant. Built in Dawson, ND
8/13/2001	08800-06 High Point Kennel		\$ 35,000.00	\$ 5,000.00				In operation - completed
7/16/2001	08800-07 Com. Veg. Growers		\$ 35,000.00	\$ 5,000.00				hired a vegetable marketer. No longer employed
10/1/2001	08800-08 White Rock Dairy		\$ 133,000.00					In operation - completed
11/1/2001	08800-09 Dry Mill Ethanol	\$ 9,500.00	\$ 10,000.00					feasibility study for ethanol plant in Valley City. On Hold
11/1/2001	08800-10 Flour Tortillas		\$ 10,000.00					NDSU Research completed
11/1/2001	08800-11 MAP					\$ 31,750.00		completed - ND Ag. Dept. - Companies participated
11/1/2001	08800-12 Master Potatoes					\$ 10,500.00		In operation - completed
11/1/2001	08800-13 Weed Mgt. Juneberry							NDSU Research completed
11/1/2001	08800-14 Dakota Lamb Growers		\$ 37,000.00			\$ 2,040.00		In operation - completed
11/1/2001	08800-15 Woolly Elm Aphid					\$ 9,250.00		NDSU Research completed
11/1/2001	08800-16 Annual Herb							In operation - completed
11/1/2001	08800-17 Land Cattle Co.			\$ 5,000.00				In operation - completed
1/29/2002	08800-18 Thorsness Feed Bunks			\$ 5,000.00				In operation - completed
2/21/2002	08800-19 Schepp's Dakota Deli	\$ 35,000.00	\$ 71,022.00					NDSU Research completed
2/21/2002	08800-20 Southwest Feeders							In operation - completed
2/21/2002	08800-21 Maple Valley Locker		\$ 15,750.00					In operation - completed
2/21/2002	08800-22 Equidistant Planter							NDSU Research completed
2/21/2002	08800-23 Executive Marketer				\$ 26,250.00			In operation - completed
2/21/2002	08800-24 Dakota Hail					\$ 52,500.00		Completed - didn't move forward
4/12/2002	08800-25 Dakota Hunter			\$ 5,250.00				salary for vegetable market. No longer employed
4/12/2002	08800-26 Vetter Corn Maze			\$ 5,250.00				Changed Name - still operating
4/12/2002	08800-27 Rust Pheasant Fac.			\$ 5,250.00				In operation - completed
4/12/2002	08800-28 Candlelight Cottage			\$ 5,250.00				completed - out of business
4/12/2002	08800-29 Equine Repo. Center			\$ 5,250.00				In operation - completed
4/12/2002	08800-30 Franzen Lodge			\$ 5,250.00				In operation - completed
4/12/2002	08800-31 Blue Sky Elk			\$ 5,093.00				In operation - completed
5/17/2002	08800-32 Inforcer, Inc.				\$ 26,250.00			Terminated, didn't move forward refunded money
5/17/2002	08800-33 Superior Grains Inc.					\$ 36,750.00	\$ 26,250.00	In operation - completed
5/17/2002	08800-34 Toga EDC					\$ 5,250.00		Feasibility study Alfalfa pellet plant. In operation
5/17/2002	08800-35 Mkt. Safflower						\$ 21,000.00	In operation - completed

	Project Title	Basic Research Market & Util.	Farm Diversification	Prototype Development	Fed. Specialty Crops (02)	Fed. International Trade (03)	
5/17/2002	08800-36	ebirdseed.com					In operation - completed
5/17/2002	08800-37	Cloverdale Growers All	\$ 10,500.00		\$ 17,850.00		completed - marketing plan
5/17/2002	08800-38	Skandia Mills	\$ 4,200.00				In operation - completed
5/17/2002	08800-39	Sugar Beet Tester		\$ 8,400.00			completed
5/17/2002	08800-40	Specialty Export Prod.				\$ 23,100.00	In operation - completed - Halton - marketing
5/17/2002	08800-41	ND Dry Pea & Lentil					In operation - completed - marketing/trade show
5/17/2002	08800-42	NDSU Biofuel	\$ 17,000.00				Research completed
5/17/2002	08800-43	Soybean sprouts	\$ 3,150.00				Research completed
5/17/2002	08800-44	FarmNet Services					In operation - completed
5/17/2002	08800-45	West Bay Resorts	\$ 17,850.00	\$ 5,250.00			In operation - completed
7/22/2002	08800-46	Keller's Pumpkin Patch					In operation - completed
7/22/2002	08800-47	Tweeten Corn Maze					completed - in operation
7/22/2002	08800-48	Gumringer Cabin		\$ 2,625.00			completed - in operation
8/2/2002	08800-49	Aquatic Tech. Inc	\$ 10,500.00				completed in operation - Newburg
8/2/2002	08800-50	Hickory Hut	\$ 3,020.00				In operation - completed
8/2/2002	08800-51	Golden Plains Frozen	\$ 84,000.00				In operation - completed - consultant work
8/2/2002	08800-52	Dakota Frontier Foods	\$ 40,000.00				In operation - completed
8/2/2002	08800-53	Valley Specialty Foods	\$ 21,000.00		\$ 2,000.00		In operation - completed
8/2/2002	08800-54	Catwalk System		\$ 9,975.00			completed
8/14/2002	08800-55	Governors International trade Conference				\$ 27,000.00	completed 88 companies participated in a 2 day Global Business
8/14/2002	08800-56	Farm Bureau Cuba Trade				\$ 25,000.00	completed 6 companies participated in trade mission to Cuba
09/26/02	08800-57	Northern Lights Dairy		\$ 10,500.00			In operation - completed
11/15/02	08800-58	Bushele 42	\$ 70,800.00			\$ 10,000.00	Out of business
11/15/02	08800-59	Maple River Winery	\$ 66,675.00				In operation - completed
11/15/02	08800-60	Earth-in-Kind	\$ 73,763.00		\$ 21,288.00		In operation - completed
11/15/02	08800-61	SunGold Foods	\$ 10,000.00				In operation - completed
11/15/02	08800-62	MAP	\$ 12,600.00				completed- ND Ag. Dept. - 12 companies participated in Trade shows
11/15/02	08800-63	Skandia Mills	\$ 10,500.00				In operation - completed
11/15/02	08800-64	Dakota Pride Co-op	\$ 10,500.00				In operation - completed
11/15/02	08800-65	Dakota Territory Buffalo	\$ 20,711.00				In operation - didn't move forward
12/30/2002	08800-66	Honeyman Raspberry				\$ 5,250.00	In operation - completed
2/12/2003	08800-67	Asian Trade Mission				\$ 35,000.00	completed \$8,186.65 returned
2/12/2003	08800-68	Enander Seed Farm	\$ 30,294.00			\$ 34,900.00	In operation - completed
2/12/2003	08800-69	DirectLine, Inc	\$ 57,750.00				Out of business



		Project Title	Basic Research Maint & Util.	Farm Diversification	Prototype Development	Rad. Specialty Crop AgSSIP	Fed. Specialty, Int'l (08800-01)	
2/12/2003	08800-70	Southwest Feeders II	\$ 36,160.00					Research completed
2/12/2003	08800-71	KidCo Farms				\$ 50,000.00		In-operation - completed
2/12/2003	08800-72	Dakota Valley Growers	\$ 50,925.00					In-operation - completed
2/12/2003	08800-73	Phaland & Trading Co.					\$ 25,000.00	end date is 6-1-2005
	08800-74	Tri County Dev.	\$ 52,500.00					completed - pasta plant in Hope
2/12/2003	08800-75	Cloverdale Sausage	\$ 6,300.00					completed
2/12/2003	08800-76	Hemp Guidelines	\$ 55,000.00					NDSU Research end date 6-1-2005 - on hold
2/12/2003	08800-77	Pure pleasures		\$ 5,250.00				In-operation - completed
	08800-78	Tioga EDC				\$ 7,500.00		completed - container handler site in Tioga - moving forward
	08800-79	Olson's Popcorn		\$ 5,250.00				In-operation - completed
	08800-80	Neilson's Grapes				\$ 5,250.00		In-operation - completed
	08800-81	Hogen Grapes				\$ 5,250.00		In-operation - completed
	08800-82	Sinburst Produce		\$ 4,524.00				In-operation - completed
	08800-83	Duppong Grapes		\$ 5,250.00				In-operation - completed
	08800-84	Thunderbird Ranch	\$ 40,737.00					In-operation - completed
	08800-85	SB&B Foods	\$ 10,500.00					In-operation end date 6-1-2005 in Ray ND
	08800-86	Pacific Rim Mission						In-operation - completed
	08800-87	LeRoy Richards			\$ 26,250.00		\$ 25,000.00	completed - 7 companies went to Japan & Korea
	08800-88	Cass Clay Creamery	\$ 1,760.00					completed
	08800-89	American Honey						completed - marketing campaign
	08800-90	SORM, Inc.	\$ 43,407.00					In-operation - completed
	08800-91	Rolling Hills Pre. Beef	\$ 16,800.00					In-operation - completed - new product line
	08800-92	D. Gullitckson Veg.		\$ 5,250.00				In-operation - end date 6-1-2005
								In-operation completed
	Totals		\$ 187,864.00	\$ 100,492.00	\$ 97,125.00	\$ 327,219.25	\$ 217,350.00	

Total \$ 2,123,060.25

7-1-2005 6-30-2005  
Projects

Project #	Project Title	Basic Research	Market & Util	Farm Diversification	Prototype Development	Fed Specialty Crop (01.02)	Fed International Trade (01.01)	
00307-01	DeVore Custom Meats			\$ 5,250.00				In operation - completed end date of 6-1-2005
00307-02	Ft. Berthold Cattle Refend.		\$ 7,000.00				\$ 20,000.00	completed didn't use \$4,555.44 NDSU Research end date 6-1-2005
00307-03	Mexican Food Show							NDSU Research completed
00307-04	NDSU Pumpkin Seeds	\$ 23,500.00						In operation - completed end date 6-1-2005
00307-05	NDSU Grape Cultivars	\$ 25,000.00						Sponsorship
00307-06	Soy BoyZ		\$ 29,543.00					In operation - end date 6-1-2005
00307-07	Dakota Pride Coop		\$ 31,500.00					Feasibility study end date 6-1-2005 - moving forward
00307-08	Marketplace of Ideas		\$ 15,000.00					completed - start up phase
00307-09	Cedar Valley Lodge		\$ 31,500.00					In operation - completed
00311-10	Minot Intermodal TF		\$ 150,000.00		\$ 10,500.00			completed - Start-up Phase completed
00311-11	Red Trail Energy		\$ 21,000.00					In operation - completed
00311-12	Wilson Bale Handler		\$ 42,000.00					In operation - end date 6-1-2005
00311-13	Earth Harvest Mills		\$ 13,520.00					In operation - completed
00311-14	BioDiesel TF		\$ 12,338.00					In operation - completed
00311-15	eBirdseed		\$ 8,610.00					In operation end date 6-1-2005 - didn't use funds
00311-16	Golden Valley Flax		\$ 10,500.00				\$ 12,000.00	completed. Didn't use \$3,600.00 waiting final report
00311-17	International CS							In operation - completed
00311-18	ND Innovations							In operation - completed
00312-19	Cuban Trade Mission			\$ 3,000.00				waiting final report
00401-20	Dobowey Flax			\$ 5,000.00				In operation - completed
00401-22	Bachmeyer			\$ 3,000.00				completed Didn't use \$6,598.80 - 7 companies Japan/Taiwan
00401-23	Sheyene River Bison						\$ 30,000.00	In operation - completed - marketing
00401-24	Governor's Trade Mission		\$ 23,625.00					In operation - completed - developed new product
00402-25	Maple River Winery				\$ 13,650.00			end date of 6-1-2005 - moving forward
00402-26	Sund Manufacturing							In operation - completed
00402-27	ND Dairy Coalition		\$ 65,000.00					In operation end date 6-1-2005
00402-28	Dakota Valley Growers		\$ 19,700.00					Sponsorship
00402-29	Northern Plains Potato		\$ 18,000.00					
00402-30	ND Food Processors		\$ 7,500.00					
	Totals	\$ 48,500.00	\$ 506,336.00	\$ 21,500.00	\$ 24,150.00		\$ 62,000.00	

7-1-2005-30-2005  
Projects

Project #	Project Title	Basic Research	Market & Int.	Farm Diversification	Prototype Development	Fed Specialty Crop (A056 01 02)	Fed International Trade (A056 01 01)	
00504-31	Paul Sproule		\$ 51,000.00					waiting final report - positive feasibility
00504-32	SunGold Foods		\$ 57,750.00					In operation end date 6-1-2005
00504-33	IMAP		\$ 10,000.00					end date 6-1-2005
00504-34	ND Trade Office		\$ 62,500.00					end date 6-1-2005 - to promote ND products
00504-35	UND Aviation Fuel	\$ 20,000.00		\$ 5,250.00				end date 6-1-2005
00504-36	Ross Glenger		\$ 28,875.00					In operation - completed
00704-37	Wildrose Grocery		\$ 25,000.00					waiting final report in operation
00704-38	ND Farm Bureau Cuba		\$ 2,625.00					waiting final report
00704-39	Berry Dakota	\$ 23,500.00						end date 6-1-2005 - in operation
00704-40	NDSU Pumpkin Seeds II	\$ 23,596.00						end date 6-1-2005 - research
00704-41	NDSU Grape Cultivars II	\$ 10,500.00						end date 6-1-2005 - research
00704-42	Tublicks, Inc.				\$ 20,000.00			end date 8-1-2005 - in operation
00704-43	Frank Dillman							end date 7-1-2005
00704-44	Summer's Harvest Mill		\$ 29,150.00					end date 8-1-2005 - start up phase
00704-45	Marketplace of Ideas		\$ 15,000.00					sponsor-ship
00704-46	Glovich Hunting Lodge		\$ 5,250.00					end date 8-1-2005 - operating
00704-47	Kleven Hunting Lodge		\$ 5,250.00					completed - start up phase
00704-48	Ag Open		\$ 5,000.00					sponsor-ship
01104-49	Identity Ag Processing		\$ 9,000.00					In operation end date 7-1-2005
01104-50	ND Trade Office		\$ 22,478.00					completed - Japan/Taiwan - 6 companies participated
01104-51	Crane Creek Garden		\$ 65,000.00					In operation end date 12-1-2005
01104-52	ND Farmers Market		\$ 25,000.00					end date 12-1-2005
01104-53	Meridian Seed Inc.	\$ 5,250.00						In operation end date 12-1-2005
00205-54	Viking Feeders		\$ 26,250.00					end date 12-1-2005 - in permitting process
00205-55	Identity Ag Processing		\$ 5,000.00					In operation end date 11-1-2005
00205-56	SEO Precision		\$ 11,634.00		\$ 23,800.00			In operation end date 2-1-2006
00205-57	Earth Harvest Mills		\$ 15,750.00					In operation end date 11-1-2005
00205-58	DataTic Technologies	\$ 15,750.00						In operation end date 12-1-2005
00205-59	Reisler Meats & Catering			\$ 5,250.00				end date 12-1-2005 - Starting construction
00205-60	ND Irrigation Assoc.		\$ 16,200.00					end date 12-1-2005 - feasibility study
	Totals	\$ 147,086.00	\$ 963,798.00	\$ 42,500.00	\$ 67,950.00	\$ 62,000.00		

\$ 1,283,344.00

Total Projects 60 - 3 sponsorships

Total To Date

North Dakota  
Department of Commerce

Community Services

Economic

Development & Finance

Tourism

Workforce Development



Century Center

1600 E. Century Ave

Suite 2

PO Box 2057

Bismarck, ND 58502-2057

Phone 701-328-5300

Fax 701-328-5320

[www.ndcommerce.com](http://www.ndcommerce.com)

April 15, 2005

TO: Senator Tony Grindberg and Members of the Conference  
Committee on SB 2018

FR: Cory Fong, Deputy Commissioner

RE: APUC and the Ethanol Production Incentive Fund

I would like to take this opportunity to clarify the role that APUC plays in administering the ethanol production incentive fund in context of proposed changes to the law that would remove the continuing appropriation from the ethanol production incentive as provided in Section 4-14.1-10 of the NDCC.

#### Background on APUC

APUC is a granting agency for value added businesses within the Department of Commerce. Its mission is to assist companies/individuals that add value to a ND agricultural product. APUC currently has five grant categories. They are:

- Farm diversification
- International marketing
- Prototype development
- Basic and applied research, and
- Marketing and utilization grants

To date this biennium APUC has granted over \$1.2 million dollars to 60 value-added projects throughout ND.

APUC is funded through a general fund appropriation of \$1.1 million dollars and about \$400,000 from the gas tax refund. Therefore, APUC has about \$1.5 million dollars to give out in a biennium, or about \$750,000 in a fiscal year. APUC meets quarterly and receives anywhere from half a million to over a million dollars in requests. Over the years APUC has been able to spread the dollars out and fund worthy projects at requested amounts.

#### Background on Ethanol Production Incentive Fund

Substantial changes were made to the ethanol production incentives program during the 2003 legislative session. An ethanol production incentive fund was established and codified as a continuing appropriation in Section 4-14.1-10 of the NDCC. The revenue sources are 40% of farm vehicle registration fees and a one-cent per gallon deduction from the agricultural fuel tax refund. APUC was also identified to collect and administer the fund and distribute payments from the fund to qualifying

ethanol plants. Please take note that the ethanol production incentive fund is separate and apart from APUC's revenue sources.

### **Discussion of Removing the Continuing Appropriation for the Ethanol Production Incentive Fund in SB 2018**

Section 23 of Engrossed Senate Bill 2018 (Department of Commerce Budget), located on page 7 of the bill, removes the fund as a continuing appropriation bringing the funding source "on-budget." As a result, Section 11, located on page 4 of the bill, increases the special fund line for APUC by \$3,285,000. Together, these changes may give the false impression of increasing the total estimated income for APUC for the 2005-07 biennium by \$3,285,000.

As the law currently stands, a major value of the ethanol production incentive fund is the fact that the fund is allowed to build up from biennium to biennium for the purpose of providing market stabilization for ethanol plants in operation. Eliminating the continuing appropriation will ultimately hamper the purpose, flexibility, and effectiveness of the ethanol production incentive fund created during the 2003 legislative session.

In addition, please understand that whether or not SB 2018 is amended and the continuing appropriation for the ethanol production incentive fund is removed, the level of funding to meet APUC's mission during the next biennium remains the same and does not increase. Given that APUC has been identified as a funding source for specific initiatives during this session and additional granting categories will be added to APUC by SB 2147 and HB 1519, APUC will actually have less funding sources to distribute during the 2005-07 biennium than in previous bienniums.

### **Proposed Fix to SB 2018**

For these reasons, I request the conference committee consider removing Sections 11 and 23 of Engrossed Senate Bill 2018 and reduce the estimated income line and the APUC special line item by \$3,285,000. This request for change will retain the ethanol production incentive fund as a continuing appropriation and ensure the fund continues to effectively fulfill its intended purpose.

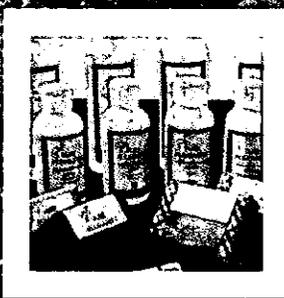
Thank you for your consideration and assistance. Should you have any questions, please feel free to contact me at 328-5322 or on my cell phone at 226-7743.

**APUC Funding**

<b>\$1.1 million (General Fund)</b>
<b>+</b>
<b>\$400,000 (Gas Tax Refund)</b>
<b>=</b>
<b>\$1.5 million per biennium or \$750,000 per year</b>
<b>↓ ↓ ↓ ↓ ↓ ↓ ↓</b>
<b>Granted Out by APUC under the Following Categories</b>  Farm diversification International marketing Prototype development Basic and applied research, and Marketing and utilization grants

**Ethanol Production Incentive Fund (Administered by APUC)**

<b>40% of Farm Vehicle Registration Fees</b>
<b>+</b>
<b>1 cent per gallon deduction (Gas Tax Refund)</b>
<b>=</b>
<b>\$3,285,000 (Projected for 2005-07 Biennium)</b>
<b>↓ ↓ ↓ ↓ ↓ ↓ ↓</b>
<b>Paid out to Qualifying Ethanol Plants According to Chapter 4-14.1 of the NDCC</b>



**North Dakota**

**Agricultural**

**Products**

**Utilization**

**Commission**

**2003-2004**

**Report**

Contact  
APUC for  
a copy for  
legislative  
council  
library

APPENDIX A

Session 2005B0100601 Number 1

Description Ethanol Production Incentive

Statutory authority NDCC 4-14.1-10

Special fund number and name 447 Ethanol Production Incentive Fund

	Actual 1999-2001	Actual 2001-03	2003-05 As Of 3/31/04	Estimated 2003-05	Estimated 2005-07
Beginning balance	0	0	0	0	1,285,000
Revenues	0	0	695,581	3,085,000	3,085,000
Total available	0	0	695,581	3,085,000	4,370,000
Expenditures		0	600,000	1,800,000	3,200,000
Ending balance	0	0	95,581	1,285,000	1,170,000

Use the narrative button to explain the justification for continuing the statutory authority for this continuing appropriation.



**Continuing Appropriations Narrative**  
00601 DEPT OF COMMERCE

Version 2005B0100601

Project 1 Ethanol Production Incentive

Page 1 of 1

Date:

12/30/2004

Time: 14:03:15

**CONTINUING APPROPRIATION JUSTIFICATION**

NDCC 4-14.1 states that the Ethanol Production Incentive will be managed through a continuing appropriation. The ethanol production incentive is based on the average price per bushel of corn and the average rack price per gallon of ethanol. Due to the fluctuation in the prices it is essential to handle the incentive through a continuing appropriation.

# NDSU Statement of Support for Senate Bill 2365

59<sup>th</sup> North Dakota Assembly  
January 26, 2005

To: Senate Appropriations Committee Members

From: Philip Boudjouk  
VP Research, Creative Activities and Technology  
North Dakota State University

Re: Appropriation for Wind-to-Hydrogen demonstrations in Minot and Fargo

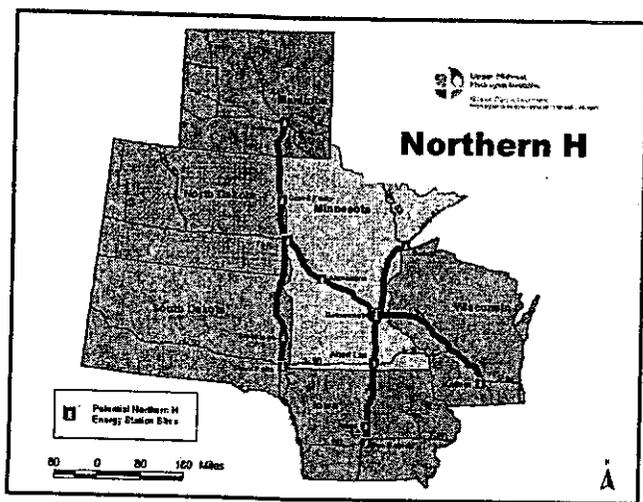
Countries and companies around the world are investing billions in hydrogen research and development, particularly in the transportation sector. As one former Ford official has put it, "every dollar spent on hydrogen will save us many more when the final rush for oil begins."

One of the most promising ways to produce large amounts of hydrogen is to use wind-generated electricity to split off hydrogen from water (the H out of the H<sub>2</sub>O). The U.S. Department of Energy estimates that the United States would need roughly 40 million tons of hydrogen per year to meet its current fuel needs. One estimate suggests that North and South Dakota alone have enough cost-effective wind-power potential to make 50 million tons of hydrogen per year.

The proposed wind-to-hydrogen demonstrations in Minot and Fargo would provide the ideal laboratory for beginning to tap this exceptional native resource and for

demonstrating the potential for wind-to-hydrogen systems to produce cost competitive electricity and fuel.

The Fargo station would also be part of a much larger regional network of hydrogen refueling stations along key Interstate trade routes (dubbed the Northern H) that already has support from 8 U.S. Senators in our region. Fargo would be one



of as many as 10 such multi-fuel stations stretching from Winnipeg to Madison, WI; and eventually linking with Chicago and hydrogen projects already underway along I-90.

In fact, the city of Winnipeg is already cold-weather testing a hydrogen-powered hybrid bus this month and running it in regular revenue service. They plan to have a permanent hydrogen station as the northern anchor in 2006.



**H<sub>2</sub> Hybrid bus in MB**

From NDSU's perspective, being involved in both the Fargo and Minot projects could allow us to build on some of our core research competencies in nano-scale science, computational fluid dynamics, engine technology, and fuel cells.

Long-term, wind-powered hydrogen development in North Dakota holds enormous economic potential in the form of a new and expanded energy industry, value-added energy production for farmers and ranchers, a potentially competitive option for fertilizer production, payments to landowners, economic development from related manufacturing and services, and increased tax revenues once hydrogen is well-established.

There are at least 87 hydrogen stations worldwide and "hydrogen highway" efforts are emerging across the globe. Until now, however, no similar effort has been proposed in the heartland of the United States —where the clean hydrogen potential is among the greatest. It is time for North Dakota to begin harnessing its economic potential for large-scale hydrogen production.

**We urge you to support the appropriation request of \$400,000 requested in Senate Bill No. 2365.** We also support House Bill No. 1496 providing a sales tax exemption for hydrogen.

Thank you for your dedicated public service.

[Written testimony from Moorhead Mayor Mark Voxland presented to ND Senate Appropriations Committee. Electronic letterhead of City of Moorhead could not be printed.]

January 31, 2005

Dear North Dakota Senate Appropriations Committee:

The cities of Moorhead and Fargo have grown increasingly close over the years in the provision of high quality municipal services. In many respects, the two cities form a single metropolitan area and benefit from each other's strengths and accomplishments. A significant indicator of these close ties is the merger of our two chambers of commerce, our two convention and visitors bureaus, and our 911 dispatch centers along with our two county dispatch centers all into a single Joint Dispatch Center dedicated to serving the entire community.

In this same spirit of cooperation, Fargo Mayor Bruce Furness and I have both become hydrogen supporters and see enormous value in our two cities being among the first hydrogen demonstration cities in our region.

We are aware that many hydrogen refueling stations already exist around the world with more being built all the time from California and Washington D.C. to Japan and Germany. All major automakers are working toward hydrogen fuel cell vehicles. Major energy companies such as Shell, BP and Chevron-Texaco are investing significant sums into hydrogen demonstrations. There is even great work being done on technologies that represent a transition to fuel cell vehicles, such as hybrid gas-electric vehicles able to run on clean hydrogen rather than gasoline. We believe that it is critical for our two states and our Fargo-Moorhead community to be a part of these important and emerging developments.

Both Mayor Furness and I support the construction of a multi-fuel hydrogen station in Fargo that would offer conventional gasoline, ethanol, biodiesel and hydrogen. Offering a variety of fuels will make these stations more practical and financially viable as transportation infrastructure where various fuel and vehicle technologies compete head-to-head.

In addition, a Fargo demonstration site could also support hydrogen-powered public transit within Moorhead and Fargo, or be used for other fleet or off-road applications. Buses and shuttles are attractive because they do not require a great deal of infrastructure, and because they are highly visible to the public. Such visibility would help raise the level of comfort and understanding by the general public of hydrogen fuel. Such public acceptance has been a key factor in the success of hydrogen technology in other regions of the world.

One of the most promising ways to produce hydrogen is using wind power to harvest hydrogen from water. Moorhead Public Service, our municipal utility, already has a nationally recognized wind program, and we eagerly offer these wind facilities in producing hydrogen as another value-adding activity.

Such a demonstration would also prove highly beneficial to the institutions of higher learning in our region. Imagine the draw for young people interested in exploring careers in cutting edge technology. There would be great potential to train the next generation of engineers and technical tradespersons on fuel cells and related hydrogen.

Finally, a Fargo-Moorhead hydrogen station could serve as part of a broader network of planned hydrogen stations stretching from Winnipeg to Chicago.

As your neighbor, I would respectfully urge you to support North Dakota Senate Bill No. 2365. It will put North Dakota and Fargo-Moorhead on the hydrogen map; one on which other states and cities are already well represented.

Sincerely,

*/s/ Mark Voxland*

Mark Voxland  
Mayor

**From:** Mertins Karl-Heinz [mailto:MertinsKarl-HeinzO@JohnDeere.com]  
**Sent:** Monday, February 28, 2005 2:16 PM  
**To:** bcrabtree@gpisd.net  
**Subject:** Hydrogen Fueling Station in Fargo-Moorhead

Dear Brad,

This message confirms our earlier conversations regarding the proposed hydrogen fueling station in or nearby Fargo, North Dakota. As you know Deere & Company has made significant R&D investments towards the development of utility vehicles with hybrid and other alternative propulsion systems. This has led to the construction of several John Deere Gator prototype vehicles that are powered by state-of-the art hydrogen fuel cells. Through Phoenix International Fargo, a John Deere company in Fargo, we also have a local technological infrastructure in place that is capable of supporting advanced engineering projects.

Senior management at Deere & Company including the Vice President of Engineering (Robert Moulds) and the Director of Technology Growth (Barry Batcheller) have expressed their interest in supporting the hydrogen fueling station project. It has been suggested that one of the John Deere Gator fuel cell vehicles shall be temporarily deployed for service in Fargo. Based at the NDSU research park and supervised by Phoenix International personnel the vehicle could be subjected to extended test runs under practical operating conditions in an area known for its extreme temperatures. NDSU students and researchers could participate in the test program and benefit from a unique learning experience with a future-oriented transportation solution. Details of the vehicle deployment, associated test programs, and participants need to be further discussed and finalized in the near future. The provision of a hydrogen fueling station would be a convincing argument for Deere to bring hydrogen fuel cell technology to the Fargo-Moorhead region.

Please contact me if you have any questions or suggestions in this matter.

Regards,

**Dr. Karl-Heinz Mertins**  
Manager, Business Development  
Deere & Company World Headquarters  
One John Deere Place  
Moline, IL 61265  
Phone: 309 765-5037  
Mobile: 612 309-8800  
E-mail: MertinsKarl-HeinzO@JohnDeere.com

**Senate Bill 2018, Section 12:  
Wind Energy to Hydrogen Fuel Demonstration Project in Fargo-Moorhead**

**Testimony to the North Dakota House Appropriations Committee  
March 1st, 2005**

**Brad Crabtree  
Powering the Plains Project  
Great Plains Institute  
Ashley, North Dakota  
(701) 647-2041  
[bcrabtree@gpisd.net](mailto:bcrabtree@gpisd.net)**

Thank you Mr. Chairman and members of the House Appropriations Committee for this opportunity to testify in favor of Section 12 of Senate Bill 2018 that would provide state support for a demonstration hydrogen fueling station in Fargo-Moorhead. I would also like to recognize Senator Tony Grindberg for his leadership in encouraging future North Dakota leadership in hydrogen production through this provision.

I am here today as director of the Powering the Plains, a project of the Great Plains Institute. PTP brings together representatives of industry and agriculture, government officials and legislators, and environmental advocates from the Dakotas, Iowa, Minnesota, Wisconsin and Manitoba to develop regional energy strategies, policies and projects.

One of PTP's objectives is to help our region develop its potential for the production of hydrogen fuel from renewable energy sources such as wind, ethanol, biomass and hydropower and from the gasification of coal. Toward that end, PTP launched the Upper Midwest Hydrogen Initiative two years ago. UMHI is a public-private consortium whose regional membership includes Fortune 500 companies, small technology companies, and major research institutions throughout the region.

Two years ago, a group of bipartisan North Dakota legislative delegates to the Legislators Forum joined colleagues from Minnesota, South Dakota and the province of Manitoba in asking PTP and UMHI participants to recommend how legislators could advance hydrogen development on a regional basis. In response to this Legislators Forum request, a Policy Work Group was formed that included North Dakota legislators together with representatives of industry, agriculture and nongovernmental groups from the Dakotas, Iowa, Manitoba, Minnesota and Wisconsin. Support for visible demonstration projects such as the Fargo-Moorhead fueling station is one of the Work Group's key policy recommendations. Other policy recommendations are addressed through HB 1496 introduced by Representative Jon Nelson to exempt hydrogen projects and others from sales and fuel taxes and through a joint resolution introduced by Representative Monson to encourage participation of the North Dakota University System in formation of a regional hydrogen education and research consortium.

So, why hydrogen and why a state investment in the Fargo-Moorhead project? Since 9/11, President Bush, governors of both political parties and CEOs of some of the world's largest companies have devoted increasing attention to hydrogen for reasons of national security, energy independence and economic development. Earth's most abundant element, hydrogen can be produced from multiple energy sources for

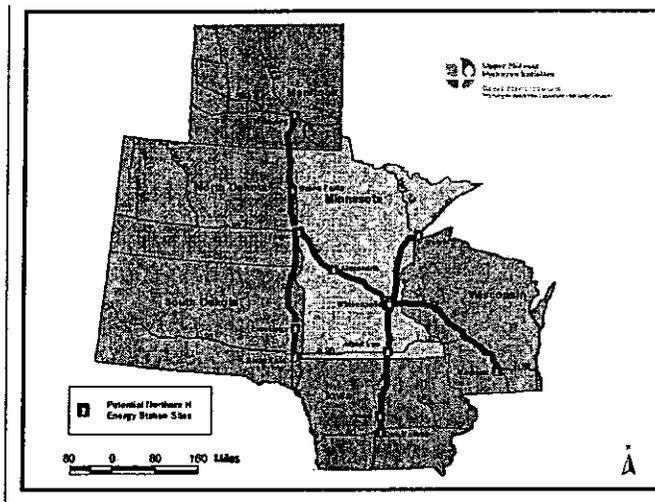
use as a fuel through combustion or, more efficiently, in a fuel cell to produce electricity. All of North Dakota's renewable energy sources can produce hydrogen—wind energy and hydropower through electrolysis of water, and ethanol and biomass through a variety of emerging technologies. In addition, hydrogen is an immediate product of coal gasification, a technology which North Dakota has helped pioneer.

Our global leadership in coal gasification, world class wind potential, and significant ethanol and biomass resources leave North Dakota well-positioned to be a North American leader in the production of hydrogen. For North Dakota to lead this future hydrogen transition requires that we begin demonstrating hydrogen production, storage and delivery technologies suited to our particular energy resources.

The proposed Fargo-Moorhead demonstration project will be among the very first hydrogen fuel projects in the Midwest of any kind and among the first in the world to showcase the production of hydrogen from renewable energy resources, in this case from wind. Located in Fargo near the junction of I-94 and I-29 and also featuring ethanol and biodiesel blends, the hydrogen fueling station will serve as a vital north-south and east-west hub of the "Northern H", a regional hydrogen fueling station network spanning the entire Upper Midwest. Fueling stations elsewhere in the region will demonstrate hydrogen produced from other renewable energy sources, such as ethanol. Just last month, Manitoba unveiled a fuel cell bus and hydrogen station in Winnipeg that will anchor the build-out of the regional network between now and 2010.

The Fargo-Moorhead fueling station involves a number of exciting partnerships and opportunities:

- a wind turbine owned by Moorhead Public Service will provide the wind energy to power the electrolyzer producing the hydrogen;
- the cities of Fargo and Moorhead will jointly operate a hydrogen transit bus that refuels at the station;
- NDSU will provide technical assistance and engage faculty and students in research and education opportunities associated with the fueling station and the hydrogen vehicles it serves; and



- John Deere senior management is actively considering a hydrogen fuel cell-powered Gator for project use to be serviced by Phoenix International, a Fargo-based unit of Deere & Company.

The cost of this project is estimated at \$1.4 million, and interest is evident from all levels of government and from the private sector in securing the necessary financial and in-kind resources:

- all eight senators from the Dakotas, Iowa and Minnesota and Congressman Sabo supported a federal funding request for FY 2005, and efforts to secure 2006 funding are underway;
- a companion appropriations request for Moorhead and other Minnesota cities will be introduced by Senator Ellen Anderson, who chairs the Jobs, Energy and Community Development Committee;
- Fargo and Moorhead are discussing a shared commitment of local cost share at the value of a conventional diesel powered transit bus; and
- John Deere's proposed contribution of a fuel cell Gator would have a commercial value of hundreds of thousands of dollars.



Together with the hydrogen tax exemption legislation and policy resolution, state funding in Section 12 of this bill for the Fargo-Moorhead hydrogen fueling station provides legislators with the opportunity to send a signal that North Dakota is committed to a hydrogen future and that we are open for business in this enormously important future industry.

On behalf of the project participants, I respectfully request your support for Section 12 of SB 2018.  
Thank you.



Mayor Bruce W. Furness  
200 3rd Street North  
Fargo, North Dakota 58102  
Phone (701) 241-1310  
Fax (701) 476-4136

Dear House Appropriations Committee Members:

On behalf of the City of Fargo, I write in strong support of Section 12 of Senate Bill 2018 that would provide \$25,000 in discretionary funds in support of a wind energy to hydrogen fuel demonstration project in our community.

In partnership with the City of Moorhead, Moorhead Public Service and North Dakota State University, we have been involved with developing plans for a hydrogen fueling station to be located near the junction of I-94 and I-29. This station would serve our two communities and be a key North-South and East-West hub in a regional hydrogen fueling station network now under development.

We are in the midst of discussions right now with the City of Moorhead to identify a joint local cost share commitment, most likely in the form of a transit bus that would be outfitted through the project to be powered by hydrogen fuel produced at the local station. We will share with you the results of these discussions as soon as possible.

We see enormous opportunity for our City, the State of North Dakota, and our neighbors and partners in the City of Moorhead and the State of Minnesota in becoming among the first hydrogen demonstrations in our region and of the very first projects in the country to demonstrate hydrogen production from renewable energy—in this case, from wind power generated by Moorhead Public Service.

Public and private interests around the world are investing literally billions of dollars in hydrogen research, development and deployment. Hydrogen holds the promise of allowing our state to tap and fully capitalize on its many domestic energy resources. The time to begin developing that potential is now. We believe that it is critical for North Dakota to be a part of this emerging economic sector.

I respectfully request your support of this important hydrogen funding in SB 2018. Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Bruce W. Furness".

Bruce W. Furness  
Mayor



## Wind-to-Hydrogen Demonstration in Fargo (SB 2018)

CITY OF  
**Fargo**



Building a world-class regional hydrogen refueling network by 2010

### Where will the money go and who else is involved?

The city of Fargo would be the recipient of the requested \$200,000 appropriation. The city has been working with Senator Dorgan, NDSU, the Chamber of Commerce, Moorhead Public Service and the public-private Upper Midwest Hydrogen Initiative to develop and fund a multi-fuel hydrogen station in Fargo that would support hydrogen-powered transit between the two towns or some other fleet or off-road application. The station would be part of a broader network of planned hydrogen stations stretching from Winnipeg to Chicago (see map of Northern H).

### How much will the project cost?

• Electrolyzer (24kW)	\$225,000
• Hydrogen ground storage	\$150,000
• Fueling Dispenser	\$75,000
• 5kW stationary fuel cell	\$50,000
• H2 hybrid ICE bus	\$600,000
• Other miscellaneous project costs <sup>1</sup> +	\$300,000
<b>Estimated project cost</b>	<b>\$1,400,000</b>

### Where will the money come from?

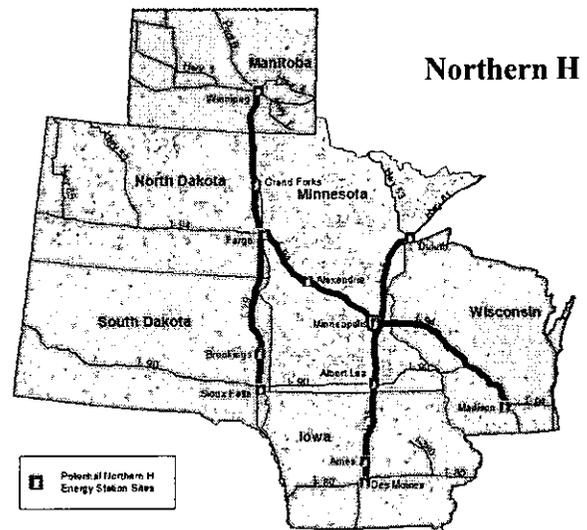
Federal (appropriation through ND and MN delegation)

ND State (SB 2018)

MN State (companion appropriation request)

Cities of Fargo and Moorhead (likely contribution of bus)

Industry in-kind (e.g. potential John Deere provision of fuel-cell Gator)



**What will the demonstration accomplish?** Early government purchases and demonstrations have been critical to the commercialization of beneficial technologies in the past and will be equally important to advancing hydrogen and fuel cell technology. By becoming an early market participant, the state of North Dakota will:

- β Provide objective performance data to the marketplace;
- β Boost demand for hydrogen, fuel cells and related technologies and thereby bring down their costs<sup>2</sup>;
- β Identify future infrastructure needs;
- β Identify code and regulatory issues to be resolved;
- β Foster new capital investment by the private sector;
- β Advance critical research at leading North Dakota institutions; and
- β Create some market pull for what could become a significant industry in North Dakota.

<sup>1</sup> These would be costs such as administration, overhead, engineering, project management, approvals, permits, site preparation, installation, commissioning, training, operation and maintenance: 4 years @ \$750 = \$300,000

<sup>2</sup> ISE Corporation estimates 10 cents/mile for hydrogen fuel cell cars using H2 from win if you have 12 stations and 500,000 vehicles

## SB 2018 Testimony

**House Appropriations Committee – Government Performance Subcommittee**  
**Chairman Al Carlson**

**March 1, 2004**

Good morning, Chairman Carlson and members of committee. I am Sherry Neas of the Office of Management and Budget, State Procurement Office.

Last summer, the Legislative Council's interim Economic Development Committee identified OMB as a lead agency for the issue of procurement and made the following requests:

- What can be done to make government procurement more accessible to North Dakota businesses.
- What is involved in terms of publicizing procurement opportunities.
- What legislative resources are needed to implement these proposals, including funding and legislative changes.

OMB proposed two initiatives to make government procurement accessible to North Dakota businesses:

- Establish a Procurement Technical Assistance Center (PTAC) in North Dakota – a one-stop service center for North Dakota vendors to get assistance in identifying potential government bidding opportunities (i.e. federal, state, local, etc.).
- Establish a website for on-line posting of ND state procurement opportunities.

These initiatives were introduced in SB 2032 with an appropriation of \$150,000 (See SB 2032, First Engrossment, Sections 9, 38 and 41). However, these initiatives were removed from SB 2032 and inserted into SB 2018 (See SB 2018, First Engrossment, Sections 4, 23 and 38). The \$150,000 is needed for the development of an on-line procurement system, conducting the study related to establishing the Procurement Technical Assistance Center, and an FTE to implement and maintain the systems.

While the requirements to establish the website and to conduct a study related to establishing a PTAC were not changed, the appropriation was drastically reduced from \$150,000 (SB 2032, Section 41) to \$50,000 (SB 2018, Section 4), basically removing the funding for the FTE. A copy of the original fiscal note is attached to my testimony.

The Office of Management and Budget cannot implement and sustain these requirements with only \$50,000 and no additional FTE. The implementation of the website and PTAC study would fall under the responsibility of the OMB State Procurement Office. The State Procurement Office has regulatory responsibility for over \$300 million in state contracts. It is also responsible for the input and maintenance of the PeopleSoft vendor registry database that is shared with the ND University System and currently has about 33,000 vendors on it. This is done with a staff of

5 FTE. The State Procurement Office cannot accomplish these requirements without an additional FTE.

There is substance work involved with developing an on-line system that all state agencies and vendors will be required to use, such as:

- Soliciting input from vendors and agencies to design and develop the system
- Promulgating Administrative Rules
- Training the agencies
- Implementing a vendor outreach program to inform businesses about the website
- Providing a help-desk to assist agencies or vendors
- Conducting on-going maintenance.

All state agencies will be required to post their solicitations to the website, and this website will have critically time sensitive information which will require daily maintenance. So, a user-friendly on-line system must be developed, and this system needs an administrator. We have discussed this initiative with Information Technology Department (ITD), and ITD has expressed their full support. We plan to implement the on-line system in partnership with ITD.

There is over \$300 million spent through the North Dakota procurement system, and this website would create one place for vendors to find these bidding opportunities. There are \$600 billion spend through the Federal government, and a PTAC would help North Dakota businesses learn about those federal bidding opportunities. Certainly it is worthwhile to invest \$150,000, including an FTE, to implement initiatives that would be vehicles for North Dakota vendors to find and win government contracts.

OMB respectfully requests that this committee restore the funding.

This concludes my testimony and I would be happy to answer any questions you may have.

**TESTIMONY**  
**Senate Bill 2018**  
**March 1, 2005**

**APPROPRIATIONS**  
**GOVERNMENT PERFORMANCE COMMITTEE**  
Chairman Rep. Carlson

My name is Ray Ann M. Kilen. I am the owner of Innovative Environmental Consultants, Inc. of Dickinson. Our firm is currently under contract with REAP (Rural Economic Area Partnership) to complete a pilot study on barriers to Federal Procurement for businesses located in the SW REAP counties. I am providing this testimony in support of REAP's goal to establish a PTAC (Procurement Technical Assistance Center) in North Dakota, as well as to support the State Procurement division in their effort towards a PTAC and the need to establish an online procurement process, also recognized as developing the State Procurement Website.

**Definitions**

**PTAC** - Procurement Technical Assistance Center. Typically an economic development support providing assistance to businesses desiring to do business with the government. Basic business supports are provided without fees to qualified businesses.

**Key considerations:**

- Last year the Federal Government spent approximately \$600 BILLION, of which approximately \$360 Million was spent in the State of North Dakota. What did ND Firms see of that? Only 3/10% of total Federal spending!
- There is currently no formal PTAC support for federal, state and local procurement in ND.
- ND is one of three states that does not have a PTAC (Colorado is in the process of developing one).
- ND is ranked 48 in federal procurement contracts.
- There have been previous efforts to establish a PTAC in ND; however, the funding was not reinstated.

**PTAC Goal:**

The Department of Defense (DoD) provides funding assistance to PTAC's on a competitive basis. The funds are awarded through a competitive process. A State program is eligible for up to \$600,000 in annual matching funds to provide services. The DoD is particularly interested in opening the market up to small businesses. Current barriers are technology, understanding the

guidelines and regulations, access to resources and general intimidation of the overwhelming Federal procurement system. In response, funding has been available to assist with PTAC services.

As one of four states currently without a PTAC, it appears probable that a good application will be favorably funded. Another key funding competition strategy is to gain experience providing PTAC services, on a smaller scale, to develop the required knowledge, experience, resources, and past performance history required for DoD funding.

Funding is available every five years. The award is a one year, with four year renewable award. The 2007 application cycle is our target! If we are unprepared for this opportunity, our next chance at funding will be in 2012.

North Dakota also lags behind other states on development of a web based procurement process. This is a standard operating business practice in government procurement - whether Federal, State and in some larger areas Counties and Cities. The Federal government has taken the lead to streamline processes and reach out to businesses in a unified system to offer procurement opportunities on the web. In fact, today you cannot do business with the Federal government without access to the Internet. This is true for registering to do business, identifying opportunities and receiving electronic payments.

#### **The State's Role:**

Various groups have taken action to start the process. REAP Investment Board has committed funds to the start up activities, as has CONAC REAP and SW REAP. Additional funding sources include USDA Rural Development, State utility companies and REC's as well as partnerships with communities receiving PTAC services. These start up activities are essential in proving our capability and to gain a thorough understanding of the program requirements and its application to our unique rural delivery system.

The State of North Dakota will be key in securing these funds in 2007. Legislative support for matching funds will be sought. Interim funding needs include the development of a feasibility study to understand the costs associated with providing required services and to complete the 2007 application.

# **PTAC**

## **Procurement Technical Assistance Center**

### **The Potential:**

The government purchases \$600 billion in goods and services every year! This market provides an opportunity for ND businesses to increase revenues, employment and ND overall economy and enhance their credibility.

### **The Towering barriers:**

Businesses interested in federal procurement face the challenges of sorting through the thousands of bid opportunities and understanding the government's purchasing procedures and lingo.

### **The Answer:**

PTAC can help businesses cut through the red tape by identifying relevant government procurement activities and agencies that match a company's products and services; providing awareness of active solicitations; and furnishing procurement price histories for reference.

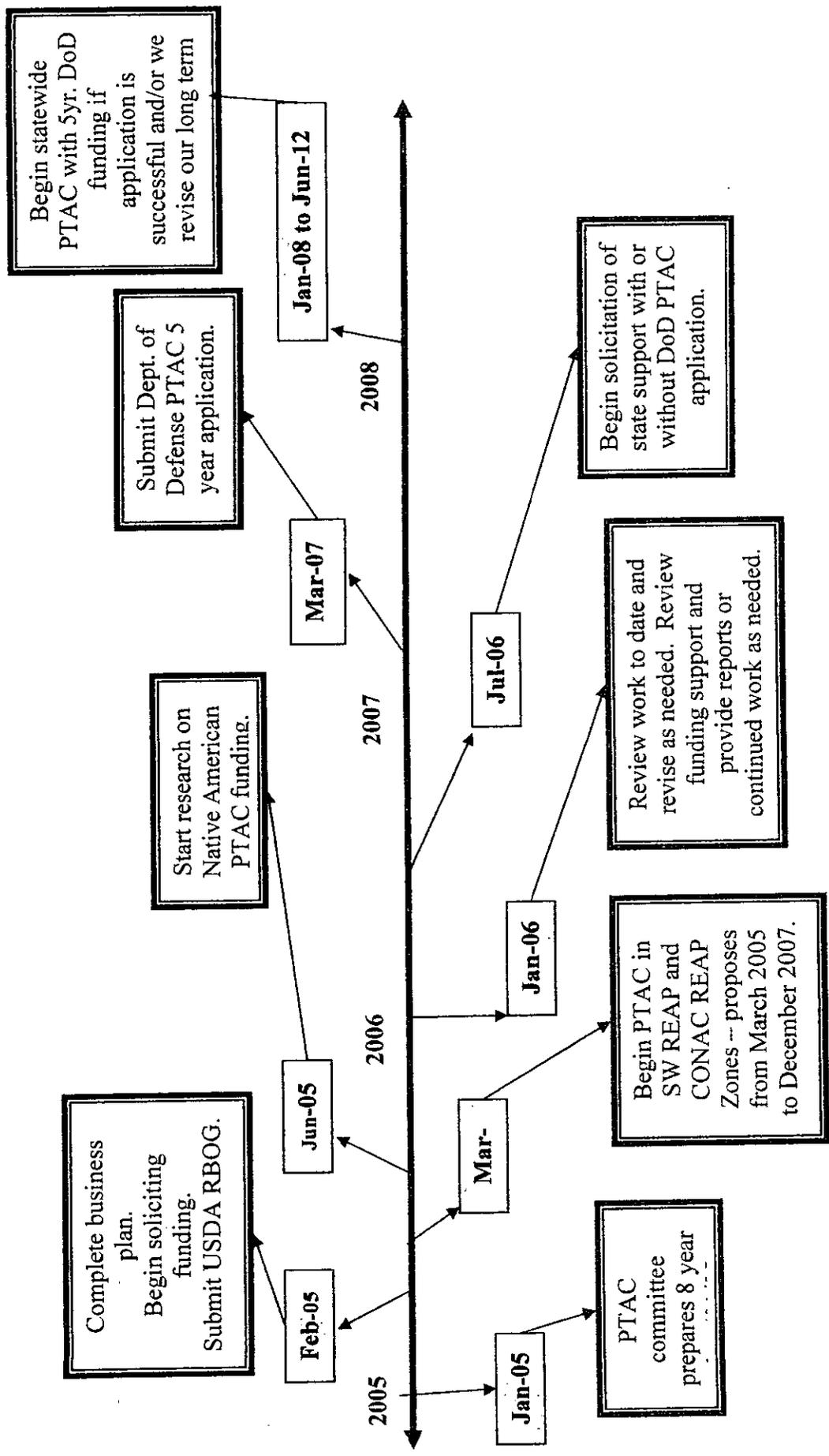
### **The Cost:**

The Procurement Technical Assistance Center (PTAC) will provide no-cost to low-cost counseling and procurement technical assistance and training to REAP Zone businesses regarding government contracting.

★ ND is 1 out of 4 states that does not have a PTAC.

★ Approximately, \$360,174,000 from federal contracts was spent in ND; however, only 26% was issued to ND firms. A PTAC will help increase this ratio.





**For more information please contact:**

SW REAP Representative

**Shirley Brentrup**

(701) 483-1241

[brentrup@rooseveltcluster.com](mailto:brentrup@rooseveltcluster.com)

Innovative Environmental Consultants, Inc.

**Ray Ann Kilen or Nikki Wolla**

(701) 483-0123

[Rayann@goINNOVATIVE.us](mailto:Rayann@goINNOVATIVE.us)

[Nikki@goINNOVATIVE.us](mailto:Nikki@goINNOVATIVE.us)

**SB 2032 ORIGINAL FISCAL NOTE:**

1. State Fiscal Effects – 2005-2007 Biennium - \$151,700  
2007-2009 Biennium – \$106,700
2. Narrative - Funding for an additional FTE, associated operating expenses, and funds for a study are included for Sections 9 and 37 of this fiscal note. An appropriation of \$150,000 to OMB is included in Section 41 of this bill.
3. A. Revenues – Sections 9 and 37 of this bill would not affect state revenues.
3. B. Expenditures – Sections 9 and 37 of this bill would increase state expenditures. \$106,700 of the \$151,700 fiscal note would fund an additional FTE in the OMB's State Procurement Office. The remaining \$45,000 would fund the development and maintenance of a website to post all state bidding opportunities and a study to determine the most effective manner in which to provide a one-stop procurement assistance center for North Dakota vendors.
3. C. Appropriation – A \$150,000 appropriation to OMB is provided in Section 41 of the bill. This \$150,000 is not included in the executive budget. The 2007-2009 appropriation amount is for continued funding for the FTE. Continued appropriation for succeeding bienniums is also needed to set up and operate a procurement assistance center, including maintenance of a website for on-line posting of all bidding opportunities. This amount will be determined pending the outcome of the procurement assistance center study that is conducted during the 2005-06 interim as required in Section 37 of this bill.