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OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2051

2005 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2051

2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2051

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-31-05

| Tape Number | Side A | Side B | Meter # |
|--|--------|--------|---------|
| 1 | xxx | | 45-end |
| 1 | | xxx | 0-905 |
| | | | |
| Committee Clerk Signature <i>Lisa Van Berken</i> | | | |

Minutes: **Chairman Mutch** opened the hearing on SB 2051. All Senators were present.

SB 2051 relates to providing that an employee of a person receiving development assistant is a secured party.

Senator Every introduced the bill. See written testimony.

Senator Nething: You indicate there is some economic development agencies that operate as if they were private companies, do you have some specific examples in mind?

Senator Espgaard : In our home community, there is absolutely no disclosure with their economic development fund, they literally have a bank savings account that they put tax payer dollars in, appropriate those dollars according to what they feel is appropriate according to their by-laws and do not allow any public input into their meetings.

Senator Nething : Are those community dollars or city dollars?

Senator Every: City dollars. A community development fund.

Senator Nething: Aren't you the mayor?

Senator Every: Not in my community, a community with in our region. Our community is only four hundred people. Any one who wants to invest in that community, we more than welcome the money.

Senator Nething : If you didn't have accountability standards, it might be easier.

Senator Every: Our county and the Devils Lake do work closely together and it's not that they aren't doing things that haven't been healthy for our communities, they have, but the problem lies when they have their board meetings and nobody's invited or allowed to attend. When they spend their money, it's on projects that probably aren't worthy and don't last a whole long time.

Senator Fairfield : It is my understanding that this reporting only goes as far as the public subsidy, it doesn't delve any further than just the public subsidy, is that your understanding?

Senator Every: That's correct. I have with me today, the original author of the bill from the sessions before and he would be able to address a lot of the substance in the bill.

Chairman Mutch : What is a claw back ?

Senator Every: A claw back is if the appropriations receiving the subsidies, don't live up to the expectations or the commitments that they have made, they would have to return the money. It's part of the bill that is not in some of the other bills that supplies the teeth.

Lonny B. Winrich, of Grand Forks, testified in support of the bill. See written.

Senator Heitkamp: If you look at subsidization and government's role in subsidizing. We are going to go out and give money to business and then we don't have a handle on the jobs created, and what those jobs pay. Aren't those businesses themselves being subsidized, i.e. Walmart?

Lonny: Indeed, there was a recent study in California, Walmart has within the last year, made a special push to establish some of the Super Walmart Centers in California. A recent study in

California indicated that in communities where these Walmart stores go in, property taxes are probably going to have to be raised significantly in order to cover some of those kinds of benefits that workers at Walmart will qualify for because such low wages are paid there. It's not just a one time subsidy, if we don't really promote economic growth and higher wages, it's a continuing subsidy to that business.

Chairman Mutch : The main thrust of this bill from your testimony is more along the lines of wanting them to increase the salaries. It is pretty hard to give a subsidy to someone and have control over it?

Lonny: The job quality standards are one section of the bill. The thrust of the bill is the reporting of the information so that kind of information can be tracked. Also the standards for providing these subsidies, so that companies live up to the promises that they make when they are asking for public support.

Senator Heitkamp : How do you go back at them, but if I read the bill right, doesn't it call for them to have all of that laid out before they ever get the money?

Lonny: Yes.

Chairman Mutch : After they get the money, you would want to be riding herd on them to audit their affairs?

Lonny: Yes, and also what Senator Every referred to as claw backs.

Senator Nething : Looking at the definition of development assistance and I'm not so sure I can relate to you using Walmart as an example. I don't think Walmart asks for development assistance in North Dakota, how does Walmart fall under that definition?

Lonny: To my knowledge, Walmart has not received specific assistance in North Dakota, although the only report I usually look at is the report of the Grand Forks Growth Fund. My understanding in the example I used in California is that they were getting special consideration from property acquisition.

Senator Nething : I don't see that fall under your development assistance of this bill.

Senator Heitkamp: My definition of development assistance, they are industry, they certainly would qualify. Now whether they ask or not is there business.

Lonny: I'm not sure I understand your question. If Walmart hasn't received any assistance, then yes, it's not covered under the definition.

Senator Heitkamp : This bill is about what happens from beyond this date.

Chairman Mutch : Then is there going to be a Grandfather Clause, so that those who have already been subsidized?

Senator Nething : Anybody that has had a loan would be pulled out of this bill.

Don Morrison, North Dakota Progressive Coalition, spoke in support of the bill.

See written testimony.

Chairman Mutch : Where is your office?

Don: We are a statewide coalition of thirty three organizations and we have offices in Bismarck and Minot.

Senator Fairfield : We've heard a lot about Minnesota this morning. Do you have any background on where we are in terms of this?

Don: There is a growing number of states around the country and it is very helpful in improving economic development. North Carolina is a good example. Local communities are looking at this as well.

Senator Fairfield : Last session, we put benchmarks into place, are those the same thing as accountability measures?

Don: Those are benchmarks that don't have teeth.

Chairman Mutch: How are you going to control accountability after you have given them the money?

Don: This bill, there are measures that other states have found will allow them to participate in and make sure there are results from that public investment in private business. That's why those claw backs are so important.

Senator Nething : Your testimony indicates that you are with the North Dakota Progressive Coalition, I get a monthly newsletter from a group called the North Dakota Resource Counsel. They list the Progressive Coalition as a member of their group. Are you a member with them or an off shoot of them?

Don: The Dakota Resource Counsel is one of the thirty three members of our coalition. So they are a member of our coalition.

Senator Nething : Who's the parent organization?

Don: They are an organization, they stand alone, we work together on common issues.

Senator Heitkamp: Most of the stuff we are talking about goes out to and kicks in the Dept. of Commerce about the year 2006. If this bill becomes law, don't we then have the answer to the Chairman's question. Those steps will be in place before we give them the money.

Don: Yes, that is correct.

Senator Heitkamp : Is the Governor in favor of this bill?

Don: I hesitate to answer. We have tried to talk to them and they don't return our calls.

Dean Remboldt, barber from Jamestown, spoke in support of the bill. See written testimony.

There were no questions from the committee.

Mary Mitchell, Dakota Resource Council, spoke in support of the bill. See written testimony.

John Grabinger, Jamestown City Council, spoke in support of the bill. See attached testimony.

Senator Nething : You as a counsel member approve everything that is done, right?

And the county commission has to do the same thing. So if there is a problem, it all comes back to you?

John: We have the final say, but the way our group is made up, is it is self-appointed. With a five member counsel, it is hard to oppose an issue from within the group, to stop it or knock it down. The issues are with the accountability overall.

Senator Klein : Jamestown isn't better off having a potato facility over there?

John: No, not at all. That's not what I meant.

Senator Klein: The people in the community should be working with the counsel at a local

level. **Senator Heitkamp :** This bill doesn't do anything that stops you as a local city cousin or local development cooperation from implementing anything, does it?

John: No.

Chairman Mutch : With all of those teeth, it may be hard to get the thing started in the first place.

John: It didn't hold up the project.

Woody Barth, North Dakota Farmers Union, spoke in support of the bill. See attached testimony.

Leif Snyder, North Dakota Progressive Coalition, spoke in support of the bill by reading a letter from a past employee of WebSmart. See attached letter.

Chairman Mutch allowed opposition to be heard.

David Straley, Greater North Dakota Chamber of Commerce, spoke in opposition to the bill. See attached testimony.

Senator Fairfield: In your testimony on page two, "job creation in a rural community vs. a large community does not carry the same value, that is a troubling comment to me. Does that mean that people who live in rural communities aren't worth the same pay?"

David Straley: No, absolutely not. It goes further to say that tracking these jobs and tying a number to them is very cumbersome. This is meant to be taken as in a rural community, you have money given into a business, and it is up and running. You have value added across the board to hundreds, and that is what we have the trouble with.

Senator Fairfield : That's what is interesting about this. In fact, status quo with this bill talks about the success for economic development being tied to the number of jobs created. This is asking for assigning a value to the quality of jobs created. I don't understand your concern because your concern is exactly what this bill is addressing.

David: What I am trying to get at is that tying a number to a job is dangerous from the economic development point of view.

Senator Fairfield : I think you are referring to economic return and that is something that a number of people deal with in rural development.

Senator Heitkamp : In here you mention, "local accountability is more responsible". Can you show me in the bill where it says it is going to prohibit the local entity from putting any provisions in any deal they have in any deal they have?

David: No, I cannot.

Senator Heitkamp : So the local control is still theirs to choose, it doesn't say this would take that away.

David: I believe that is true.

Senator Heitkamp : It's your job to represent the businesses in North Dakota. Not just the ones that are going to get created, but also the ones that are in place. What about those businesses?

David: I feel that philosophically, we obviously differ, but in our policy statement, we agree with accountability measures that are reasonable and fair to businesses. How you generate new jobs in your area is something for economic development. Does that answer your question?

Senator Heitkamp: Not really.

Senator Krebsbach: (Dave) I think that one of the major points you are trying to point out is the fact that there may be different standards that need to be in accountability in a smaller community than in some of the larger communities.

David: Yes, that is exactly right.

Senator Fairfield : Under section 4, doesn't it break it down so that it gives different communities different levels of flexibility's?

Senator Krebsbach: I may be misinterpreting what Senator Fairfield is speaking about, but I am looking at the standardized application and subsection 1 and I under that category and that is rather onerous for someone to be reporting.

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Senate Industry, Business and Labor Committee

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Senator Heitkamp : The owner of the business is going to have to fill out the paperwork and if that is too big of a burden for those who want free money, ya know?

Senator Klein: Are there other bills floating around this legislature that deal with accountability issues?

David: Yes, this is the exact same testimony I gave last week in the House and there is currently another one in the House.

Senator Fairfield : Are they taking the same position on all of the bills being offered?

David: They have taken a position on two and couldn't come to an agreement on the third.

Connie Sprynczynatyk, North Dakota League of Cities, stated her opposition for the bill.

The hearing was closed. No action was taken.

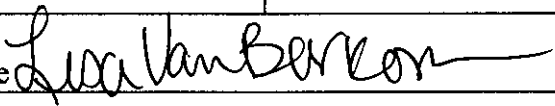
2005 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2051

Senate Industry, Business and Labor Committee

☐ Conference Committee

Hearing Date 1-31-05

| Tape Number | Side A | Side B | Meter # |
|---|--------|--------|----------|
| 2 | | xxx | 5496-end |
| 3 | xxx | | 100-640 |
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| Committee Clerk Signature  | | | |

Minutes: **Chairman Mutch** allowed committee discussion on SB 2051. Senators Espegard and Heitkamp were absent. SB 2051 relates to providing that an employee of a person receiving development assistance is a secured party.

Senator Klein : There are some other bills out there, I'm just not sure that this is the right direction, so....

Chairman Mutch : This is pretty cumbersome.

Senator Krebsbach: I have been meeting on Friday mornings with a group on economic development and their biggest fear is that we put something too cumbersome for them to deal with.

Senator Klein : Listening to developers, they are certainly nervous.

Senator Fairfield : There are a number of bills that we are going to see, but their is one provision of this that I think is unique and does warrant consideration and I am wondering if

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Senate Industry, Business and Labor Committee

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Hearing Date 1-31-05

there is any feeling on behalf of the committee whether they would want to take the very last section making employees a secured party.

Chairman Mutch : That's a labor lean.

Senator Klein : I believe so. I don't think this section would have made any difference.

Senator Klein moved a DO NOT PASS.

Senator Krebsbach seconded.

Roll Call Vote: 4 yes. 1 no. 2 absent.

Carrier: Chairman Mutch

FISCAL NOTE
Requested by Legislative Council
12/17/2004

Bill/Resolution No.: SB 2051

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 | | | \$150,522 | | \$128,022 | |
| Appropriations | | | \$150,522 | | \$128,022 | |

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 Department of Commerce shall provide a detailed tax expenditure budget to an intrim committee designated by the Legislative Council, derived from state tax filings and other tax information for the previous two calendar years.

The Department of Commerce shall adopt a standardized disclosure registry for use by all property-taxing entities.

The Department of Commerce shall adopt a standardized application form for on-budget development assistance for use by all granting bodies.

Every granting body shall submit to the Department of Commerce copies of all the standardized application forms for development assistance which it has received in the previous calendar year.

*The reporting and information compilation requirement associated with this bill could have a small fiscal impact on counties, cities and/or school districts but because it was assumed to be relatively minor and would be very difficult to accurately define, it was not included in this analysis.

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

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

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

2005-2007

Salary and Fringe Benefits for 1 FTE: \$105,432

Mileage, Lodging and Meals: \$ 15,910

Office Rent: \$ 5,680

Office Supplies, Equipment & Computer: \$ 3,500

Reserve for Additional Contract Work: \$ 20,000

Total \$150,522

* Additional contract work might be needed to develop the reporting system.

2007-2009

Salary and Fringe Benefits for 1 FTE: \$105,432

Mileage, Lodging & Meals: \$ 15,910

Office Rent: \$ 5,680

Office Supplies: \$ 1,000

total \$128,022

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.*

To fully fund the proposal, the General Fund appropriation must match the amount of the expenditures.

| | | | |
|----------------------|------------|-----------------------|-------------------------------------|
| Name: | Paul Govig | Agency: | North Dakota Department of Commerce |
| Phone Number: | 328-4499 | Date Prepared: | 12/21/2004 |

Date: 1-31-05
Roll Call Vote #: 1

2005 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2051

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Not Pass

Motion Made By Klein Seconded By Krebsbach

[illegible]

Total (Yes) 4 No 1

Absent 2

Floor Assignment Mutch

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

REPORT OF STANDING COMMITTEE (410)
January 31, 2005 4:58 p.m.

Module No: SR-20-1502
Carrier: Mutch
Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

SB 2051: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends
DO NOT PASS (4 YEAS, 1 NAY, 2 ABSENT AND NOT VOTING). SB 2051 was
placed on the Eleventh order on the calendar.

2005 TESTIMONY

SB 2051

Testimony SB 2051
Senate Industry Business and Labor Committee
Don Morrison, North Dakota Progressive Coalition
January 31, 2005

Mr. Chairman and members of the Senate Industry Business and Labor Committee, my name is Don Morrison and I am the Executive Director of the North Dakota Progressive Coalition.

Thank you for this opportunity to provide information on SB 2051.

This bill is the result of local people from around the state getting involved in trying to make economic development in their local communities more successful. The North Dakota Progressive Coalition and many of our member organizations have listened to people and we have discussed both the positives and the shortcomings of publicly supported economic development in North Dakota. Citizens have participated in their local economic development authorities as well as in spirited dialogue in public arenas. We want our economy to be strong and our economic development efforts to be successful.

This bill is also based on research and information about what has worked in other states. Minnesota has had many of these policies in place since first passing their accountability legislation in 1995 and updating it in 1999. In addition, several years ago we worked with Good Jobs First, a nationally respected non-partisan research organization concerning the best practices in economic development.

North Dakotans in many communities have been talking about the policies that are in this bill. Some communities have adopted some of the provisions like clawbacks. Study resolutions were introduced in the legislature in the 1990s. Some sections of this bill were introduced in bill form in 2001 and 2003. Therefore, I assume you are familiar with much of this bill. We have come a long way. In 2005, there are a variety of proposals and the question may no longer be IF we will have accountability, rather the question may now be what kind of accountability.

Again, thank you for the opportunity to provide information about SB 2051. We urge you to vote a "do pass" on this bill.

Testimony
of
Lonny B. Winrich
in support of
Senate Bill 2051
January 31, 2005

Chairman Mutch and members of the Senate Industry, Business and Labor Committee, I am Lonny Winrich from Grand Forks and I appear before you this morning in support of Senate Bill 2051. I first became interested in the subject of accounting for expenditures on economic development during the 1999 legislative session. House Bill 1492, which created the Renaissance Zones, was passed in that session. It contained a myriad of development incentives: investment credits, income tax exemptions, property tax abatements, etc. But the fiscal note for HB 1492 simply said that it was impossible to estimate the fiscal impact. There was no system for collecting the information.

Unfortunately, it is still the case that no one really knows how much money is spent to subsidize and promote economic development in North Dakota or precisely what benefits accrue from each of the programs that exist at the state and local level. You as legislators need that information to make good decisions about which programs to support and we as citizens deserve a responsible accounting of these expenditures. That is why I urge you to support SB 2051 and to recommend passage to the full Senate.

SB 2051 is similar to bills that I introduced in the 2001 and 2003 sessions of the legislature; it is based on existing law in Minnesota that has served that state for nearly ten years and is recognized nationally as the best model for accountability of economic development subsidies. It is comprehensive in its coverage of the various incentive programs and requires sufficient detail in reporting to provide the information needed by decision makers and evaluators of these programs.

I want to call your attention to one aspect of SB 2051 which is innovative. The Job Quality Standards requirements do not conform to the usual requirements based on living wages or federal poverty standards. Instead there is explicit recognition of differing wage levels across the state and what is required under SB 2051 is that public funds not be used to create jobs that will decrease average wages in North Dakota. As the creation of better jobs seems to enjoy universal rhetorical support in our state, I can't think of a more reasonable requirement. I urge you to support SB 2051 and to recommend DO PASS in your report to the Senate. Thank you.

Dakota Resource Council

P.O. Box 1095, Dickinson, ND 58602-1095

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Bismarck office: 701-224-8587

Fargo office: 701-298-8685

Testimony SB 2051

Senate Industry, Business and Labor Committee

January 31, 2005

Chairman Mutch and Members of the Committee,

My name is Mary Mitchell and I am testifying on behalf of the members of Dakota Resource Council.

Dakota Resource Council (DRC) is a non-profit, non-government organization that works to change policy regarding sustainable energy, responsible oil and gas development, fair trade in agriculture and other issues that directly affect our 600+ members.

In October 2001, at our annual meeting, our members voted to adopt the following resolution which, once adopted, became organization policy.

VII. ECONOMIC DEVELOPMENT

WHEREAS, wages in North Dakota are among the lowest in the nation; and

WHEREAS, the globalization of the economy has seen many companies relocate in search of low-wage workers; and

WHEREAS, state and local government in North Dakota grant millions of dollars in business incentives each year without requiring either payment of wages that enable workers to live in the community at a reasonable standard of living, or a specified accounting of any benefits these grants have brought to the state;

THEREFORE, BE IT RESOLVED, that Dakota Resource Council urge the State Legislature to enact law requiring companies that receive business incentives to pay a living wage to all employees; and

BE IT FURTHER RESOLVED, that Dakota Resource Council urge the State Legislature to enact law setting standards for business incentive grants, including a vote on every grant by a publicly elected body, the right to a public hearing in the locality affected, **full accounting of benefits by businesses awarded grants, and the right of the state or political subdivision to reclaim grant moneys if the terms of the grant agreement are not met.**

We feel that SB 2051 is consistent with our policy and we therefore strongly urge you to recommend a 'do pass' on SB 2051.

Testimony SB 2051
Senate Industry, Business and Labor
Dean P. Remboldt
January 31, 2005

Mr. Chairman and members of the Senate Industry, Business and Labor Committee, my name is Dean P Remboldt and I am a barber from Jamestown.

As most of you know, we have had some economic development projects in Jamestown that have lost large sums of taxpayer's money and have not fulfilled the promises that were made. There have been some successes also, however we can't measure success or failure just by the loss or recovery of our economic development funds. The true measurement of our economic development efforts is how well they strengthen our communities. With that as our ultimate goal, I feel that SB 2051 addresses many of the issues that have prevented us from achieving that goal and provides useful and measurable direction to enable us to strengthen our communities.

Some of the major components in SB 2051 that will help us achieve our goals are;

ACCOUNTIBILITY (Disclosure)

1. Comprehensive definition of economic development
2. Standardized Application;
 - Name, location, parent business
 - Number of jobs
 - Average wage by category
 - Health care coverage/benefits
 - Identify other subsidies
 - Kinds of subsidies
3. Annual accountability report from applications and progress reports
4. Annual report of tax expenditures
5. Reports available in written and electronic form and open records

RESULTS

1. Job Quality Standards
2. Clawbacks
3. Workers of failed project to be paid first

Thank you for this opportunity to provide information on SB 2051. I urge you to vote for a "do pass" on this bill.

Dean P. Remboldt
702 10th Av. SE.
Jamestown ND.

SB 2051 Testimony
Senator Mike Every
Monday, January 31, 2005

Good morning Chairman Mutch and members of the Senate Industry Business and Labor Committee.

SB 2051 provides for a collection and review of all information on economic development incentives provided by state and political subdivisions and job quality and accountability standards.

In 1995, Minnesota became the first state to adopt a law requiring annual, company-specific disclosure about economic development subsidy deals. Minnesota's law has since been strengthened in the 1999 and 2000 legislative sessions.

In 2003 the President signed accountability standards into law that now affect local economic development agencies and other recipients of federal funding through the Appalachian Regional Commission (ARC). The new accountability standards were included in the 2004 energy and water spending bill which eventually became law.

In North Dakota we spend millions of taxpayer dollars each year on economic development, yet some of our taxpayer-funded economic development agencies continue to operate as if they were private companies. In order to create jobs and spur economic growth, our economic development agencies must be accountable to the public who provide the vast majority of their funding. They must act as service agencies to our businesses and communities, and this requires the kind of cooperation that can only happen when agencies have open books, open meetings and public involvement.

It is only common sense for economic development agencies and all taxpayer-funded organizations to have open books, open records, and public meetings. Without public accountability, it is virtually impossible to attract businesses, create jobs, and spur economic growth. I am hopeful that with the guidelines provided in SB 2051 in place our economic development agencies, businesses and communities can begin to work together as partners to improve economic development efforts and strengthen our state's economy.

In past legislative sessions, North Dakota assemblies have consistently resisted attempts to make sure that taxpayer dollars are used wisely.

Today, it appears this legislature and the Governors office are finally ready to respond to overwhelming public opinion that say they want to make sure that taxpayer and the state get their money's worth by establishing requirements that hold government subsidy recipients and contractors accountable for the way they spend taxpayer dollars, and making sure that companies who receive subsidies raise—not lower—the living standards of working families.

This session, there are no less than five proposals that will address the issue of economic development accountability including a bill that will establish a performance based accountability standard for all state government agencies.

However, SB 2051 stands out from the rest in a couple of ways.

First, it requires all subsidy agreements, including those that do not entail the creation of jobs, to include measurable, specific and tangible goals. This will mean that we will be able to hold corporations receiving these subsidies accountable and that they will have to pay the money back if they do not meet their commitments. The Governors bill, HB 1203 does not define any job quality standards nor does it have a provision that allows claw backs if goals are not met.

Second, SB 2051 identifies a person that has a claim for wages against a person receiving development assistance as a "secured party". This ensures that in cases like that of Web Smart in Grand Forks and Minot, the 600 unpaid employees would be of the first to be paid. HB 1203 does nothing to help these still unpaid employees.

The standards of SB 2051 are not about targeting any particular agency, but are about bringing common sense accountability to our entire economic development system. In fact, some agencies already maintain open books and records and have a great working relationship with the community. But for those agencies that continue to operate in the shadows, I am hopeful that these new accountability standards will provide the necessary incentive to start working as partners with our communities, our businesses and entrepreneurs, and the public to improve economic development efforts and strengthen our state's economy.

Mr. Chairman and members of the committee it has been a pleasure to stand before you. I respectfully ask for your favorable consideration of SB 2051.

2005 Senate Bill No.2051
Testimony before Senate Industry, Business, and Labor Committee
Presented by: John Grabinger
Jamestown City Council

January 31, 2005

Mr. Chairman, Members of the Committee:

I am John Grabinger, member of the Jamestown City Council. I am here to testify in support of Senate Bill 2051. It is imperative that economic development laws in this state be enhanced.

It is not an effort to stifle businesses moving to North Dakota, but rather to protect the resources we have, for attracting businesses. In my hometown where I am a council member, we have seen first-hand where not having the appropriate measures in place have added to the loss of many tax payer dollars.

We need to make sure local efforts adhere to accountability standards, and this is a step in the right direction.

Thank you for your attention, and I am happy to answer any questions that you may have.

North Dakota Farmers Union

PO Box 2136 • 1415 12th Ave SE • Jamestown ND 58401

701-252-2340 • 800-366-NDFU

FAX: 701-252-6584

WEBSITE: www.ndfu.org

E-MAIL: ndfu@ndfu.org



SB 2051

Senate IBL

Chairman Mutch and members of the Senate IB&L Committee,

My name is Woody Barth; I am here representing over 35,000 members of North Dakota Farmers Union. I am here to testify in favor of SB 2051, relating to providing an employee of a person receiving development assistance is a secured party.

North Dakota Farmers Union believes that in order to grow the economy in our state, we need to put forth a constructive program of economic development reform.

There are criteria that our members believe are important when developing economic accountability legislation:

- We believe our state needs to be more open and receptive to rural and urban taxpayers concerns and inputs
- We need to have clearly defined goals, objectives, processes and policies, in regard to economic development
- We need to require companies receiving economic development incentives and taxpayer subsidies to pay wages at 125% of the federal poverty level
- We need to have claw back provisions if companies don't live up to their promises of job creation, retention and wages
- We support legislation to provide accountability of city and county economic development organizations.

North Dakota Farmers Union is concerned about the loss of property tax collections due to economic development tax abatements that force communities to compete against one another while placing an unfair burden on existing local property owners.

North Dakota Farmers Union urges a do pass on SB 2051 which takes a step in the right direction when providing a successful economic policy that will help expand the economy of our state.

Thank you, Chairman Mutch and members of the Senate IB&L committee, I would answer any questions at this time.

Leif Snyder-Progressive Coalition

January 24, 2004

I am a former WebSmart employee. In April 2003 I showed up to work to find a sign taped to the door stating that WebSmart had closed it's doors - this was on a Wednesday morning. On Friday of that same week I, along with all the other newly unemployed WebSmart employees, was supposed to get paid, but those checks were never issued. This left me not being paid for 3 1/2 weeks worth of work. I was unable to get unemployment benefits for 3 weeks.

Losing a job is scary enough, but losing a job and not getting paid for the time that I worked truly brought a whole different dimension to an already difficult situation. I had a daycare bill from the time that I was working, along with all the other normal expenses of living. Almost a full 2 years later I am still waiting to get paid, but have very little expectation that this will ever happen.

In order to make ends meet I had to cash in what little retirement I had saved and borrow money from my parents. I was lucky. Others did not have any sort of savings that they could dip into or family members that were able to help them out. I would have lost my house if it had not been for the help of my parents - Just to be clear, I would have struggled but made it without my parents help if WebSmart had paid me the \$2500 plus (this is 3 1/2 weeks of pay plus unused vacation time) that I am still owed.

Any economic plan that is being considered needs to have enforceable, mandatory clawback provisions. The average worker can barely make ends meet as it is, but adding on not getting paid for time worked when a company shuts it's doors makes an already dire situation a complete financial failure for those who are already getting the least. Economic development is not there just to ensure the ability for companies to come into our state and benefit from high quality workers. True economic development should not aid companies in the financial raping of North Dakota workers. Enforceable, mandatory clawback provisions would go a long way in preventing another WebSmart scenario.

Economic development should be a tool that nurtures and protects the very resource that makes North Dakota such a great state to come in and seek business opportunities, it's people!



**Testimony of David Straley
Greater North Dakota Chamber of Commerce
Presented to the
Senate Industry, Business and Labor Committee
January 31, 2005**

SB 2051

Mr. Chairman and members of the Senate IBL Committee, my name is David Straley. I am here today representing the Economic Development Association of North Dakota, the North Dakota Chamber of Commerce, and a business coalition which includes area chambers of commerce in North Dakota with over 7,400 member businesses to urge you to ^{Senate} ~~oppose House~~ Bill 2051.

SB 2051 puts unnecessary burdens on economic development across this state. We believe that economic development should not be a top down driven process. Local accountability is more responsive to the different community needs for job creation, infrastructure development, etc. Plus, local accountability is already covered by economic development organizations policy and procedure statements; and the economic developers are accountable to local elected officials in the use of public funds. I would like you to think about who your economic development associations or boards are in your area. These are very competent people, but yet they are not perfect. They are doing this for your communities not to give away money or to see a deal go sour. They are doing it for their communities. Yes, there is risk involved, and that what we believe economic developers do, invest in projects that will not necessarily be given the opportunity from a bank.

Next, the collection of information as suggested would require more time on development staff which in many areas of the state is a one-person shop, and this would take away from where we want them spending their time. And we are concerned with what the information will be used for because definitions do not always include what is best for a community. For example, keeping a drug store or grocery store open in a rural community is economic development, but not in the larger communities across this state.

Job creation in a rural community versus a larger city does not carry the same value. Many economic development investments are linked to projects that upgrade infrastructure, add value to product or enhance transportation and education. Tracking by job creation becomes unreliable and cumbersome. Tying a number to jobs is a very difficult thing and there is room for opportunities that will go unheard of, and if looked at in a report format, will look as though they had very little impact, when in fact they had significant impact to a local community. For example, a value added agricultural processing center. Although what looks like a small business in North Dakota that may only create four or five high paying jobs that will be accounted for, it will not take into account the hundreds of farmers it will impact, although small when looked at from a per bushel basis, but it could mean hundreds of thousands of dollars when it is all added up, not to mention reducing costs of transportation for all these farmers, and these would go unrecorded.

I would like to mention one last item that is currently in place, there are current open records laws and open meetings laws which are a very useful accountability tool. Thank you, Chairman Mutch and members of the Senate IBL Committee, for this opportunity to discuss the business community's position on SB 2051. We urge a **DO NOT PASS** for SB 2051. Thank you and I would be happy to answer any questions at this time.

The following chambers are members of a coalition that support our policy statements:

Beulah
Bismarck-Mandan
Bottineau
Cando
Crosby
Devils Lake
Dickinson
Fargo
Grand Forks
Greater North Dakota Chamber of Commerce
Hettinger
Jamestown
Langdon
Minot
Wahpeton
Watford City
West Fargo
Williston

Total Businesses Represented= 7429