

ECONOMIC DEVELOPMENT INCENTIVES IN NORTH DAKOTA

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CHARGE OF THE STUDY

- ANALYSIS OF BARRIERS
- POSSIBLE GAPS & OVERLAPS
- EFFECTIVENESS OF THE INCENTIVES
- BEST PRACTICES
- RECOMMENDATIONS

STUDY TASKS & INTERVIEWS

- Department of Commerce
- Local Economic Developers
- Program Managers
- North Dakota Businesses
- Benchmark States
- Officials from Other States

CENTRAL THEMES

- Positive Comments
- Many Programs=“Best Practices”
- Not Frivolous or Duplicative
- Primary Sector Industries
- Excludes Small Business & Rural Communities
- Performance Measures

SEED CAPITAL INVESTMENT CREDIT

- Very positive comments
- Complications created by the cap
- Steps taken to address the problem
- *ND needs a reliable means for notifying firms, in advance, about the possible constraints posed by the annual ceiling on the Seed Capital Tax Credit*

TAX INCENTIVES

- Many incentives have little usage
- Restricted by long form only
- *ND should select the most relevant tax incentives and make these eligible for on both the short and long form. The remaining tax incentives should be allowed to expire.*

ND LONG FORM

- If an incentive is worth having it should be made available to the taxpayers
- *The Legislature should reexamine the validity of even having the long form.*

REFUNDABLE TAX CREDITS

- ND=credits limited to tax liability
- Some states=cash rebates beyond liability
- Speeds cash to small business
- *ND should consider utilizing such refundable credits that can put cash in the hands of smaller firms.*

WORKFORCE DEVELOPMENT

- Availability of qualified workforce is critical
- ND has first rate programs
- Soft skills training
- Transition assistance
- Recruitment & retention
- Internship programs

WORKFORCE DEVELOPMENT

- *ND should consider funding soft skills training and transition assistance for workers*
- *ND needs to consider programs aimed at recruiting workers from out of state and retention of existing workers, including internship programs*

SMALL PROJECTS & COMMUNITIES

- Requirements for cost per job
- Primary Sector restrictions
- *ND should consider an adjustable scale for cost per job, and should consider allowing firms of local importance to qualify for assistance, regardless of whether they are primary sector.*

NEW TECHNOLOGIES

- Venture Capital issues
- Commercialization of NT
- Gap in bringing new products to market
- *It is suggested that ND consider initiating a fund for commercialization of NT. Other states, like Michigan, are pursuing this course rather aggressively.*

TOURISM FACILITIES & INCUBATORS

- Significant activity in other states
- ND has no incentives
- For profit & non-profit entities
- *It is suggested that ND explore options for offering incentives to attract tourism facilities and incubators.*

MACHINE & TOOL BREAKS

- Offered by competing states
- In ND this would be Sales Tax
- NOTE- Track alternative energy incentives
- *It is suggested that ND explore adding more inclusive incentives for the use of machinery and tools.*

INFRASTRUCTURE

- Critical importance
- Wireless access
- Public or private
- *ND should explore a program option for supporting the development of infrastructure for the 21st century.*

RESEARCH & DEVELOPMENT

- Little usage in ND
- Explore grants & loans
- *If the R&D tax credit cannot be made more user-friendly, ND should explore other means of encouraging research and development, including grants and loans.*

VENTURE CAPITAL

- Need for funds to support research
- Bringing ideas to market
- *ND should consider adding a special fund that would take emerging research ideas from the lab or research facility to the product stage.*

PERFORMANCE MEASURES

- Evaluate to improve
- Cost effectiveness
- Accountability
- *It is suggested that ND consider modifying the accountability act so that it requires every incentive program to develop, implement and report on an acceptable PM system.*

TAX EXPENDITURE REPORT

- Ongoing fiscal notes
- Quantifies performance measurements
- Used in other states
- *It is suggested that ND undertake a study that reviews the cost and benefits of its tax expenditures, incurred by the various incentives, credits and other tax breaks offered to businesses.*

CONCLUSION

- ND has impressive package
- Well developed prudent policy
- Professional administered
- Incentive policy is ever changing
- Goal-Keep ND competitive!!!!