

FISCAL NOTE
Requested by Legislative Council
02/05/2007

Amendment to: HB 1027

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$13,400,000)		(\$13,400,000)	
Expenditures			\$13,750,000		\$13,020,000	
Appropriations			\$12,895,000		\$12,245,000	

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill is the business initiative bill sponsored by the interim Economic Development Committee to address a broad range of economic development and business climate issues. Multiple provisions have fiscal impact and are listed in section 2B.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

- Section 1: Rural airport economic development fund. (Aeronautics Commission)
- Section 2: Biodiesel production facility definition for Biodiesel PACE. (Bank of North Dakota)
- Section 3: Grants for innovation. (Department of Career and Technical Education)
- Section 4: Department of Commerce to provide staff services to Centers of Excellence Commission. (Department of Commerce)
- Section 5: Changes to Centers of Excellence program including consideration of independent, expert review of complete applications and Commission responsibility to monitor Centers from six to ten years. (Department of Commerce)
- Section 6: Allows the Centers of Excellence Commission to use funds for expenses including contracting for independent, expert reviews. (Department of Commerce)
- Section 7: Mortgage loan financing program changes. (Housing Finance Agency)
- Section 9: International business and trade office to work with higher education to expand international business expertise of students of higher education. (Department of Commerce)
- Section 10: Visitor information centers. (Department of Commerce)
- Section 12: Expands the Division of Workforce Development's duties to include developing and implementing the state's talent strategy and a statewide intelligence coordination strategy. (Department of Commerce)
- Section 13: Requires the North Dakota image information program to include the private sector. (Department of Commerce)
- Section 14: Program to increase use of higher education internships and Career Specialist Program. (Department of Commerce)
- Section 15: Business and tourism acceleration commission. (Department of Commerce)
- Section 16: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
- Section 17: Internship employment tax credit. (Tax Department)
- Section 19: Corporate income tax credit for research and experimental expenditures. (Tax Department)
- Section 20: Seed capital investment tax credit limits. (Tax Department)
- Section 21: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)

Section 22: Business climate initiative. (Department of Commerce)
Section 23: Repeal of beginning entrepreneur income tax deduction. (Tax Department)
Section 24: Higher education report on CCBenefits. (Higher Education)
Section 25: Chronic unemployment and soft skills training study and report. (Job Service North Dakota)
Section 26: Study of the cluster industries related to the state's target industries. (Department of Commerce)
Section 27: Tax expenditure report pilot project. (Tax Department and Department of Commerce)
Section 28: State business incentive expenditure report pilot project. (Department of Commerce)
Section 31: Transfer of \$2,500,000 from general fund to rural airport economic development fund. (Aeronautics Commission)
Section 32: Appropriation of \$2,500,000 in the rural airport economic development fund. (Aeronautics Commission)
Section 33: Appropriation of \$1,200,000 from the general fund for Biodiesel PACE. (Bank of North Dakota)
Section 34: Appropriation of \$8,000,000 from the general fund for PACE. (Bank of North Dakota)
Section 36: Appropriation of \$45,000 from the general fund for grants for innovation. (Department of Career and Technical Education)
Section 37: Appropriation of \$50,000 from the general fund for the expenditure report pilot programs.
Section 38: Appropriation of \$500,000 from the general fund for the business and tourism acceleration commission.
Section 39: Appropriation of \$600,000 from the general fund for a web site spider program to identify job listings available in North Dakota. (Job Service North Dakota)

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.*

Tax Department

Section 16 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 17 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 18 allows the tax credits for recruitment expenses and internship programs contained in Sections 16 and 17 to be claimed on the state's simplified form, Form ND-1.

Section 19 expands the corporation income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of \$8.4 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 20 raises the limits on the seed capital investment tax credit program from \$2.5 million to \$5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of \$5 million for the 2007-09 biennium.

Section 21 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 23 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under \$5000.

Contact: Kathy Strombeck 328-3402

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.*

Aeronautics Commission
Section 1

Section 1: No additional fiscal impact other than the \$2,500,000 transferred from the general fund in section 31 and appropriated in section 32.

Contact: Gary Ness 328-9655

Bank of North Dakota
Sections 2, 33 & 34

Section 2: No additional fiscal impact.

Section 33: The \$1,200,000 appropriation for BioDiesel PACE in Section 33 differs from the \$4,200,000 appropriation for BioFuels PACE in HB 1014.

Section 34: The \$8,000,000 appropriation for PACE in Section 34 differs from the \$4,500,000 appropriation for PACE in HB 1014.

Contact: Stan Benson 328-5682

Board of Higher Education
Section 24

Section 24: Although the bill provisions impose an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Department of Career and Technical Education
Sections 3 & 36

Sections 3 & 36: No additional fiscal impact other than the \$45,000 appropriated in section 36.

Department of Commerce
Sections 4, 5, 6, 9, 10, 12, 13, 14, 15, 22, 26, 27, & 28

Section 4: No additional fiscal impact as HB 1018 contains sufficient funds for the Department of Commerce to provide staff services to the Centers of Excellence Commission.

Section 5: This section adds a consideration of independent, expert review for complete Centers of Excellence applications. There is no additional fiscal impact as section 6 allows the Centers of Excellence Commission to access Centers of Excellence funds for this purpose.

Section 9: The fiscal impact would be \$200,000 per biennium. This amount is based upon the North Dakota Trade Office hiring 12 interns as export assistants and providing them with international export training for potential placement as managers within international export companies.

Section 10: The fiscal impact would be \$525,000 per biennium for the visitor information centers. This is comprised of \$100,000 for training and \$425,000 for matching grants.

Section 12: No additional fiscal impact.

Section 13: The fiscal impact would be \$50,000 per biennium to expand the image information program to the private sector.

Section 14: No additional fiscal impact as funding for the Higher Education Internship and Career Specialist programs are included in the Department of Commerce's appropriations bill HB 1018.

Section 15: No additional fiscal impact beyond the \$500,000 appropriation included in section 38. The bill allows up to ten percent of the funds provided to the Business and Tourism Acceleration Commission to be used for administrative expenses.

Sections 22 & 26: No additional fiscal impact.

Sections 27 & 28 (amended): No additional fiscal impact beyond the \$50,000 appropriation contained in section 39.

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 7

Section 7: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of \$6 million. It is not possible to identify how many loans would be made with versus without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Job Service North Dakota
Sections 25 & 37

Section 25: JSND will conduct a study on the issue of chronic unemployment and the issue of soft skills training for the chronically unemployed and as an element of workforce training. This would be a 12 month study with legislative council reports on the outcomes. This report will be used to consider any recommendations to be implemented to the sixty-first legislative assembly. Conducting the chronic unemployment study will require an additional 1 FTE position, with costs for salary and fringe benefits of \$60,048 (Research Analyst III for 13 months at \$3,3450 per month plus fringe benefits), and operating expenditures of \$19,952 (indirect and overhead costs related to the position) for a total fiscal impact of \$80,000.

Section 37: No additional fiscal impact other than the \$600,000 appropriated.

Contact: DeAnn Berg 328-3135

Tax Department

Section 27, as amended, requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The appropriations contained within the individual bill sections are as follows:

Sections 1, 31, & 32: \$2,500,000 General Fund (Aeronautics Commission)
Sections 33 & 35: \$1,200,000 General Fund (Bank of North Dakota)
Sections 34 & 35: \$8,000,000 General Fund (Bank of North Dakota)
Sections 3 & 36: \$45,000 General Fund (Career and Technical Education)
Sections 27, 28, & 37: \$50,000 General Fund (Department of Commerce)
Sections 15 & 38: \$500,000 General Fund (Department of Commerce)
Section 39: \$600,000 General Fund (Job Service North Dakota)

Total: \$12,895,000 General Funds

For the sections that have not been given an appropriation in the bill, it is estimated that the following additional

appropriations will be needed for the implementation of each section:

Section 9: \$200,000 (Department of Commerce - Trade Office)
Section 10: \$525,000 (Department of Commerce)
Section 13: \$50,000 (Department of Commerce)
Section 25: \$80,000 (Job Service North Dakota)

Total: \$855,000 General Funds

The following sections are assumed to be on-going programs that would require future appropriations:

Sections 1, 31, & 32: \$2,500,000 General Fund (Aeronautics Commission)
Sections 33 & 35: \$1,200,000 General Fund (Bank of North Dakota)
Sections 34 & 35: \$8,000,000 General Fund (Bank of North Dakota)
Sections 3 & 36: \$45,000 General Fund (Career and Technical Education)
Sections 15 & 38: \$500,000 General Fund (Department of Commerce)

Total: \$12,245,000 General Funds

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