

Testimony of Sen. Mac Schneider  
Committee on Finance and Taxation  
February 3, 2009

Mr. Chairman, members of the committee, my name is Mac Schneider and I represent Grand Forks' District 42 in the Senate. I'm happy to be here to discuss Senate Bill 2390 – legislation which would create a “certified technology park” designation in North Dakota and encourage the creation, expansion, and clustering of high-technology businesses in our state.

**Background: The big picture**

The legislation seeks to build on the successes we've experienced in the creation of high-technology jobs, and would act as the icing on the Research Corridor and Centers of Excellence cake.

Broadly speaking, if a technology park were “certified” under this legislation the designation would allow for the capture and reinvestment of certain state and local tax revenue generated within the park. In other words, it allows parks to invest in themselves, which encourages development and, in turn, more investment.

This bill stems from an initiative promoted last fall by the Association of University Research Parks, which recommends the establishment of innovation zones to serve as a centerpiece for efforts to modernize our country's approach to competitive research and development.

In a reflection of this effort, Indiana recently passed legislation to create a certified technology park designation in that state. The first park to receive such a designation was at Purdue University. Currently, the Purdue Research Park is home to over 2,500 employees and 110 businesses.

Senate Bill 2390 is based off of Indiana's legislation and seeks to capitalize on our state's research strengths. Whether it is the innovation occurring in nanoscale science, microsensor development and polymer research at NDSU or the world-class work in the fields of aerospace engineering, biosciences, and energy at UND, a certified technology park designation will benefit all of these efforts. And more.

**How it works: Application by political subdivision for certified tech park designation**

If SB 2390 becomes law, the governing body of a political subdivision would be able to apply to the Department of Commerce (DOC) for designation of part of its territory as a certified technology park. The DOC would evaluate the application based on the requirements listed in 40-64-03. Under this section, the application must show a firm commitment from “at least one business engaged in a high technology activity creating a significant number of jobs” **and** satisfy one or more of the additional criteria listed in paragraphs “a” through “f” of 40-64-03.

**Application accepted: Benefits of certification**

Once an application is accepted by DOC, incremental increases in tax revenues generated within the certified technology park would be reinvested.

Specifically, 40-64-07 allows the political subdivision that established the CTP to designate the park as an allocation area for the purpose of allocating and distributing **property taxes**. Under 40-64-08, incremental increases in property tax revenue would be paid into an incremental tax financing fund

administered by the state treasurer. Incremental increases in *state sales taxes* generated by businesses in the park and *income taxes* paid by park employees would also be deposited into this fund.

These proceeds would then be transferred to a certified technology park fund created by the political subdivision that established the park (40-64-13). The money deposited in this fund would then be returned to the park, but could be used only for purposes listed in 40-64-13, paragraphs "a" through "i" (generally the construction, maintenance, and equipping of research facilities). It can be used for direct improvements and also for retiring debt associated with any improvement projects.

#### **After designation: Accountability**

Once a park is certified, the political subdivision that made the application would enter into an agreement with the DOC establishing the terms and conditions governing the park. The agreement must include a description of the area, restrictions on properties contained within the park, and other terms required by 40-64-04.

The certified technology park would have to be recertified every four years, and would be evaluated by the DOC according to the total employment, nature and extent of any technology transfer activity, inclusion of any non-technology businesses operating within the certified technology park, use and outcomes of any state money, and the tech park's overall contributions to the technology-based economy in North Dakota. No more than \$5 million may be deposited in a particular incremental tax financing fund over the life of a certified technology park (40-64-12.3).

#### **Closing**

There are others who would like to testify today, but before I close I would like to emphasize that a certified technology park designation would not just benefit the institutions located in Fargo and Grand Forks. If this legislation were to become law, there would be opportunities for the creation of certified technology parks across our state around anchors like the Strom Center for Entrepreneurship at Dickinson State, to name one example.

I appreciate the committee's time and consideration of this legislation. I would be happy to answer any questions.