

DEPARTMENT OF COMMERCE'S ANNUAL REPORT ON BUSINESS INCENTIVES
July 19, 2009, 1:00PM.
WORKFORCE COMMITTEE
Roughrider Room
SENATOR TONY GRINDBERG, CHAIRMAN

Mr. Chairman, members of the committee. My name is Gordon La France, and for the record I am with Commerce. One of my responsibilities is to report to the Workforce Committee on the Business Incentive Accountability Law that was approved in 2005.

The accountability law (N.D.C.C. 54-60.1) was approved during the 2005 legislative session and the law took effect on January 1, 2006 and applies to businesses that receive incentives that are \$25,000 or more in a given year.

The law requires grantors and recipients to enter into Business Incentive Agreements (BIA) before the recipient business receives an incentive. This BIA contains a description of the incentive to be granted as well as job goals for the business to achieve within 2 years.

Commerce has the responsibility to provide the following information to the Legislative Council and Workforce committee:

- Number of jobs targeted to be created or retained
- Number of jobs achieved in comparison to the jobs targeted
- Average compensation of jobs targeted
- Average compensation of jobs created or retained
- The percentage of businesses that reached their goals in two, three four and five years from benefit date.
- We are also to provide a distribution of business incentives by type of business and by public purpose. We utilized the North American Industrial Classification System (NAICS) in order to breakdown the type of business. The breakdown of incentives by business type can be found in Attachment A of this report, along with the total amount (2006-2009) which is \$62,003,426.

We used the five public purposes outlined in N.D.C.C. § 54-60.1-01(7). There is some duplication in these numbers as some of business incentives cited more than one public purpose.

BIA Purpose	2006-2008	2009	Total
Assisting community development	\$29,865,677	\$3,869,963	\$33,735,640
Directly creating employment opportunities	\$14,687,527	\$9,680,325	\$24,367,852
Increasing tax base	\$1,534,999		\$1,534,999
Indirectly creating employment opportunities through increased economic activity	\$1,508,788	\$96,898	\$1,605,686
Job retention (only in cases in which job loss is specific and demonstrable)	\$5,908,800	\$124,383	\$6,033,183

The Table below indicates the number of jobs created or retained by businesses involved in the business Incentive agreements; this does not include the Renaissance Zone which is in the next table.

Business Incentive Agreements				
	Full time		Retain	
	Goal	Actual	Goal	Actual
2006 - 2008	1951	1989	353	241
2009	1383	1088	408	289

The Renaissance Zone table includes all jobs created in the zone.

Renaissance Zone			
	2006-2008	2009	Total
Jobs Created	376	111	487

In the table below a comparison was made for all companies that had created job opportunities or retained workers for the past two years on compensation.

Business Incentive Agreements			
Average Compensation for all Companies			
Year	Goal	Actual	Difference
2006 - 2008	\$17.16	\$16.00	-\$1.16
2009	\$18.07	\$16.66	-\$1.41

The compilation and summary is also to include two additional items: the percentage of business incentives that reached goals within two, three, four, and five years from the benefit date and the percentage of business incentives that did not meet goals and did not repay the incentive. The table below has that percentage.

	Percentage Business Incentives that reached goals	Percentage of Business Incentives that did not meet goals or receive repayment
2 Years 2006 -2008	59.2%	0
3 Years 2006 - 2009	74.3%	0
4 Years	N/A	N/A
5 Years	N/A	N/A

Attachment A

Description	2006-2008	2009	Total
Accommodation	\$100,000		\$100,000
Administration of Economic Programs	\$1,080,000	\$160,000	\$1,240,000
Administration of Housing Programs, Urban Planning, and Community Development	\$0	\$143,753	\$143,753
Administrative and Support Services	\$514,539		\$514,539
Air Transportation	\$100,000		\$100,000
Ambulatory Health Care Services	\$282,923	\$333,507	\$616,430
Amusement, Gambling, and Recreation Industries	\$76,500	\$137,150	\$213,650
Animal Production	\$1,570,719	\$1,520,518	\$3,091,238
Apparel Manufacturing	\$28,500		\$28,500
Beverage and Tobacco Product Manufacturing	\$0	\$26,000	\$26,000
Building Material and Garden Equipment and Supplies Dealers	\$85,000		\$85,000
Chemical Manufacturing	\$17,668,685	\$272,426	\$17,941,111
Clothing and Clothing Accessories Stores	\$34,765		\$34,765
Computer and Electronic Product Manufacturing	\$813,930	\$401,000	\$1,214,930
Construction of Buildings	\$453,000	\$380,769	\$833,769
Couriers and Messengers	\$57,120		\$57,120
Crop Production	\$324,521	\$153,300	\$477,821
Educational Services	\$121,603		\$121,603
Electrical Equipment, Appliance, and Component Manufacturing	\$1,093,639	\$500,006	\$1,593,645
Electronics and Appliance Stores	\$85,000		\$85,000
Fabricated Metal Product Manufacturing	\$1,695,948	\$205,880	\$1,901,829
Food and Beverage Stores	\$102,000	\$64,711	\$166,711
Food Manufacturing	\$3,226,981	\$3,117,292	\$6,344,273
Food Services and Drinking Places	\$620,091		\$620,091
Furniture and Home Furnishings Stores	\$44,299		\$44,299
Furniture and Related Product Manufacturing	\$88,154	\$142,871	\$231,024
Gasoline Stations	\$146,966		\$146,966
General Merchandise Stores	\$72,310		\$72,310
Health and Personal Care Stores	\$100,110		\$100,110
Heavy and Civil Engineering Construction	\$118,136		\$118,136
Hospitals	\$279,962	\$39,992	\$319,954
Internet Service Providers, Web Search Portals, and Data Processing Services	\$1,000,000	\$267,490	\$1,267,490

Machinery Manufacturing	\$1,441,396	\$433,747	\$1,875,144
Merchant Wholesalers, Durable Goods	\$604,209		\$604,209
Merchant Wholesalers, Nondurable Goods	\$135,221	\$816,208	\$951,428
Miscellaneous Manufacturing	\$1,772,477	\$299,999	\$2,072,476
Miscellaneous Store Retailers	\$142,750		\$142,750
Monetary Authorities - Central Bank	\$102,000		\$102,000
Motor Vehicle and Parts Dealers	\$41,225		\$41,225
Museums, Historical Sites, and Similar Institutions	\$150,000		\$150,000
Nonmetallic Mineral Product Manufacturing	\$174,732		\$174,732
Nursing and Residential Care Facilities	\$0	\$187,361	\$187,361
Other Information Services	\$283,150	\$36,062	\$319,212
Paper Manufacturing	\$54,978		\$54,978
Personal and Laundry Services	\$193,725		\$193,725
Petroleum and Coal Products Manufacturing	\$395,498	\$474,953	\$870,451
Plastics and Rubber Products Manufacturing	\$500,000	\$374,127	\$874,127
Primary Metal Manufacturing	\$166,468		\$166,468
Professional, Scientific, and Technical Services	\$2,857,510	\$1,491,540	\$4,349,050
Publishing Industries (except Internet)	\$32,860		\$32,860
Real Estate	\$1,455,853	\$882,724	\$2,338,577
Rental and Leasing Services	\$591,499		\$591,499
Repair and Maintenance	\$433,650	\$102,000	\$535,650
Social Assistance	\$0	\$85,341	\$85,341
Specialty Trade Contractors	\$432,120		\$432,120
Sporting Goods, Hobby, Book, and Music Stores	\$28,090		\$28,090
Support Activities for Agriculture and Forestry	\$484,950	\$186,309	\$671,259
Textile Mills	\$42,500	\$50,000	\$92,500
Textile Product Mills	\$427,548	\$75,536	\$503,084
Transportation Equipment Manufacturing	\$2,394,826	\$50,000	\$2,444,826
Truck Transportation	\$0		\$0
Utilities	\$0		\$0
Warehousing and Storage	\$25,000		\$25,000
Wood Product Manufacturing	\$882,220	\$358,995	\$1,241,215
Total	\$48,231,857	\$13,771,569	\$62,003,426