

**DEPARTMENT OF COMMERCE TESTIMONY ON THE TECHNOLOGY-BASED  
ENTREPRENEURSHIP & ECONOMIC DEVELOPMENT BEST PRACTICES STUDY  
JULY 29, 2009, 10:45 A.M.  
WORKFORCE COMMITTEE  
ROUGH RIDER ROOM**

**JUSTIN DEVER – MANAGER OF THE OFFICE OF INNOVATION AND STRATEGIC INITIATIVES, ND  
DEPARTMENT OF COMMERCE**

Good morning, Mr. Chairman and members of the committee, my name is Justin Dever and I manage the Office of Innovation and Strategic Initiatives for the North Dakota Department of Commerce.

Paul Lucy mentioned some of the programs that the Department of Commerce utilizes to spur technology-based economic development within North Dakota. I will be presenting on three of these programs. This includes two existing programs, the Center of Excellence for Economic Development program and Innovate North Dakota, and a new Technology-Based Entrepreneurship Grant program.

Centers of Excellence for Economic Development

The Centers of Excellence for Economic Development program is North Dakota's effort to encourage partnerships between universities and the private sector. These centers become hubs of research and technology that provide a nucleus for new business growth across our state.

The program has evolved over time. In 2003, the legislature approved Centers directly through legislative appropriation. These Centers included the UND Center for Innovation, the NDSU Technology Incubator, and the NDSU Beef Systems Center of Excellence.

The current competitive grant program was established by the legislature in 2005. Under this program, \$20 million was made available in each of the previous two biennia. 18 Centers have been awarded a total of \$39.45 million. In 2007, the legislature prohibited having workforce as a primary need addressed by a Center and established a separate Workforce Enhancement Grant program to assist two-year colleges in meeting the workforce needs of private sector companies. Other changes made by the legislature included having the Department of Commerce assist the Centers of Excellence Commission instead of the ND University System, having grants awarded over the budgeted life of the Center instead of a lump sum, and giving the Centers of Excellence Commission authority over monitoring the Centers for a period of 6 to 10 years.

This past session the legislature provided up to \$20 million for Centers of Excellence, including \$10 million for a Centers of Excellence Enhancement grant program. The research universities are eligible to apply for these enhancement grants which are to be used for infrastructure or enhancement of economic development and employment opportunities. The intended uses of these funds include opportunities associated with the Grand Forks Air Force Base and base realignment activities. The regular Centers of Excellence program was appropriated \$5 million

in general funds plus an additional \$5 million if general fund revenues exceed projections by at least that amount on December 1, 2009.

As it currently stands, the Centers of Excellence statute is slated to expire at the end of the biennium. The Centers of Excellence Commission and the Department of Commerce are tasked with conducting a “Best Practice Review of the Centers of Excellence program.” We will be issuing a RFP to secure a consultant with broad-based expertise with similar programs to assist in this review. The results of this review could provide information on whether the Centers of Excellence program should be continued in some form beyond the current biennium. If this committee so desires, we could provide a report from this best practice review next summer.

The Centers of Excellence program has already started to create some impressive results.

- The \$39.45 million in state funds has been leveraged with other funds for a total investment of \$179 million.
- There has been \$169 million in total direct and indirect economic impact
- Over 490 new direct jobs have been created with an addition 866 indirect jobs
- 16 new or expanded businesses
- 107 private sector companies have partnered in this program.
- \$1.8 million in increase sales and use tax collection, \$.9 million increase in personal income tax collections

### Innovate North Dakota

Innovate North Dakota is a business venture competition that assists entrepreneurs in building a business and gaining access to capital. Innovate ND was launched in the fall of 2006 by the Governor’s Office, the Department of Commerce, the UND Center for Innovation, and the NDSU Research and Technology Park. It has now expanded to include partners from the DSU Strom Center for Entrepreneurship and Innovation, the IDEA Center in Bismarck, and the Center for Business Development in Wahpeton.

Participants pay a \$100 entry fee to receive access to a venture building process, business planning tools, online entrepreneur education, and coaching and mentoring from proven business owners. Teams may consist of up to four people. Each year the top 5 winning teams receive a cash prize of \$10,000 as well as in-kind services from attorneys, accountants and engineers. Funds raised from sponsors are used for the cash prizes and the in-kind services are donated.

250 teams have participated during the 3 rounds of Innovate ND and have consisted of nearly 500 participants. Of these teams, 70 are operating or developing their business venture.

### Technology-Based Entrepreneurship Grant Program

The legislature appropriated \$1.0 million for a new Technology-Based Entrepreneurship grant program and charged the Department of Commerce with developing this program. We are working with partners across the state in developing guidelines for this program.

One of the first steps we are taking is to survey entrepreneurs and businesses to determine what barriers they face in starting their ventures and where we could have an impact in helping overcome these barriers. In realizing that the Workforce Committee is conducting a study of technology-based entrepreneurship, we would like to offer to include any questions you would like answered.

Our goal is to have this program up and running by the end of the year in order to have a full calendar year in operation prior to the 2011 legislative session.

### Conclusion

Thank you for your time today. I would be happy to answer any questions you may have.