

**2011 HOUSE APPROPRIATIONS**

**HB 1058**

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division  
Sakakawea Room, State Capitol

HB 1058  
1/26/11  
13439

☐ Conference Committee

Committee Clerk Signature

*Meredith Tracholt*

## Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to a department of commerce grant program for university entrepreneurs; and to provide an appropriation.

## Minutes:

Attachment #s 1 and 2

**Chairman Skarphol:** We'll open the hearing on HB 1058.

**Senator Tony Grindberg, District 41, Interim Chairman of the Workforce Economic Development Committee:** Presented testimony in favor of HB 1058. See attachment 1. Entrepreneurship is the 3<sup>rd</sup> leg of the economic development stool. The other two legs are marketing the state to attract new businesses, and to work with existing businesses to help them expand. We need to embrace risk. We need to continue to have a comprehensive approach to providing opportunities in education and experience for entrepreneurs.

**Rep. Monson:** Referring to Line 13 of the bill, what are some examples of 'other'?

**Sen. Grindberg:** It might be a partnership on a research project, a shared licensing arrangement on a certain technology. You could possibly envision an established company with a percent ownership of technology and a licensing arrangement that would create a new division. The intent and the challenge is more to find a market for the many many patents sitting on the shelves in the two research institutions.

**Rep. Monson:** There are repayment terms in the bill, if they are successful. If they're not successful, it's gone? So you're looking at a one-time amount of money going in here that would keep revolving, if I understand this. On page 2, line 3, of the bill, it states an award is not a business incentive. How can it not be, if it's considered seed money?

**Jennifer Clark, Legal Counsel for the Legislative Council:** As this bill is drafted, it does not accommodate a business entity, it must be an individual as it states page 1 line 12. You had mentioned this being revolving, and it is not actually revolving. It would go back to the general fund and we would have to reappropriate those funds. Regarding the question of business incentive, there is a law that if you receive state funds, you have certain requirements that have to be met, such as job creation, or there is a clawback position. This is designed to be exempt from that chapter of law.

**Rep. Dosch:** You are asking for us to approve the use of tax payer money in a highly speculative investment environment. This is an investment that angel funds won't get involved with, because of the high risk. If the state goes through with this, the best the state can hope for is that it is successful and it gets its \$50,000 back. Why doesn't the state retain some sort of patent or ownership rights, something, so if it is successful the state of ND gets more back than its investment? Then those dollars could be rolled over and used for other projects. We're being asked to invest with no return.

**Sen. Grindberg:** If one out of ten makes it, what does that do for the long-term wealth creation of the state? There is that side of the equation, as well. I am not an expert in what the state can have ownership in, but if you're intrigued by that concept, have that discussion. Is it seed ideas that become the next enterprise that far outweighs a 10% return, in terms of jobs, employment, and second-tier economic impact? It is a risk, and others won't invest.

**Chairman Skarphol:** You have another bill up this afternoon, the Technology Award Grant program. When we hear that, be prepared to tell us the difference and whether or not someone could qualify for both.

**Clark:** In response to Rep. Dosch's question, I'd like to refer you to page 1, lines 19 and 20, of the bill. The repayment terms is double, and the way you receive that, whether it be cash, equity, etc. would be up to the Department of Commerce.

**Chairman Skarphol:** There are statutes in place in regards to patents at our universities and who can benefit from their financial rewards. Can you refresh our memory?

**Clark:** I would have to do research on that, but there may be people at the state board of higher ed who are better versed in that. My recollection is that we left it pretty broad in statute and directed the state board to address this.

**Sen. Grindberg:** Pat Seaworth, general counsel to the university system, might be the best person to ask, or individuals from the tech transfer office.

**Chairman Skarphol:** Other questions? Other testimony in support?

**Deanna Wiese, Executive Director, Information Technology Council of North Dakota:**  
See attachment 2.

**Chairman Skarphol:** Questions? Others wishing to testify in support of HB 1058? Anyone in opposition of HB 1058? Apparently not. With that, we'll close the hearing on HB 1058.

# 2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division  
Sakakawea Room, State Capitol

HB 1058  
1/28/11  
13603, 13608

☐ Conference Committee

Committee Clerk Signature

*Shirley Branning*

**Explanation or reason for introduction of bill/resolution:**

A BILL for an Act to create and enact a new section to chapter 54-60 of the North Dakota Century Code, relating to a department of commerce grant program for university entrepreneurs; and to provide an appropriation.

Attachment # 1

**Chairman Skarphol:** Discussing HB 1058.

Calling on Mr. Gordy Smith, Auditor's Office, to explain the audit to the committee.

**Smith:** We are not against anything in the bill, the legislators deserve to know where it started and what it would mean. The law as currently written said the Centers of Excellence will have an annual audit, we cited them on what was called "agreed upon procedures", done which is not an audit in accordance with the scope of the audit. One key thing is that the client sets the scope of the audit. During the audit we asked a couple of the firms how much time they were spending and the cost of doing these "agreed upon procedures". The average hours is 20 or 30 and their fees were somewhere around \$3K, that is \$125-\$175 per hour. They are spending about 20-30 hours to come up with these agreed-upon procedures. If legislators are interested in certain aspects of the Centers of Excellence, they should be the ones to put in what they want looked at. In their procedures they would review only the scope they agreed upon.

**Chairman Skarphol:** In your mind what would be the best time practices with regard to the money are reviewed? Should there be a complete audit after the expenditures have been made?

**Smith:** You could have agreed procedures but have an audit every third year or after the money has been expended.

**Chairman Skarphol:** The dollars are held to insure that it is properly utilized.

**Smith:** There is a self evaluation that the Center of Excellence does, some site visits by Commerce.

**Chairman Skarphol:** I am more in favor of going to the end, when the money has been expended, be it six months or three years.

**Rep. Martinson:** When you audit don't you audit to verify the jobs have already been created?

**Smith:** CPA firms do those audits but if we were doing a financial audit, there is subjectivity to see if you would actually cover that. In a financial audit, the only laws that are required to audit for compliance are ones that would materially affect the financial statements. In a state agency it is usually your budget. We may not in a financial audit but possibly in a performance audit.

If .....

**Rep. Martinson:** You do that in a performance audit.

**Smith:** That could be well within the scope if....We were auditing to see if Commerce was adequately monitoring the Centers of Excellence and our answer was no. We had 15 recommendations and they agreed with all of them to improve the monitoring. The legislature should decide what areas should be monitored and not wait for the audit.

**Chairman Skarphol:** Has Commerce complied with the recommendations?

**Smith:** We are at the end of our follow-up, and will issue that report in the next couple of weeks. I cannot get into detail but that a majority of the recommendations are implemented.

**Chairman Skarphol:** With regard to who does these agreed up procedures, the Commerce Department hires someone to do Centers of Excellence or do they contract for all with the same vendor?

**Smith:** The Center of Excellence selects an auditor.

**Chairman Skarphol:** They would be the agreed upon vendors to do the monitoring.

**Rep. Monson:** Would there be a way to help us put into law a way to state minimum criteria to the vendors?

**Rep.Hawken:** How much do you charge to do a performance audit?

**Smith:** We do not charge agencies anything for the general fund portion. Hourly fees are about \$46.00 per hour.

**Rep.Hawken:** You do not want to do the audits?

**Smith:** No, we are not proposing that we do these audits.

**Rep.Hawken:** They would want you to do it at the \$45.00 rate as opposed to \$150.00. Back to the audit piece, how did they end up in Commerce?

**Smith:** I am not sure how they ended up there. They were just in law and Commerce does not monitor them. I think there were 24 originally.

**Tammy Dolan, OMB Analyst:** If you are making changes to this bill, this same language exists in HB 1018 in Section 8.

**Chairman Skarphol:** Asking Mr. Smith to put together some standards that reflect on each of them.

**Rep.Hawken:** We should take a look at the base for what the minimal standards are .

**Smith:** Provides examples of measurable standards.

**Chairman Skarphol:** List language that should be included, come up with what ever you can.

Continuing with discussion. Begin **Job # 13608**

**Rep.Hawken:** I like the idea that we move the language of these two bills into HB 1018 into the Commerce budget.

**Rep. Martinson:** We put 'em in there, we shift the money and send it to the Senate and then they have to figure out what they are going to do. We don't increase the budget but we shift the money for other areas in Commerce to fund those two.

**Rep. Hawken:** If we put them in the other bill, would you be amenable to shifting less money to them?

**Rep. Martinson:** I don't want either one of them.

**Chairman Skarphol:** There was one amendment that Commerce had with regard TO hb 1059. Let's do HB 1058.

**Rep. Hawken:** I would **Move**

**Rep. Dosch:** It was my....I thought that that amendment was for both bills, or not?

**Chairman Skarphol:** I believe it was intended to have the grant money in the Innovate, 2020. Asking Sara Chamberlin to verify..

**Sara Chamberlin, Legislative Council Representative:** Explains Attachment # 1, a comparison of the bills, it was changing the word "grants" to "equity investments".

**Chairman Skarphol:** And replace "receipt of intent" to "fund with a complete business plan" and other subtleties'. I don't believe there is an amendment for HB 1058. Were there other questions that we haven't had time to discuss?

**Chamberlin:** There was a memorandum prepared by the Legislative Council that showed a comparison in provisions in HB 1018 to related bills. It included HB 1058, 1059 and 1060.

**Chairman Skarphol:** We should have that memorandum on our desks? Copies are distributed. Sara can explain it to us.

**Chamberlin:** It compares what is in HB 1018 and the others that I mentioned. See Attachment # 1.

**Chairman Skarphol:** With this, what are the wishes of the committee on HB 1058?

(Side discussion on how to phrase the motion.)

**Rep.Hawken:** Motion to move the language from Section 1058 to HB1018.

**Rep. Martinson: Second**

**Chairman Skarphol:** Hearing no discussion, we will have the Clerk take the role on that motion.

**Vote Taken: Yes, 6 No, 0 Absent, 0 Motion carried.**

**Rep.Hawken: Move a Do Not Pass on HB 1058.**

**Rep. Monson: Second**

**Chairman Skarphol:** Hearing no discussion, we will have the Clerk take the role on that motion.

**Vote Taken: Yes, 6 No, 0 Absent, 0 Motion carried.**

**Carrier: Rep. Hawken** on both motions.

Meeting Adjourned

# 2011 HOUSE STANDING COMMITTEE MINUTES

## House Appropriations Committee Roughrider Room, State Capitol

HB 1058  
2/8/11  
14230

☐ Conference Committee

Committee Clerk Signature

*Meredith Tracholt*

### Explanation or reason for introduction of bill/resolution:

A BILL relating to a department of commerce grant program for university entrepreneurs; and to provide an appropriation.

### Minutes:

You may make reference to "attached testimony."

**Chairman Delzer:** Opened discussion on HB 1058.

**Representative Hawken:** We have two bills, 1058 and 1059. 1058 dealt with innovative ideas of an individual, and would have received grants. What we did with this bill and 1059 was put the language, after amending it, within the commerce bill (HB 1018), and gave these both a Do Not Pass recommendation. I make a motion for full committee to Do Not Pass.

**Chairman Delzer:** We have a motion for Do Not Pass on HB 1058, is there a second?

**Representative Skarphol:** Second.

**Chairman Delzer:** Discussion.

**Representative Glassheim:** We'll see essentially the same things in the commerce bill?

**Representative Hawken:** At this point that is correct.

**Representative Skarphol:** A clarification, this one was not amended, it was 1059.

**Chairman Delzer:** Are you considering the appropriations in the commerce, too, or are you thinking of doing something different?

**Representative Hawken:** Where the money is going to be will be decided as we finish out that budget.

**Chairman Delzer:** Further discussion? Seeing none, we have a motion for a Do Not Pass on HB 1058. Roll was called. Motion carries 21-0-0. Representative Hawken will carry it.



HB 1058

Date:

Roll Call Vote #:

**2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."**

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number "Click here to type Amendment Number"

Action Taken: ☐ Do Pass ☒ Do Not Pass ☒ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Martinson

Representatives	Yes	No	Representatives	Yes	No
Bob Skarphol	X		Clark Williams	X	
Kathy Hawken	X				
Mark Dosch	X				
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 6 "Click here to type Yes Vote" No 0 "Click here to type No Vote"

Absent 0

Floor Assignment "Click here to type Floor Assignment" Rep. Hawken

If the vote is on an amendment, briefly indicate intent:

HB 10.54

Date:

Roll Call Vote #:

2

**2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. "Click here to type Bill/Resolution No."**

House Appropriations – Education and Environment Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number "Click here to type Amendment Number"

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment  
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Martinson

Representatives	Yes	No	Representatives	Yes	No
Bob Skarphol	X		Clark Williams	X	
Kathy Hawken	X				
Mark Dosch	X				
Rep. Martinson:	X				
David Monson	X				

Total (Yes) 6 "Click here to type Yes Vote" No 0 "Click here to type No Vote"

Absent 0

Floor Assignment "Click here to type Floor Assignment" Rep. Hawken

If the vote is on an amendment, briefly indicate intent:

Date: 2/8/11  
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1058

House Appropriations Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken: ☐ Do Pass ☒ Do Not Pass ☐ Amended ☐ Adopt Amendment  
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Hawken Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl	X		Representative Metcalf	X	
Representative Dosch	X		Representative Williams	X	
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 21 No 0

Absent 0

Floor Assignment Rep. Hawken

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1058: Appropriations Committee (Rep. Delzer, Chairman)** recommends **DO NOT PASS** (21 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1058 was placed on the Eleventh order on the calendar.

2011 TESTIMONY

HB 1058

## Introduction to TBED

### What is Technology-based Economic Development?

Over the last several years, the U.S. economy has been undergoing a dramatic transformation as the nation moves to an economy driven by technology—through the creation of new industries and the application of technology in traditional industries. Competing in a global economy, regions must have an economic base composed of firms that constantly innovate and maximize the use of technology in the workplace. Technology-based economic development is the approach used to help create a climate where that new economic base can thrive.

### What is Required for a Technology-based Economy?

Based on the experience of tech-based economies like Silicon Valley, Research Triangle, and Route 128, the following elements are required for a tech-based economy:

- **An intellectual infrastructure**, i.e. universities and public or private research laboratories that generate new knowledge and discoveries;
- **Mechanisms for transferring knowledge** from one individual to another or from one company to another;
- **Physical infrastructure** that includes high quality telecommunications systems and affordable high speed Internet connections;
- **Highly skilled technical workforce**; and
- **Sources of risk capital.**

### What Approaches Can Be Employed to Develop These Elements?

**Intellectual Infrastructure.** Improving the intellectual infrastructure by strengthening higher education system R&D capacity, investing in higher education in areas of industrial relevance, and encouraging greater university-industry interaction.

**Spillovers of Knowledge.** Much of the success of Silicon Valley can be attributed to the success in transferring knowledge and technology from universities to the private sector and among companies. Spillovers of knowledge can be accomplished by identifying and removing barriers to the commercialization of university-developed technology, encouraging access to federal laboratories, and providing seed funding to industry associations and technology councils that promote communication among companies.

**Physical Infrastructure.** The competitiveness of an economy is increasingly dependent on its enabling infrastructure. While in the past this meant roads, bridges, rail and telephone access, today it includes proximity to airports, fiber optics networks, and high speed Internet access.

**Technically-Skilled Workforce.** Approaches that regions can take to ensure the availability of a technically skilled workforce include encouraging more students to enter science and engineering fields and providing training for workers in technology-based companies.

**Capital.** The availability of capital to support start-up and emerging companies is critical. Regions can address needs for capital by investing state funds in technology companies, using state funds to leverage private funds, helping companies access capital sources, and offering R&D tax incentives.

### Want More Information on Tech-based Economic Development?

For the most comprehensive database of reports and studies on tech-based economic development, visit the TBED Resource Center, which SSTI has developed in partnership with the U.S. Department of Commerce.

November 2010

**WORKFORCE COMMITTEE - BILL DRAFT SUMMARIES**

The 2009-10 Interim Workforce Committee approved and recommended the following 12 legislative measures:

**Angel Fund Investment Tax Credit - 10166.0200 -**

This bill draft amends the angel fund investment tax credit to allow for transferability of the tax credit and to allow passthrough entities to claim the credit. The bill draft includes a Tax Commissioner report to the Legislative Management, and the bill draft is applicable to the first four taxable years beginning after December 31, 2010, and is thereafter ineffective.

**Innovation 2020 Award - 10167.0200 -** This bill draft creates the innovation 2020 award program, which is administered by the Department of Commerce, and provides a \$500,000 appropriation to the Department of Commerce for the program. The program provides proof of concept funding awards of up to \$50,000 per qualified entrepreneur to help move a new technology from academia to the commercialization cycle. The entrepreneur is expected to repay the award.

**Technology Award Grant Program - 10168.0200 -**

This bill draft creates a technology award grant program, which is administered by the North Dakota Development Fund, Inc., and provides a \$500,000 appropriation to the North Dakota Development Fund, Inc., for the program. The program provides matching grants of up to \$50,000 to technology-based businesses that are in the startup stage.

**Manufacturing Income Tax Credits - 10169.0300 -**

This bill draft creates two new manufacturing income tax credits. The income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes is available to primary sector businesses and is equal to 20 percent of the expenses of the purchase. The income tax credit for qualified expenditures necessary for implementing lean manufacturing is available to primary sector businesses and is equal to 20 percent of the expenses. Each tax credit program is limited to \$2 million per taxable year.

**Higher Education and Workforce - 10170.0400 -**

This bill draft amends the laws relating to TrainND, the new jobs training program, and operation intern; creates an electronic portfolio pilot program and a student opportunity website; and provides the measure is an emergency measure.

The new jobs training program and the TrainND program are amended to provide the TrainND community colleges are included under the definition of "community" under the new jobs training program, thereby allowing TrainND to issue new job training loans in the same way as local economic development corporations.

The operation intern program law is amended to remove the provision that was added in 2009 to provide that employers are eligible for funding under the program only for new or expanded internship, apprenticeship, and work experience opportunities.

A higher education electronic portfolio (e-folio) system pilot program is created. The Department of Commerce Division of Workforce Development would administer the pilot program and the Division of Workforce Development, the North Dakota University System, Job Service North Dakota, and representatives of the institutions of higher education under the control of the State Board of Higher Education are directed to work together to establish the program. The e-folio product would be an online system that would be used to address the needs of higher education students and faculty as well as employers.

A student opportunity website is created which would act as a single portal through which users can search for internship opportunities and scholarship opportunities available at or through the institutions of higher education under the control of the State Board of Higher Education.

**Centers of Workforce Excellence, Centers of Entrepreneurship Excellence, Centers of Research Excellence, and EPSCoR - 10178.0200 -**

This bill draft provides for the centers of workforce excellence (CWE), centers of entrepreneurship excellence (CEE), and centers of research excellence (CRE); provides funding for the CWE, CEE, and CRE; and provides funding for the EPSCoR program.

The existing Workforce Enhancement Council grants are renamed CWE grants, and \$2 million is appropriated for the CWE grants.

The bill draft creates a CEE grant program administered by the Department of Commerce. The CEE program provides grants to department-certified entrepreneurial centers to be used to assist entrepreneurs in accessing capital, assisting entrepreneurs through providing marketing assistance, supporting building entrepreneur infrastructure, and developing entrepreneurial

talent. An appropriation of \$5 million is made for grants under the CEE program.

The bill draft creates a CRE grant program administered by the Department of Commerce. The CRE grant program is based on the current centers of excellence program but is limited to research universities. The eminent researcher recruitment challenge grant program is included as part of the CRE program. Appropriations are made as follows: \$10 million for the CRE grants and \$2 million for the eminent researcher recruitment challenge grant program.

The bill draft provides for CRE infrastructure grants, based on the infrastructure grants created in 2009. The CRE infrastructure grants would be available to research universities and to nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities. The bill draft provides an appropriation of \$4 million for these CRE infrastructure grants and appropriates \$10 million to the North Dakota University System for the purpose of funding the EPSCoR program.

**Technology Impact Zones - 10179.0200** - This bill draft creates a technology impact zone program administered by the Department of Commerce. The program allows a local government, or one or more local governments working together, to qualify for a specified amount of sales tax reimbursement. The reimbursement is for support of regional technology-based economic development efforts. Caps built into the program include a recipient's lifetime cap of \$3 million as well as a limit of eight zones in the state. The program is effective through July 31, 2023, and after that date is ineffective.

**Centers of Excellence Postaward Monitoring - 10215.0200** - This bill draft modifies the centers of excellence postaward monitoring requirements. The bill draft allows for a postaward fiscal audit at the halfway point of the postaward monitoring period as well as at the completion of the postaward monitoring period and allows for an agreed-upon procedures engagement for all other years of the postaward monitoring period.

**Performance Audit Timeframes - 10216.0200** - This bill draft provides the State Auditor shall complete a performance audit within 90 days from the date of commencement of the performance audit.

**Scholarship Funding Legislative Intent - 10254.0100** - This bill draft provides legislative intent that the funding of higher education scholarships comes from the interest and other income transferred from the foundation aid stabilization fund to the state general fund.

**Scholarship Funding Constitutional Amendment - 13024.0200** - This concurrent resolution draft provides for the amendment of Article X, Section 24, of the Constitution of North Dakota relating to the distribution of income from the foundation aid stabilization fund for use in funding higher education scholarships.

**Northern Tier Network Technology Initiative - Concurrent Resolution 13022.0100** - This concurrent resolution draft supports the Northern Tier Network Technology Initiative and the related activities of the Legislative Management's Information Technology Committee.



### **Testimony of Deana Wiese**

Executive Director, Information Technology Council of North Dakota

In Support of HB 1058

January 26, 2011

Chairman Skarphol and Members of the Committee:

My name is Deana Wiese, and I am the executive director of the Information Technology Council of North Dakota (ITCND). I am here to testify in support of HB 1058, which was recommended by the interim Workforce Committee.

ITCND was formed in 2000 by North Dakota business, government and education leaders who recognized the need to strengthen the state's information technology infrastructure and position the state as a national leader in information technology. ITCND has grown to nearly 100 members that believe in growing a stronger North Dakota through information technology excellence and development.

One of ITCND's goals is to be an advocate for IT entrepreneurial opportunity. HB 1058 would provide that opportunity by offering assistance to entrepreneurs in the commercialization of new technologies with the intent that the entrepreneur repays the award. In addition, by providing incentives such as this we are assisting in keeping some of our best and brightest in the state, which is vital to the IT workforce.

Fostering a strong entrepreneurial climate is important to the future of North Dakota's IT industry, which is why we are supporting HB 1058.

*In Reference to*  
Prepared by: Department of Commerce

January 24, 2011

H B 1058 and 1059

											2009-11 Appropriation			2011-13 Executive Budget Recommendation		
Division	Program Area	Grants	Required Match	Loans	General Fund	Federal Funds	Special Funds	Total	General Fund	Federal Funds	Special Funds	Total				
Administration	Partner Programs															
	Small Business Development Centers	x	no		767,044			767,044	767,044			767,044	767,044			
	Center for Technology and Business/Rural Technology	x	no		205,000			205,000	205,000			205,000	205,000			
	Office of Innovation and Entrepreneurship															
	Centers of Excellence	x	yes		19,500,000			19,500,000	13,000,000			2	13,000,000			
	Technology-based entrepreneurship grant program	x	no		1,000,000			1,000,000	1,000,000				1,000,000			
	North Dakota Trade Office	x	yes		2,064,000			2,064,000	2,553,000				2,553,000			
	Discretionary Funds															
	Partners in Marketing	x	yes		250,000			250,000	250,000				250,000			
	Tourism Infrastructure Grants	x	yes		50,000			50,000	50,000				50,000			
	Project/Grant funds	x	varies		628,083			628,083	628,082				628,082			
Tourism																
	USS Bismarck	x	no		100,000			100,000								
	Lewis and Clark Foundation	x	yes		1,500,000			1,500,000								
	Theodore Roosevelt Medora Foundation	x	yes		500,000			500,000								
	Marketing Grants	x	yes		165,800			165,800	165,800				165,800			
	Tourism Infrastructure Grants	x	yes		50,000			50,000	50,000				50,000			
Workforce Development																
	AmeriCorps	x	yes			1,000,000		1,000,000		1,200,000			1,200,000			
	Early Childhood Education															
	Child Development Certification Grants	x	no						150,000				150,000			
	Workforce Enhancement Grants (Workforce Centers of Excellence)															
	Workforce Enhancement Fund	x	yes		1,000,000			1,000,000	2,000,000				2,000,000			
Economic Development																
	Economic Development Initiatives															
	Tourism Infrastructure Grants	x	yes		50,000			50,000	50,000				50,000			
	North Dakota Development Fund															
	Childcare Services Development															
	Childcare Loan Program			x	1,250,000			1,250,000	400,000				400,000			
	Agriculture Products Utilization Commission	x	yes		1,303,781	300,000	550,000	2,153,781	1,313,704	300,000	738,284	1	2,351,988			
Community Services																
	Community Development	x	yes		840,000	34,080,000	5,000,000	39,920,000	840,000	29,910,000	5,000,000		35,750,000			
	Office of Renewable Energy and Energy Efficiency	x	yes		6,031,579	15,643,421	1,175,000	22,850,000		14,179,500	1,200,000		15,379,500			
	Self-Sufficiency															
	Community Service Block Grant (CSBG)	x	no		125,000	6,776,258	24,000	6,925,258	125,000	6,783,694	24,000		6,932,694			

\*Alcohol Motor Vehicle Fuel Fund

2 Governors recommendation does not appropriate special funds for Centers of Excellence but instead authorizes carryover authority of 5,000,000

**Other proposed changes:**

**1 Add a section to create a new section to NDCC Chapter 54-60 relating to innovation 2020 awards (HB 1058) (Approved by Committee)**

**Innovation 2020 award.**

1. The department may administer the innovation 2020 award program to provide proof of concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle.
2. The following provisions apply to an award under this section:
  - a. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
  - b. The applicant must have an early-stage technology with high commercial potential.
  - c. The department shall establish the qualified uses of funds received under this section.
  - d. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
  - e. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income-generating.
  - f. An award under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
  - g. An award under this section is not a business incentive under chapter 54 - 60.1.

**2 Add a section to create a new section to NDCC Chapter 10-30.5 relating to a technology award grant program (HB 1059) (Approved by Committee)**

**Technology award equity investment program.**

1. The corporation may administer a technology award equity investment program that provides matching equity investments to technology-based businesses.
2. The following provisions apply to technology award equity investments:
  - a. An applicant must:
    1. Be a North Dakota business that is at the startup stage;
    2. Be a primary sector business in the technology field; and
    3. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
  - b. Before funds are distributed under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 must be cash, and may not be in-kind assets.
  - c. An equity investment under this section may not exceed fifty thousand dollars. A recipient may not receive more than one award under this section.
  - d. An award equity investment under this section is not a business incentive under chapter 54 - 60.1.

**3 Remove sections 4, 5, 9, 11, 14, 15, 16, 17, 25, 27 and 30 relating to centers of excellence (Approved by Committee)**

\*Section 7 and 26 may also be removed

**4 Other centers of excellence changes:**

Amend Section 8 to incorporate State Auditor's Office suggestions and to continue Subsection 5 of Section 7 for monitoring purposes

**5 Amend Section 21 to re-allocate Great Plains Applied Energy Research Center funding as follows (Approved by Committee):**

~~\$ 4,335,000~~ National Energy Center of Excellence on Bismarck State College- Workfloor  
\$ 600,000 Acquisition of Anti-Ballistic Missile (ABM) site at the Stanley R. Mickelson Safeguard Complex (SRMSC) in Nekoma

**6 Amend Section 10 to permit costs associated with the piping system and storage components of biofuel blender pumps eligible for cost-share grants.**

January 2011 *HB 1058**1/28/11*

## COMPARISON OF PROVISIONS IN HOUSE BILL NO. 1018 TO RELATED BILLS

This memorandum provides information on provisions included in House Bill No. 1018--the Department of Commerce appropriation bill--that are similar to provisions included in other House Bills relating to the Department of Commerce. The chart below provides a comparison of the provisions:

House Bill No.	Provision	Comparison to House Bill No. 1018
1057	Amends and reenacts North Dakota Century Code Section 57-38-01.26 relating to the angel fund investment tax credit, provides a report to the Legislative Management, and provides an effective and expiration date	HB 1018 does not include provisions amending Section 57-38-01.26
1058	Creates a new section to Chapter 54-60 relating to a Department of Commerce Innovation 2020 grant program for university entrepreneurs and provides an appropriation of \$500,000 from the general fund	HB 1018 creates two new sections to Chapter 54-60: <ul style="list-style-type: none"> <li>• Section 13 creates an internship fund and provides a continuing appropriation administering the internship program of the department.</li> <li>• Section 14 provides for centers of entrepreneurship excellence grants. The executive budget includes \$5 million from the general fund for this program.</li> </ul>
1059	Creates a new section to Chapter 10-30.5 relating to the North Dakota Development Fund, Inc., providing matching grants for technology startup businesses and provides an appropriation of \$500,000 from the general fund	Section 3 of HB 1018 extends provisions of Section 10-30.5-02(5) relating to financing provided from the Development Fund to early childhood facilities from July 31, 2011, to July 31, 2013, and increases the award limit from \$100,000 to \$200,000 but does not include provisions relating to technology startup businesses.
1060	Amends and reenacts Section 15-69-05(2) relating to the reporting requirements of a center of excellence	Subsection 2 of Section 8 of HB 1018 includes the same provisions.