

2011 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1122

2011 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee Peace Garden Room, State Capitol

HB 1122
January 11, 2011
12775

☐ Conference Committee

Committee Clerk Signature

Ellen Letang

Explanation or reason for introduction of bill/resolution:

State tourism policy, Division of Community Services, Department of Commerce, North Dakota Economic Development Foundation, North Dakota International Business & Trade Office, North Dakota Rural Development Council, & the definition of eligible facility & the Value-Added Agriculture Promotion Board, provide an effective date & declare an emergency.

Minutes:

Chairman Keiser: Opens the hearing of HB 1122.

Paul Govig~North Dakota Department of Commerce: (See attached testimony 1).

Sara Otte Coleman~Director of the Tourism Division for the North Dakota Department of Commerce. (See attached testimony 2).

Representative Nathe: According to your testimony, on line 1 on page 4 talks encouraging the talents, on mine on page 1, page 4 says take the measures to protect wildlife and natural resources. Look at page 3 line 9.

Chairman Keiser: If you look at our bill on page 2, line 6, I don't think we want to expose our citizens, you may want change it.

Sara Otte: I don't think we are attached to that word, we can change that.

Representative Amerman: On section 6 in Paul's testimony, it reduces 8 to 4; it must be represented on the rural development council, could you give me the 4 reasons versus the 8.

Paul Govig: That board group would decide that. When we asked for people to be on the board, we try to find the people most engage, interested and effective. We can pick from any of the regions, but we don't need one from each.

Representative Boe: Could you give us a history of how long this has been statue? Has all of this been in statue for a while, how long has it been since we tweaked this in the past?

Sara Otte: My understanding is that some of the language came over at the formation of the Department of Tourism and there have been some additions. I've been involved for 8 years and it's not been touched.

Representative Nathe: Just for the committee's information on, her first of testimony, example on page 4, line 7 should be page 3 line 15. The next paragraph down, page 3 line 16, should be page 3, line 1 and the next paragraph down has page 4, line, should be page 3, line 9.

Chairman Keiser: Now we will go through sections 2-8.

Paul Govig: (continues the attached testimony).

Representative Ruby: On section 5, you are removing the language, that would be a sunset and that will be the new law. I'm wondering why you are not letting that continue rather than striking the sunset from here and removing the language to continue on.

Paul Govig: There are two things, on section 5 is that the fact with the trade office now, we are required to do a RFP process. We do that on an ongoing basis with the trade office and we would like the option that if things going well, we can renew and continue that relationship. It gives us more leeway and more easy to deal with. As far as the date is concerned we do need an emergency clause because we will miss a month, it sunsets and it wouldn't take effect until August. We need that month to keep it going.

Representative Ruby: On page 7, line 14; the commissioner may designate a nonprofit corporation, after that the commissioner may contract a third party for the provision of services. What is the difference between the nonprofit and the third party? Why not just letting the sunset apply to the first language and continue with this?

Justin Dever: The wording you see here was put in place last legislation as part of the appropriation bill. They wanted to put this in on a temporary basis to see how it worked and this issue be revisited during this session. The third party, our contract, that's the RFP process designates a nonprofit is what allows us to designate the North Dakota Trade Office Inc as entity to fulfill our international business trade office.

Representative N Johnson: If you go to page 8, you would have to use a RFP for everything, if you what is in the language you want to keep in, you can use the trade off and not have to do a RFP.

Paul Govig: Yes.

Chairman Keiser: As the center of economic development, our commerce department of the State of North Dakota, why do we want only to be able to designate a nonprofit versus a for profit which may pay taxes?

Paul Govig: That a philosophical debate, I don't have a good answer for that. When this was developed and that the words and it been that way ever since.

Chairman Keiser: This is a ball bouncing, it was in appropriations, now we have, on page 5, under section 3, we are granting you the authority to create new positions, yet at this point there is no fiscal note. All though it goes on to say, within your budget, I assume in appropriations that you are putting in the flexibility for adding a positions in commerce, FTEs and therefore you don't need a fiscal note here, it in your budget bill.

Paul Govig: What we are referring here is if in fact to change things or if we have some FTEs or some individuals, that we can reshuffle that commerce. We do not have the latitude with this language to add any FTEs without authority from legislature. All we are talking about is if there are reasons that we change at commerce. We don't have any authority to add any FTEs without you signing off on that.

Representative Nathe: Section 6 you say reduces from 8 to 4 the number of regions that must be represented on the rural development council, what the reason and process for that?

Paul Govig: It's been revamped to have fewer board members because it's easier to work with. The most effective and interested can be on the board and they can be from any of the 8 regions, but just don't have to have one from each one.

Chairman Keiser: Do you see any potential problems by going to 4, when you have 8 regions, everyone has a voice. When you go to 4, they self select, they don't have the clout. Do you have any concerns about that.

Paul Govig: The council perspective, we expect that there is balance represented throughout the state. We are not concern. We take it serious.

Representative Vigesaa: Do you have criteria of the size of communities that are represented on that council. When I hear 4 regions and when Chairman Keiser mentioned the 4 metro areas, I'm concerned with the smaller on the development council. Is there any criteria to make sure that small communities are represented on the council as well?

Govig: The sole purpose of the council is for rural development. Those people who are active, involved and concerned about development in rural areas, that's where this whole thing goes. There isn't wording that says that, my experience is that's the way it's been since it started.

Representative Vigesaa: Have you had metro on the council?

Paul Govig: Other than some of us that are from Bismarck where we have a state wide focus, otherwise all the members are from small rural areas.

Representative Nathe: Is this something that the current council wishes to see happen?

Paul Govig: Yes.

Chairman Keiser: There should have been a fiscal note somewhere.

Paul Govig: These people serve and are not reimbursed.

Representative M Nelson: The repeal of section 7, you don't have the actual language that we are repealing?

Paul Govig: The board shall serve in a advisory role to the commissioner of commerce on issues related to value added agriculture, meet at times determined of the commissioner of commerce, promote the formation development and growth value added agriculture projects across the state. The value added agriculture promotion board is located in the department of commerce, division of economic development and finance. We are not saying that this isn't important, in statue, we don't think it requires that and if we want to focus on that, we can always do that. When there is an issue, when we want to do something with an industry segment, we will get these people together and do it. When it's in statue, we are required to do it on a consistent basis and that doesn't always work into the way it should be done in our opinion. I can provide you with this copy.

Chairman Keiser: I believe the agency just finished a performance audit, are some of these changes reflective of some suggestions of the performance audit and are we making adequate changes to accomplish what you need.?

Paul Govig: Section number 7, is recommended by the auditors. They recommended that we either do away with the board or do as we are suppose to and have the board meet. As far as the rest of the performance audit, we are just going through the process to see if we implemented their recommendations and that should be finalized here in the next 2 weeks. From our perspective, I'm proud to report that there were a number of things they have found and changed. We see this as a learning opportunity that we get another set of eyes on what we do. We took it very seriously what they provided and I'm happy with what we have done. We are proud of the results. You will see that in the next few weeks.

Chairman Keiser: Anyone else here to testify in support, in opposition of HB 1122?

Sheriff Paul Laney~Cass County Sheriff's Office, Fargo: We are not here so much as to testify against the bill, we very much promote support tourism. We do have an exception with is on page 4, section 1, subsection 2, line l and the reason for that is, we don't believe it was intentional, it's the way it's worded, there is an issue. (Reads the section), we do that. We believe we are good ambassadors to North Dakota. We train our people to be the best of the best, professional, prideful, to represent our counties, cities, our state, with a welcoming feeling. We always try to make people feel welcomed to North Dakota with pride and do it on a daily basis. It implies that we are not hospitable and we have to be told in statue to be nice and hospitable, its borderline insulting. Again, we don't think there was any intent on their part. We feel that section should be removed, outside of that, we are very supportive.

Chairman Keiser: I agree with the way it's worded, it suggests a negative connotation about law enforcement, but if we were to reword this in a way that would be to provide information relative to tourism opportunities and provide you with that information. The Canadians did this for tourism for the winter Olympics. Maybe we could do a better job in

helping your fellow officers know about things that are available. Would you be opposed to something like that if they could get the wording structured?

Sheriff Laney: Absolutely not, again, we are ambassadors and we have a lot of contact with people. The biggest issue we had is that it came off insulting; we are on the same team.

Chairman Keiser: I agree, I see an opportunity.

Sheriff Laney: And a partnership and we are 100% behind that.

Chairman Keiser: Anyone here to testify in any part in opposition, in neutral position to HB 1122. Closes the hearing.

2011 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1122
January 18, 2011
No Recorded Minutes

☐ Conference Committee

Committee Clerk Signature

Ellen LeTang

Explanation or reason for introduction of bill/resolution:

State tourism policy, Division of Community Services, Department of Commerce, North Dakota Economic Development Foundation, North Dakota International Business & Trade Office, North Dakota Rural Development Council, & the definition of eligible facility & the Value-Added Agriculture Promotion Board, provide an effective date & declare an emergency.

Work Committee Minutes:

Chairman Keiser: Opens the work session on HB 1122.

Representative Nathe: (See attached amendment). Moves to adopt amendment 11.8114.01001.

Representative Gruchalla: Second.

Chairman Keiser: What are the wishes of the committee?

Representative Clark: Moves a Do Pass as Amended.

Representative Nathe: Second.

Roll Call was taken on HB 1122 for a Do Pass as Amended with 13 yeas, 0 nays, 1 absent and Representative Nathe is the carrier.

FISCAL NOTE
Requested by Legislative Council
02/09/2011

Amendment to: HB 1123

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$290,000		\$290,000	
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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 revises North Dakota law relating to surplus lines insurance to conform to the requirements of the United States Nonadmitted and Reinsurance Reform Act of 2010 (NRRA) and would allow the state to collect premium taxes on multistate policies where North Dakota is the insured's home state.

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 5 creates a new section that continues to impose North Dakota's premium tax on surplus lines insurance and to require the producer to collect and remit the tax. The new language provides that, on multistate policies where North Dakota is the insured's home state, the Insurance Commissioner will collect the tax on the risks located in and out of this state at the applicable rates and gives the Insurance Commissioner the authority to enter into tax sharing agreements with other states.

The amendments to this bill will have no fiscal impact.

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.*

Due to federal preemption, North Dakota is no longer allowed to collect premium tax on non-resident policies with risks located in North Dakota. Based on 2009 data, this revenue loss is estimated at \$290,000. Federal law and this bill allows North Dakota to start collecting additional tax on multistate resident policies which is now being paid to other states. No data is available to estimate any additional revenue.

The amendments to this bill will not affect revenues.

Premium tax collections are deposited into the general fund.

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.*

This bill will not affect expenditures.

The amendments to this bill will not affect expenditures.

- 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.*

This bill will not affect appropriations.

The amendments to this bill will not affect appropriations.

Name:	Larry Martin	Agency:	Insurance Department
Phone Number:	701-328-2930	Date Prepared:	02/10/2011

January 19, 2011

VR
1/19/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1122

Page 2, line 6, remove "expose and"

Page 2, line 6, after "educate" insert "and create awareness among"

Page 4, line 5, replace "encourage" with "provide resources to"

Page 4, line 7, remove "the traveling public"

Page 4, remove line 8

Page 4, line 9, replace "information" with "the tourism industry in helping visitors enjoy their
North Dakota experience"

Renumber accordingly

Date: Jan 18, 2011

Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1122

House House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 11.8114.01001

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

Motion Made By Rep Nathe Seconded By Rep Gruchalla

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser			Representative Amerman		
Vice Chairman Kasper			Representative Boe		
Representative Clark			Representative Gruchalla		
Representative Frantsvog			Representative M Nelson		
Representative N Johnson					
Representative Kreun					
Representative Nathe					
Representative Ruby					
Representative Sukut					
Representative Vigesaa					

Voice vote - motion carried

Total Yes _____ No _____

Absent _____

Floor Assignment Rep Nathe

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

Date: Jan 18-2011

Roll Call Vote # 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1122

House House Industry, Business and Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

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

Motion Made By Rep Clark Seconded By Rep Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Representative Amerman	✓	
Vice Chairman Kasper	✓		Representative Boe	Ab	
Representative Clark	✓		Representative Gruchalla	✓	
Representative Frantsvog	✓		Representative M Nelson	✓	
Representative N Johnson	✓				
Representative Kreun	✓				
Representative Nathe	✓				
Representative Ruby	✓				
Representative Sukut	✓				
Representative Vigesaa	✓				

Total Yes 13 No 0

Absent 1

Floor Assignment Rep Nathe

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

REPORT OF STANDING COMMITTEE

HB 1122: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1122 was placed on the Sixth order on the calendar.

Page 2, line 6, remove "expose and"

Page 2, line 6, after "educate" insert "and create awareness among"

Page 4, line 5, replace "encourage" with "provide resources to"

Page 4, line 7, remove "the traveling public"

Page 4, remove line 8

Page 4, line 9, replace "information" with "the tourism industry in helping visitors enjoy their North Dakota experience"

Renumber accordingly

2011 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1122

2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1122
March 2, 2011
Job Number 14826

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the state tourism department

Minutes:

Testimony attached

Chairman Klein: Opened the hearing on House Bill 1122.

Paul Govig, Acting Commissioner; North Dakota Department of Commerce:
Testimony Attached.

Chairman Klein: Asked if they were looking at emergency clause for a couple of sections.

Paul: We are asking for an emergency clause for sections five and eight.

Chairman Klein: On the last page of section eight it says section five becomes effective on July 1 and then in section nine it says section five is an emergency.

Paul: Asked Justin Dever to explain.

Justin Dever, Manger of the Office of Innovation, Department of Commerce: This bill would normally take effect on August 1. Currently in statute there is a sunset of June 30. Without the emergency clause we would have a one month period where we would not be able to do this. It is at the start of the biennium when we would be putting together these agreements.

Chairman Klein: So we are covering ourselves, in case the emergency clause doesn't pass?

Justin: Section Eight has no effect unless there is an emergency clause tied to it.

Senator Nodland: Asked if they were cleaning up and modifying a few related programs.

Paul: Said they are reducing the statute that is associated with the commerce department. They do think what they are proposing will still reflect what they do and what legislators want them to do.

Heather LeMoine, Marketing Manager, Tourism Division, ND Department of Commerce: Testimony Attached.

Chairman Klein: How do we determine who the tourists are?

Heather: We do several different types of research. She explained the different types of research that is done.

Chairman Klein: Closed the hearing.

Senator Andrist: Moved a do pass.

Senator Laffen: Seconded the motion.

Roll Call Vote: Yes-7 No-0

Senator Andrist to carry the bill

Date: 3/2/2011
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1122

Senate Industry, Business and Labor Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

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

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Senator Andrist Seconded By Senator Laffen

[illegible]

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Andrist

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

REPORT OF STANDING COMMITTEE

HB 1122, as engrossed: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends **DO PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1122 was placed on the Fourteenth order on the calendar.

2011 TESTIMONY

HB 1122

**DEPARTMENT OF COMMERCE TESTIMONY ON HB 1122
JANUARY 11, 2011, 2:00 P.M.
HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE
PEACE GARDEN ROOM
REPRESENTATIVE GEORGE KEISER, CHAIRMAN**

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman, and members of the committee, I'm Paul Govig, Acting Commissioner of the North Dakota Department of Commerce and I am here before you today in support of HB 1122.

HB 1122 was introduced by the Department of Commerce to clean up our statute and modify a few Commerce related programs.

Section 1 updates the state tourism policy to reflect current activities and trends in the state's tourism industry. Sara Otte Coleman, director of the Tourism Division, is also here and will provide some comments on these changes.

Section 2 removes two no longer relevant duties from the Division of Community Services including:

- Research, analyze, and recommend public policy for the office of management and budget and the executive office.
- Coordinate public policy implementation within the state. Powers conferred upon departments, agencies, or instrumentalities of the state, counties, townships, or cities by any existing state or local law may not be derogated by this duty.

Section 3 adds the explicit authority for the Commerce Commissioner to establish offices within the Department of Commerce in addition to Divisions. Current offices within the Department of Commerce include Marketing & Communications and the Office of Innovation and Entrepreneurship.

Section 4 makes it even more clear that ND Economic Development Foundation funds are private funds. It also removes the Foundation's responsibility to develop a strategic plan for value-added agriculture. The Foundation has responsibility over the ND Economic Development Strategic Plan and does not create strategic plans for other target industries.

Section 5 makes permanent the Department of Commerce's ability to designate a nonprofit organization for the provisions of the North Dakota International Business and Trade Office. The North Dakota Trade Office, Inc. was created for this purpose and has done an outstanding job in growing North Dakota's exports. Since 2005, North Dakota exports have increased 83% to over \$2 billion per year.

Section 6 reduces from eight to four the number of regions that must be represented on the Rural Development Council.

Section 7 repeals the Value-Added Agriculture Promotions Board and repeals the "eligible facility" definition that is no longer needed within the APUC section of statute. We have not been utilizing this board and the State Auditor's Office has recommended that we either use the board or take appropriate action to amend state law.

This bill also contains an emergency clause tied to the removal of the sunset concerning the International Business and Trade Office. This emergency clause is necessary because the sunset is June 30, 2011 and without the emergency clause this bill would take effect on August 1, 2011, leaving a one month gap without this provision.

Thank you for your time and attention this afternoon. I will be happy to respond to your questions.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1122
JANUARY 11, 2011, 2:00 P.M.
HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE
PEACE GARDEN ROOM
REPRESENTATIVE GEORGE KEISER, CHAIRMAN

SARA OTTE COLEMAN – TOURISM DIVISION DIRECTOR, ND DEPARTMENT OF COMMERCE

Chairman Keiser and members of the committee I am Sara Otte Coleman, director of the Tourism Division for the North Dakota Department of Commerce. As Paul Govig mentioned, the changes proposed in HB 1122 were written to clean up the language and more closely represent the current operation of Commerce and specifically the Tourism Division. Some of the State Tourism Policy dates back to the formation of the Tourism Department and has evolved over the sessions to be very long and somewhat redundant. Our goal with these updates is to streamline the verbiage to reflect our focus on those areas in which our division can have an impact. We have cleaned up the language and eliminated references to outcomes which we have no control or do not have the resources to deliver.

For example, on page 4 line 7, the former policy states: "affording visitors and residents the best possible conditions of public sanitation." We understand how important clean restrooms are to visitors, however our division can only encourage this and would have no way to afford this to the visitor.

Another example can be found on page 3 line 16: "Expand off season tourism to the state and thereby increase the productivity of the accommodations sector and reduce seasonal layoffs within the visitor and visitor related industries." This section misrepresents travel and tourism as a seasonal venture offering only temporary, low pay employment. The 2008 visitor profile study shows visitors to North Dakota came to our state quite evenly throughout the year: First quarter 16%, second quarter 31%, third quarter 30% and fourth quarter 23%. Our accommodation sector has also had the strongest profitability in the country the past two years.

Line 1 on page 4 talks about "encouraging the talents and strengthen the economic independence of the state's residents by encouraging the preservation of traditional craft skills, the production of handicrafts." Although we love to promote unique art, to entice visitors to come to North Dakota to make these purchase, we do not have dedicated promotional programs focused on strengthening the economic independence or our artists.

The proposed changes you see have been approved by the Tourism Alliance Partnership and the Destination Marketing Association of North Dakota. Legislators involved in writing the original policy were also consulted during the process. I urge your support of the changes in HB 1122 so that our program priorities reflect those in statute.

**DEPARTMENT OF COMMERCE TESTIMONY ON HB 1122
MARCH 2, 2011, 11:00 AM
SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
ROOSEVELT PARK ROOM
SENATOR JERRY KLEIN, CHAIRMAN**

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman, and members of the committee, I'm Paul Govig, Acting Commissioner of the North Dakota Department of Commerce and I am here before you today in support of HB 1122.

HB 1122 was introduced by the Department of Commerce to clean up our statute and modify a few Commerce related programs.

Section 1 updates the state tourism policy to reflect current activities and trends in the state's tourism industry.

Section 2 removes two no longer relevant duties from the Division of Community Services including:

- Research, analyze, and recommend public policy for the office of management and budget and the executive office.
- Coordinate public policy implementation within the state. Powers conferred upon departments, agencies, or instrumentalities of the state, counties, townships, or cities by any existing state or local law may not be derogated by this duty.

Section 3 adds the explicit authority for the Commerce Commissioner to establish offices within the Department of Commerce in addition to Divisions. Current offices within the Department of Commerce include Marketing & Communications and the Office of Innovation and Entrepreneurship.

Section 4 makes it even more clear that ND Economic Development Foundation funds are private funds. It also removes the Foundation's responsibility to develop a strategic plan for value-added agriculture. The Foundation has responsibility over the ND Economic Development Strategic Plan and does not create strategic plans for other target industries.

Section 5 makes permanent the Department of Commerce's ability to designate a nonprofit organization for the provisions of the North Dakota International Business and Trade Office. The North Dakota Trade Office, Inc. was created for this purpose and has done an outstanding job in growing North Dakota's exports. Since 2005, North Dakota exports have increased 83% to over \$2 billion per year.

Section 6 reduces from eight to four the number of regions that must be represented on the Rural Development Council.

Section 7 repeals the Value-Added Agriculture Promotions Board and repeals the "eligible facility" definition that is no longer needed within the APUC section of statute. We have not been utilizing this board and the 'State Auditor's Office has recommended that we either use the board or take appropriate action to amend state law.

Thank you for your time and attention this afternoon. I will be happy to respond to your questions.

DEPARTMENT OF COMMERCE TESTIMONY ON HB 1122

MARCH 2, 2011, 11:00 A.M.

SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE

ROOSEVELT ROOM

SENATOR JERRY KLEIN, CHAIRMAN

HEATHER LEMOINE – MARKETING MANAGER, TOURISM DIVISION, ND DEPARTMENT OF COMMERCE

Chairman Klein and members of the committee, I am Heather LeMoine, Marketing Manager of the Tourism Division for the North Dakota Department of Commerce. As Paul Govig mentioned, the changes proposed in HB 1122 were written to clean-up the language and more closely represent the current operation of Commerce and specifically the Tourism Division. Some of the State Tourism Policy dates back to the formation of the Tourism Department and has evolved over the sessions to be very long and somewhat redundant. Our goal with these updates is to streamline the verbiage to reflect our focus on those areas in which our division can have an impact. We have cleaned up the language and eliminated references to outcomes which we have no control or do not have the resources to deliver.

For example, on page 3 line 15, the former policy states: "afford visitors and residents the best possible conditions of public sanitation." We understand how important clean restrooms are to visitors, however, our division can only encourage this and would have no way to afford this to the visitor.

Another example can be found on page 3 line 1: "Expand off-season tourism to the state and thereby increase the productivity of the accommodation sector and reduce seasonal layoffs within the visitor and visitor related industries." This section misrepresents travel and tourism as a seasonal venture offering only temporary, low pay employment. The 2008 visitor profile study shows visitors to North Dakota came to our state quite evenly throughout the year: First quarter 16%, second quarter 31%, third quarter 30% and fourth quarter 23%. Our accommodation sector has also had the strongest profitability in the country the past two years.

Page 3 line 9 says "encourage the talents and strengthen the economic independence of the state's residents by encouraging the preservation of traditional craft skills, the production of handicrafts." Although we love to promote unique art, to entice visitors to come to North Dakota to make these purchases, we do not have dedicated promotional programs focused on strengthening the economic independence of our artists.

The proposed changes you see have been approved by the Tourism Alliance Partnership and the Destination Marketing Association of North Dakota. Legislators involved in writing the original policy were also consulted during the process. I urge your support of the changes in HB 1122 so that our program priorities reflect those in statute.