

2007-08 WORKFORCE COMMITTEE CONSULTANT RECOMMENDATIONS AND CORRESPONDING 2009 LEGISLATION

RECOMMENDATIONS

During the 2007-08 interim, in accordance with Section 20 of 2007 House Bill No. 1018, the Workforce Committee studied the state's system for addressing workforce needs through a workforce system initiative. The workforce system initiative included receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a Workforce Congress.

The focus group activities addressed the participants' views on how employers, employees, schools, and government could change to improve the state's position to address workforce needs. The Workforce Committee's consultant identified the following top three priorities for each of the four identified groups as prioritized by the Workforce Congress:

Employers

1. Tax incentives for employer automation and innovation tied to productivity increases;
2. An employer-sponsored school-to-work initiative to reach out and engage non-college-bound youth; and
3. An aggressive statewide career awareness initiative.

Employees

1. More affordable higher education in North Dakota through low-tuition strategies and strategies for tuition reimbursement (without creating new bureaucracies);
2. A statewide structure for a comprehensive curriculum for career exploration and decisionmaking; and
3. Alignment of educational standards for moving throughout the P-16 system, including promotion of two-year opportunities and strengthened articulation agreements.

Schools

1. Higher education funding aligned with growth sectors of the economy;
2. Early career awareness education aimed at parents and children; and
3. A rapid response mechanism for "hot needs" of higher education--a streamlined "minuteman" process for meeting needs in a timely manner.

Government

1. A Bank of North Dakota tuition loan program for all demographics (traditional and nontraditional students);
2. A career advising and training initiative at the community level--involvement of industry

leaders, education leaders, and teachers to increase awareness; and

3. Leadership in expanding timeframes of existing, successful pilot programs that are already in place in North Dakota.

Following the Workforce Congress, the consultant analyzed the suggestions gathered from the focus groups and the priorities defined at the Workforce Congress and clustered the information into five policy idea suites. In each suite the aim was to define a common goal linked to comments from North Dakotans with policy options that work to collectively promote positive change in the behavior of employers, employees, schools, and government.

The five policy idea suites that resulted from the focus groups and Workforce Congress and the corresponding recommendations of the consultants were:

1. Retain talent - The consultant identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - More broadly scaled and aggressively marketed Operation Intern through increased public and private support and tax credits for college graduates who remain and work in North Dakota.
 - b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.
2. Attract talent - The consultant identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - Targeting of out-of-state talent with ties to North Dakota which includes a special website and an aggressive and timely catch-and-referral mechanism and waiver of state income tax for high-priority talent attracted to the state.
 - b. Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.
3. Incentivize employer productivity, innovation, and entrepreneurship - The consultant identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - Technology investment tax credit and low-interest loan program to encourage employer technology investments and a study that identifies key regional business clusters and associated investment priorities for increased productivity.
 - b. Long-term - Prairie Innovation Zone structure for ongoing business-education

- collaborations for innovation, research, and technology transfer.
4. Connect education and employers - The consultant identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - "Work ready" work ethic certification for high school students as defined by employers; "fast track" approval process for new courses and curricula tied to emerging employer needs; and expanded statewide internship program that prioritizes science, technology, engineering, and mathematics (STEM) disciplines.
 - b. Long-term - Core curriculum for high school graduates tied to employer demand--expanded to related idea of "core tech" curriculum for higher education; work ethic certification in high school connected to broader framework for career track identification and resume building--include high school internships, community service, and other opportunities that expose students to the meaning of working and living in North Dakota; and social network-based models to create grassroots engagement of diverse groups in North Dakota regions.
 5. Promote higher education - The consultant identified the following immediate-term and long-term recommendations:
 - a. Immediate-term - Stipend for students to complete two-year postsecondary "core tech" curriculum and tax credit structure for state residents who pursue higher education in state universities.
 - b. Long-term - Structure for lifetime education accounts and "Seniors to Sophomores" program tied directly to established core high school standards and postsecondary "core tech" standards.

2009 LEGISLATION

During the 2009 legislative session, the North Dakota Legislative Assembly considered legislation addressing the 2007-08 Workforce Committee's consultant's recommendations. The following legislation reflects the interim committee recommendations and other legislation closely related to the consultant's recommendations. Interim committee recommendations are included regardless of passage, whereas other legislation is only included in this memorandum if the legislation was enacted.

Retention of Talent

The consultant identified the following immediate-term and long-term recommendations:

- Immediate-term - More broadly scaled and aggressively marketed Operation Intern through increased public and private support and tax

credits for college graduates who remain and work in North Dakota.

- Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.

House Bill No. 1065 (Workforce Committee)

would have directed the Department of Commerce to market North Dakota higher education opportunities to out-of-state students. Additionally, the bill would have provided \$1.2 million in funding for Operation Intern for the 2009-11 biennium. This bill failed in the House.

Senate Bill No. 2062 (Workforce Committee)

would have provided a phased-in college tuition grant program for qualified North Dakota high school graduates beginning with the high school graduating class of 2014 and provided an earned income tax deduction for recent college graduates. The income tax deduction would have been effective immediately and remained in effect until the college tuition grant program became effective. This bill failed in the House.

House Bill No. 1031 defined "hard-to-fill occupation" for purposes of the state recruitment and retention bonus program as an occupation or position in which demand exceeds supply, special qualifications are required, competition with other employers is the strongest, there is a risk of losing an incumbent with rare skills, the position is filled by a highly skilled employee who is in high demand in the marketplace, loss of the employee would result in significant replacement costs, the position is filled by key personnel, or the position has other unique recruitment or retention issues identified and documented by the appointing authority.

House Bill No. 1463 established a North Dakota Youth Council consisting of 16 individuals appointed by the Governor, 4 members of the Legislative Assembly, and the Lieutenant Governor. The bill required the Youth Council to develop a list of issues and concerns pertinent to residents of the state who have not yet reached the age of 25. The Youth Council is required to provide a report and recommendations to the Legislative Council before September 10, 2010. The bill is effective until July 1, 2011.

Senate Bill No. 2018 amended North Dakota Century Code Section 54-60-17, directing the Department of Commerce Division of Workforce Development to expand the Operation Intern program, including high school students in grades 11 and 12. Additionally, the bill increased the funding of Operation Intern from \$600,000 for the 2007-09 biennium to \$900,000 for the 2009-11 biennium.

Senate Bill No. 2077 made loans from the School of Medicine and Health Sciences loan fund available to all eligible medical students enrolled at the University of North Dakota School of Medicine and Health Sciences and to all eligible dental students enrolled at an accredited school of dentistry, not just to upperclassmen. The bill also raised the loan cap from \$6,000 to \$10,000 per year.

Senate Bill No. 2166 extended the student financial assistance program to students enrolled in for-profit as well as nonprofit private postsecondary institutions located in this state and offering programs of instruction at least equal in length to two academic years.

Senate Bill No. 2227 modified the medical personnel loan repayment program increasing the maximum award from \$10,000 to \$30,000, removing the limitation on the number of recipients who participate in the program, and modifying the eligibility requirement limitations relating to practice within the state before application.

Senate Bill No. 2358 created a loan repayment program for dentists who practice in public health and nonprofit dental clinics and provides a \$180,000 appropriation to the State Department of Health for the purpose of providing grants under the program.

Attraction of Talent

The consultant identified the following immediate-term and long-term recommendations:

- Immediate-term - Targeting of out-of-state talent with ties to North Dakota which includes a special website and an aggressive and timely catch-and-referral mechanism and waiver of state income tax for high-priority talent attracted to the state.
- Long-term - Structure for tuition reimbursement for identified high-priority skills gaps.

House Bill No. 1065 (Workforce Committee) would have directed the Department of Commerce to market North Dakota higher education opportunities to out-of-state students. Additionally, the bill would have provided \$1.2 million in funding for Operation Intern for the 2009-11 biennium. This bill failed in the House.

Senate Bill No. 2062 (Workforce Committee) would have provided a phased-in college tuition grant program for qualified North Dakota high school graduates beginning with the high school graduating class of 2014 and provided an earned income tax deduction for recent college graduates. The income tax deduction would have been effective immediately and remained in effect until the college tuition grant program became effective. This bill failed in the House.

Incentives for Employer Productivity, Innovation, and Entrepreneurship

The consultant identified the following immediate-term and long-term recommendations:

- Immediate-term - Technology investment tax credit and low-interest loan program to encourage employer technology investments and a study that identifies key regional business clusters and associated investment priorities for increased productivity.
- Long-term - Prairie Innovation Zone structure for ongoing business-education collaborations

for innovation, research, and technology transfer.

House Bill No. 1066 (Workforce Committee) would have provided three types of tax credits for taxpayers that are primary sector businesses--a credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes, a credit for qualified expenditures necessary for implementing lean manufacturing, and a credit for qualified research expenses. This bill failed to pass the House.

House Bill No. 1202 removed the July 31, 2009, expiration date from the law authorizing the Bank of North Dakota to invest its funds in alternative and venture capital investments and early-stage capital funds and expands the authorization to allow the investments to be used for entrepreneurship awards; modifies the powers and duties of the North Dakota Development Fund, Inc., allowing the scheduled August 1, 2009, expiration of the corporation's authority to borrow funds from the Bank of North Dakota to invest in North Dakota alternative and venture capital investments and early-stage capital funds, extending the previously planned August 1, 2009, expiration of the corporation's authority to provide management services for the Bank's alternative and venture capital investments and early-stage capital funds; and directing the corporation to administer an entrepreneurship award program that provides funding awards to entrepreneurial centers and to entrepreneurs with an August 1, 2015, expiration date.

Senate Bill No. 2100 modified the maximum amount of guarantees the Bank of North Dakota may have under the beginning entrepreneur loan guarantee program from allowing the Bank to guarantee up to \$8 million in loans outstanding to providing the outstanding guarantees at the time of issuance may not exceed 5 percent of the Bank's Tier 1 capital.

Senate Bill No. 2103 removed the July 31, 2009, expiration date from the law authorizing the Bank of North Dakota to invest its funds in North Dakota alternative and venture capital investments and early-stage capital funds.

Senate Bill No. 2110 modified the powers and duties of the North Dakota Development Fund, Inc., allowing the scheduled August 1, 2009, expiration of the corporation's authority to borrow funds from the Bank of North Dakota to invest in North Dakota alternative and venture capital investments and early-stage capital funds and removing the previously planned August 1, 2009, expiration of the corporation's authority to provide management services for the Bank's alternative and venture capital investments and early-stage capital funds.

Senate Bill No. 2269 imposed additional requirements to qualify for the angel fund investment income tax credit. The new requirements include that the angel fund must be headquartered in North Dakota and invest in a portfolio of at least three

early-stage and mid-stage private and nonpublicly traded enterprises, the fund must consist of at least six accredited investors, one individual may not own more than 25 percent of the capitalized investment assets, the fund must have at least \$500,000 in commitments from accredited investors, the fund must be member-managed and certified by the Department of Commerce, and the fund must be in compliance with securities laws. The bill prohibited an angel fund from investing in an enterprise if one angel fund investor owns more than 49 percent of the enterprise. The bill limited credits for one angel fund to not more than \$5 million during the life of the angel fund.

Senate Bill No. 2372 required the Commissioner of Commerce to promote the development of life science industries in the state, including biotechnology, biomedical sciences, and biopharmaceuticals.

Connection of Education and Employers

The consultant identified the following immediate-term and long-term recommendations:

- Immediate-term - "Work ready" work ethic certification for high school students as defined by employers; "fast track" approval process for new courses and curricula tied to emerging employer needs; and expanded statewide internship program that prioritizes STEM disciplines.
- Long-term - Core curriculum for high school graduates tied to employer demand--expanded to related idea of "core tech" curriculum for higher education; work ethic certification in high school connected to broader framework for career track identification and resume building--include high school internships, community service, and other opportunities that expose students to the meaning of working and living in North Dakota; and social network-based models to create grassroots engagement of diverse groups in North Dakota regions.

The 2009-10 interim Higher Education Committee recommendations included the following goals for higher education. North Dakota will have an increasing number of high-wage jobs through the following methods:

- The North Dakota University System will produce graduates who are educated to meet the needs of the state's economy.
- The University System will be responsive to the training needs of the state's employers.
- The research conducted at the state's universities will contribute to the expansion and diversification of the state's economy.

House Bill No. 1400 increased the length of the school calendar; required career advisors, counselors, and student performance strategists; required professional development plans; created a national board certification fund; established high school graduation requirements; provided scholarships;

required various assessments; repealed the North Dakota Commission on Education Improvement as of December 31, 2010; created the North Dakota Early Childhood Education Council; provided for the distribution of grants from federal and state sources; provided approximately \$110 million in new state funding for kindergarten through grade 12 education; and established the funding formula for kindergarten through grade 12 education. The bill also directed the State Board for Career and Technical Education to develop a program leading to a certificate in career development facilitation. Certificate holders are to be known as "career advisors."

House Bill No. 1475 appropriated \$50,000 to the Department of Career and Technical Education for the purpose of providing additional funding for innovation grants.

Senate Bill No. 2018 amended Section 54-60-17, directing the Department of Commerce Division of Workforce Development to expand the Operation Intern program, including high school students in grades 11 and 12. Additionally, the bill increased the funding of Operation Intern from \$600,000 for the 2007-09 biennium to \$900,000 for the 2009-11 biennium.

Senate Bill No. 2019 appropriated \$25,891,008 from the general fund to the State Board for Career and Technical Education and directs that the State Board of Higher Education study the status of the training activities provided by the four institutions of higher education assigned primary responsibility for workforce training in the state.

Promotion of Higher Education

The consultant identified the following immediate-term and long-term recommendations:

- Immediate-term - Stipend for students to complete two-year postsecondary "core tech" curriculum and tax credit structure for state residents who pursue higher education in state universities.
- Long-term - Structure for lifetime education accounts and "Seniors to Sophomores" program tied directly to establish core high school standards and postsecondary "core tech" standards.

Senate Bill No. 2062 (Workforce Committee) would have provided a phased-in college tuition grant program for qualified North Dakota high school graduates beginning with the high school graduating class of 2014 and provided an earned income tax deduction for recent college graduates. The income tax deduction would have been effective immediately and remained in effect until the college tuition grant program became effective. This bill failed in the House.

House Bill No. 1400 increased the length of the school calendar; required career advisors, counselors, and student performance strategists; required professional development plans; created a national board certification fund; established high school

graduation requirements; provided scholarships; required various assessments; repealed the North Dakota Commission on Education Improvement as of December 31, 2010; created the North Dakota Early Childhood Education Council; provided for the distribution of grants from federal and state sources; provided approximately \$110 million in new state funding for kindergarten through grade 12 education; and established the funding formula for kindergarten through grade 12 education. The bill also directed the State Board for Career and Technical Education to develop a program leading to a certificate in career development facilitation. Certificate holders are to be known as "career advisors."