

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

WORKFORCE COMMITTEE

Tuesday, October 7, 2008

Conference Room 335, National Energy Center of Excellence, Bismarck State College
Bismarck, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order at 9:05 a.m.

Members present: Senators Tony Grindberg, Dave Nething, Tom Seymour; Representatives Donald L. Clark, Stacey Dahl, Glen Froseth, Eliot Glassheim, Nancy Johnson, George J. Keiser, Lisa Meier, Lee Myxter, Dan J. Ruby, Clark Williams

Members absent: Senator Ray Holmberg; Representatives Mary Ekstrom, Pam Gulleason, Steve Zaiser

Others present: See [Appendix A](#)

It was moved by Senator Nething, seconded by Senator Seymour, and carried on a voice vote to approve the minutes of the August 1, 2008, meeting of the committee.

Chairman Grindberg called on Dr. Larry Skogen, President, Bismarck State College, to make opening remarks. He welcomed the committee to the new National Energy Center of Excellence Building. He said the building cost \$18.3 million and was paid for by several supporters, including the centers of excellence grant, Basin Electric, and Great River Energy. He invited the committee to make themselves at home and tour the building. He said the building is constructed to be energy efficient. Dr. Skogen said Bismarck State College has 3,800 students enrolled, plus high school students take classes on campus.

Chairman Grindberg said this will be the last meeting of the Workforce Committee. The committee started the day by receiving two reports by the Department of Commerce and then spent the remainder of the meeting receiving and discussing nine bill drafts and two concurrent resolutions.

REPORTS

Beginning Again North Dakota

Chairman Grindberg called on Mr. Gordon La France, Department of Commerce Division of Community Services, and Ms. Kathleen Tweeten, Director, North Dakota State University Extension Center for Community Vitality, to present the report of the Department of Commerce on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded. Mr. La France and Ms. Tweeten provided written testimony ([Appendix B](#)). Additionally, Ms. Tweeten

submitted a final report on the pilot project, a copy of which is on file in the Legislative Council office.

Mr. La France said North Dakota Century Code (NDCC) Section 54-60-20 directed the Department of Commerce to implement the Beginning Again North Dakota program. He said the department contracted with the North Dakota State University Extension Center for Community Vitality to implement the program. He said the purpose of the program was to develop a database of skills and other assets of communities and residents to be used to advance the internal and external attitude and image of this state and the communities in North Dakota.

Mr. La France said the law provides the Department of Commerce was to select one city with a population of 1,500 or fewer and one city with a population of more than 1,500 but not more than 3,500. He said the department did not receive any applications for a city in the larger category, so the department decided to separate the applications that were received into those applicant cities with a population of under 1,000 and those cities with a population of 1,000 or more. He said after ranking the applications, Tower City and Walhalla were selected to participate in the program.

Ms. Tweeten said the two selected communities successfully inventoried community assets, developed a community-based plan, and began implementation of projects. She said in evaluating the program the participant cities were asked several questions but the most valuable were:

1. Would you apply again? The answer was yes.
2. Would you recommend the program to other communities? The answer was yes.
3. What value did the program have for you?

The answer to this varied depending on the community's past experience with planning, but both communities saw great value in the inventory of assets, survey results, planning process, and the final documents.

Ms. Tweeten said in implementing the program it was found that the attempt to inventory individual skills did not work well. She said individuals in the communities were very hesitant to talk about their skills or include them in a survey. She said if the program were to be continued this objective would need to be revised.

Ms. Tweeten said there is a plan to do a quarterly followup call or meeting in the communities to monitor continued implementation of the program.

Additionally, she said, both communities are agreeable to followup monitoring and evaluation; plus they are willing to visit the members of the committee and be mentors for future Beginning Again North Dakota communities.

In response to a question from Senator Nething, Ms. Tweeten said two techniques were used to inventory individual skills. She said in Tower City a long printed form was sent home with school students as well as distributed in the mail; whereas, in Walhalla, she said, they experienced more success by going door-to-door and doing interviews.

In response to a question from Representative Keiser, Ms. Tweeten said one of the comments they did receive was both of the communities found they would have benefited from receiving more assistance in implementing the program at the local level.

In response to a question from Representative Glasheim, Ms. Tweeten said to implement the program in the two communities the North Dakota State University Extension Center received a payment of \$29,000. However, she said, North Dakota State University made an investment in performing these services. She said the funding recommendation for future projects would be \$25,000 per community.

Ms. Tweeten said based on preliminary results, it is possible these communities may take this program and continue to move forward, with the program becoming part of the community. However, she said, the program requires ongoing work and is a big commitment for a community.

In response to a question from Representative Ruby, Ms. Tweeten said the goals of the two communities varied based upon each community's individual plan. Generally, she said, each community sought to energize the community.

Mr. La France said the Department of Commerce is open to the idea of continuing and expanding the program but will wait to see how the legislative session progresses before introducing legislation.

Target Industries

Chairman Grindberg called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, to present the process used and the factors considered by the commissioner in identifying target industries in which economic development efforts are focused and the special focus target industry. He provided a written copy of the report ([Appendix C](#)).

Mr. Goettle said the five target industries are energy, value-added agriculture, technology-based business, manufacturing, and tourism. He said the Department of Commerce has decided not to make any changes to the current five target industries at this time. Instead, he said, the department seeks to narrow the focus within these target industries on areas with the most opportunities for long-term growth. Additionally, he said, the Department of Commerce has chosen energy as the special focus target industry. He said energy was chosen because of its rapidly increasing role in North Dakota's

economy. The report highlighted some of the key factors that play a role in each of the five target industries.

Mr. Goettle said at this time the Department of Commerce is using the resources and tools granted by the legislature to target industries and help grow North Dakota's economy. He said some possible legislative actions to consider include:

- Implement the Empower North Dakota Commission recommendations;
- Address infrastructure needs for energy development;
- Create a robust and market-based education and workforce training system;
- Develop tax and financing incentives to promote automation and productivity;
- Expand trade services through the North Dakota Trade Office;
- Continue support and funding for the centers of excellence program;
- Expand support for entrepreneurial startups, programming, and support; and
- Expand support for tourism marketing and development.

Mr. Goettle said although he has not recommended any changes in the target industries at this time, it is possible the next report of target industries will reflect some changes. He said in evaluating target industries, the state will need to consider emerging industries.

In response to a question from Senator Nething, Mr. Goettle said some of the bill drafts the committee will be considering will address some of his recommended changes, such as innovation and automation. Additionally, he said, he is working with the Bank of North Dakota to determine whether there might be possible program changes that may be appropriate, such as whether to loosen the current job creation requirements for several of the Bank's programs.

In response to a question from Representative Dahl, Mr. Goettle said he is not suggesting that North Dakota does not need workforce growth as retirement age workers are going to need to be replaced. However, he said, he does acknowledge that the skills of the existing workforce will need to be increased.

In response to a question from Senator Seymour, Mr. Goettle said although increasing the numbers in the workforce would be helpful to the state, it is also very important to align job skills with open and growing sectors of the economy.

In response to a question from Representative Glasheim, Mr. Goettle said with approximately 16,000 jobs open in the state, the department needs to focus job creation efforts on creating high-wage jobs. He said North Dakota has a good opportunity with this job market to retain youth if the youth have the correct skills. He said he recognizes that, naturally, we will lose some of the youth, but he

recognizes the state may also be able to reattract returning North Dakota youth.

Representative Keiser commented that in his own personal business experience over the past 20 years his workforce has decreased; however, his volume of sales has increased substantially. He said businesses today need to be automated in order to continue to succeed.

In response to a question from Representative Ruby, Mr. Goettle said although increasing wages to attract workers to North Dakota is important in addressing workforce needs, the state also needs to consider business expansion through automation. He said he recognizes automation may mean fewer new jobs but it also may mean higher paying jobs.

In response to a question from Representative Keiser, Mr. Goettle said he does have some concerns regarding the current financial situation in the country as he recognizes North Dakota is not immune to the national financial climate. He said although he anticipates North Dakota's position will be better than other states, the state will not be immune to the national situation.

BILL DRAFTS

Chairman Grindberg reviewed the issues raised at the August 1, 2008, committee meeting. He said based on these issues, he has worked with committee counsel and appropriate agencies to prepare bill drafts for the committee to review.

Automation and Innovation

Chairman Grindberg called on committee counsel to review a bill draft [\[90301.0100\]](#) relating to income tax credits for automating manufacturing processes, new manufacturing, and innovation.

Committee counsel said the bill draft creates three new income tax credits that apply to the long-form, the short-form, and corporate filings. She said the basic format of each of the three income tax credits is the same.

Committee counsel said the bill draft creates an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. The amount of the credit under this new provision is 7.5 percent of the expenses of purchases for manufacturing machinery equipment for automating manufacturing processes.

Committee counsel said the second tax credit in the bill draft is an income tax credit for qualified expenditures necessary for implementing lean manufacturing. She said the amount of the credit would be 10 percent of the expenses for qualified expenditures necessary for implementing lean manufacturing.

Committee counsel said the third tax credit in the bill draft is an income tax credit for innovation. She said this tax credit would be 25 percent of the qualified research expenses for conducting qualified research activities in collaboration with a North Dakota research

university and would be 20 percent of the qualified research expenses for conducting qualified research activities in collaboration with a North Dakota-based contract organization.

Committee counsel said for all three of the income tax credits in this bill draft, the taxpayer can claim the total credit in the year in which the expenses were incurred or may carry forward any unused credit for a period of five years.

In response to a question from Representative Froseth regarding the possible impact of passage of initiated measure No. 2, committee counsel said if the measure is successful this bill draft would be treated as all other bill drafts and would need to be evaluated for amendments.

In response to a question from Senator Nething regarding what would qualify as lean manufacturing, committee counsel said although the bill draft could be amended to provide a more detailed definition of lean manufacturing, the bill draft does provide that the Department of Commerce is charged with qualifying whether a business' expenditures are for training programs, materials, pools, technology, software, or consultant services used to implement mean manufacturing.

Chairman Grindberg called on Mr. Goettle for comments regarding the bill draft. He said the Department of Commerce regularly denies application for certification as a primary sector business. He said he does not foresee there being problems certifying primary sector business or qualified expenditures for lean manufacturing.

In response to a question from Senator Nething, Mr. Goettle said if an applicant seeking certification disagrees with the department's decision, the department is the final arbitrator. He said an applicant could conceivably take the issue to court, but the department does try to be fair and evenhanded in the making of its determinations.

In response to a question from Representative Froseth, Mr. Goettle said the Tax Department likely does not seek the duty of making decisions regarding certification of primary sector businesses.

Representative Ruby said businesses such as his family business, which is in the service industry, have automation needs but would not qualify for the income tax credit under this bill draft because the business is not a primary sector business.

Mr. Goettle said if certification as a primary sector business is a prerequisite in order to use this income tax credit, then it is likely that a service business such as Representative Ruby's would not be eligible for the tax credit.

In response to a question from Representative Meier, Mr. Goettle said lean manufacturing is a process of looking at that entire manufacturing process from start to finish. He said the process looks to improve efficiencies in the entire manufacturing process.

In response to a question from Representative Dahl, Mr. Goettle said it is possible there may be other

incentives that overlap with some of these income tax credit incentives. He said it seems incumbent upon us as state actors to consider and minimize this overlapping.

Mr. Joseph Becker, Tax Department, said there are a couple of tax breaks that might overlap with these three income tax credits. However, he said, some of these proposed income tax credits are narrower than existing credits and the proposed tax credits are limited to primary sector businesses.

Mr. Goettle said it is important to recognize if a business is already receiving a tax credit, a new credit might not provide any additional assistance.

Chairman Grindberg called on Mr. Brian Walters, Greater Fargo-Moorhead Economic Development Corporation, for comment regarding the bill draft. He said the concept of incentivizing automation and innovation has been an ongoing discussion. He said in surveying local businesses, two-thirds of the manufacturing companies in Cass County list their greatest concern as workforce shortages. He said one way workforce shortages can be addressed is through automation and robotics. However, he said, most of the state's economic development incentives require job creation. He said this bill draft seeks to address some of these issues.

Mr. Walters said he does recognize the concern raised by Representative Glassheim that there are public policy issues related to spending money on capital improvements that do not create jobs. However, he said, keeping and creating high paying jobs is also a valuable investment for the state's resources.

Mr. Walters said the income tax credit for innovation may overlap with North Dakota's research and development tax credit. He said his intent is that this new tax credit would incentivize smaller companies to use research and development resources of institutions of higher education.

Mr. Walters said in assisting in the drafting of this bill draft, he considered the practices of other states, but he did not find a program from another state that seemed to fit North Dakota's needs. He said the incentives created in this bill draft are unique and suited for the needs of North Dakota.

Representative Keiser said he has an ongoing frustration with the state's focus on providing incentives to primary sector businesses. He said one of the impacts of focusing on primary sector businesses is to incentivize large businesses for doing business out of this state. He said there is a problem with there being a lack of incentives for local businesses that are trying to succeed and grow in this state. Representative Ruby said he echoes Representative Keiser's concerns regarding limitation to primary sector businesses.

Senator Nething said there might be nothing to lose if what the state is trying to do is incentivize businesses to improve and grow.

Senator Nething said if there is a need to provide tax incentives to businesses that are not primary

sector, then perhaps that could be addressed in a different bill draft. He said he sees the value to limiting these income tax credits to primary sector businesses because it allows the state to keep a handle on the number of tax credits.

Representative Glassheim said one benefit of limiting the incentives to primary sector businesses is it allows the state to avoid subsidizing in-state business to compete with another in-state business. However, he said, he does recognize some of the special concerns of small communities, such as the need to keep a grocery store, which is not a primary sector business.

Mr. Walters said one way to consider the primary sector business issue is that the state has determined it gets the greatest return on its money by focusing on primary sector businesses. By removing the primary sector business requirement it would simply allow greater use of the tax incentive. He said the committee needs to consider how big the state's checkbook is.

Mr. Walters said there is a need for automation in primary sector businesses as well as nonprimary sector businesses. He said if ever there was an issue that supports removal of the primary sector business requirement, it would be in the area of automation.

Representative Keiser said he supports the concept of the bill draft, but he does want to voice his frustration with the issue of limiting these incentives to primary sector business. He said the state needs to help our local businesses grow so they can become primary sector businesses. Additionally, he said, he disagrees with Mr. Walters' position that expansion of incentives is merely a matter of expanding state funding, as he said we need to provide state resources to help local businesses grow.

It was moved by Representative Ruby, seconded by Representative Keiser, and carried on a roll call vote that the bill draft relating to income tax credits for automation and innovation be approved and recommended to the Legislative Council. Senators Grindberg, Nething, and Seymour and Representatives Dahl, Froseth, Glassheim, Johnson, Keiser, Meier, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

Child Tax Credit

Chairman Grindberg called on Representative Ruby to present a bill draft [[90322.0100](#)] relating to a child individual income tax credit. He said the bill draft creates an income tax credit in the amount of \$150 for each child under the age of 18 who could be claimed on the long-form or the short-form. He said the bill is in response to concerns raised regarding the cost of child care.

In response to a question from Representative Froseth, Mr. Becker said federal income tax laws provide a deduction of \$3,500 per child.

In response to a question from Representative Keiser, Mr. Becker said federal income tax law provides for a deduction for child care expenses in the

amount of \$1,000 per child. Additionally, he said, federal law allows the taxpayer to flex up to \$5,000 per year for dependent care expenses.

Representative Glassheim said because the federal law already recognizes a deduction, it might be more valuable to provide a state deduction for child care expenses.

Representative Ruby said this bill draft recognizes families that make sacrifices to have a parent stay at home instead of incurring child care expenses. He said an additional benefit of this bill draft is that it allows the tax credit to continue until the age of 18, whereas child care expenses typically end before the age of 18. Overall, he said, this bill draft would make North Dakota more family friendly and might be used to attract workers to the state.

In response to a question from Senator Nething, committee counsel said the July 1, 2007, estimated figures from the United States Census Bureau indicate North Dakota has 142,809 individuals under the age of 18.

It was moved by Representative Ruby, seconded by Representative Meier, and failed on a roll call vote that the bill draft providing a child income tax credit be approved and recommended to the Legislative Council. Senators Grindberg and Seymour and Representatives Meier and Ruby voted "aye." Senator Nething and Representatives Clark, Dahl, Froseth, Glassheim, Johnson, Keiser, Myxter, and Williams voted "nay."

New Graduate Deduction

Chairman Grindberg called on committee counsel to review a bill draft [[90295.0100](#)] to provide a new graduate earned income deduction. She said the bill draft create a new subdivision to subsection 1 of NDCC Section 57-38-01.2. She said this provision adds a new adjustment to taxable income of an individual by reducing taxable income by the new graduate earned income deduction.

Committee counsel said the bill draft provides a deduction for all earned income while that taxpayer is a resident of North Dakota for the five years following the award of an associate's degree, a baccalaureate degree, or a graduate degree. She said the bill draft applies to an associate's degree earned between 2005 and 2016 and a baccalaureate degree earned between 2005 and 2018. She said for purposes of a degree awarded before 2009, the law would apply to the most recently awarded degree. She said for degrees awarded in 2009 or later, the law would apply to the first degree earned after that date. She said the bill draft provides for a consecutive five-year deduction beginning with the year immediately following the degree.

Representative Keiser said as the bill draft is written a student who earns a two-year degree and goes immediately to complete a four-year degree and then immediately to complete a graduate degree would not recognize the benefit of this bill draft because the deduction would begin following the

award of the two-year degree. He suggested the committee consider amending the bill draft to address the situation of an individual who consecutively earns several degrees, allowing that individual to use the last degree earned to claim the deduction.

Representative Myxter pointed out this bill draft does not require that an individual be working within the area of that individual's course of study.

Senator Grindberg said the bill draft provides a benefit that would be easy for the Tax Department to administer. He said the bill draft would apply to graduates of in-state institutions as well as graduates of out-of-state institutions. The bill draft is an attempt to address the here and now issues raised in the interim and sunsets as the benefits of the North Dakota opportunity grant are implemented. He said the committee will be reviewing the North Dakota opportunity grant bill following review of this bill draft.

In response to a question from Representative Glassheim, Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning, North Dakota State University System, stated there are approximately 5,800 North Dakota higher education graduates per year.

In response to a question from Representative Froseth, committee counsel said using information from the followup information on North Dakota education and training (FINDET), and using employment and tax data for academic year 2005 North Dakota University System graduates employed in North Dakota, the median wage for tax year 2006 for one- and two-year program graduates was \$17,897, for four-year program graduates was \$22,002, and for graduate program graduates was \$37,553. She said the median North Dakota tax for tax year 2006 for 2005 graduates was \$198 for one- and two-year program graduates, \$285 for four-year program graduates, and \$611 for graduate program graduates.

Representative Keiser said he views this concept as a great incentive to attract workforce. Representative Froseth said he does not see any problems with allowing the deduction to apply to a graduate regardless of whether the graduate is working in the field of the degree.

Representative Johnson raised the issue of what would happen if a student pursued a second consecutive degree and did not finish that second degree. She questioned whether the individual would lose those years to claim the deduction.

It was moved by Representative Keiser, seconded by Representative Froseth, and carried on a voice vote that the bill draft relating to the new graduate earned income deduction be amended to provide a student who pursues an additional degree on a full-time basis immediately following receipt of an earlier degree may use the subsequent degree as the basis from which to claim the deduction.

It was moved by Representative Keiser, seconded by Senator Seymour, and carried on a roll call vote that the amended bill draft relating to

the earned income deduction be approved and recommended to the Legislative Council. Senators Grindberg, Nething, and Seymour and Representatives Clark, Dahl, Froseth, Glassheim, Keiser, Meier, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

Higher Education Grant

Chairman Grindberg called on committee counsel to review a bill draft [\[90297.0200\]](#) relating to a North Dakota opportunity grant program. She said this bill draft provides for a grant program for North Dakota high school graduates. She said the grant program would begin with the graduating class of 2014. She said in order to qualify for the program, the student would need to have completed a high school curriculum that included at least four units of mathematics at the level of algebra I and higher and four units of science. Additionally, she said, the student would have to have achieved a minimum cumulative composite score of 23 or a minimum mathematics scale score of 23 on the test of academic achievement administered by ACT, Inc., or the student would need to be enrolled in a two-year career and technical academic program that is recognized by the Department of Career and Technical Education.

Committee counsel said under this bill draft, in order to continue to qualify to receive the grant, the student would need to be continually enrolled as a full-time student working toward an associate's or baccalaureate program with a minimum grade point average of 3.0.

Committee counsel said beginning with the 2014-15 school year, a student would be eligible to receive up to 65 percent of the tuition charged at the student's institution; 2015-16, 70 percent of the tuition; 2016-17, 75 percent of the tuition; 2017-18, 80 percent of the tuition; 2018-19, 85 percent of the tuition; and 2019-20, the full amount of tuition. She said the bill draft provides for a formula to establish the amount of the grant if the student attends a private institution of higher education in the state.

In response to a question from Representative Dahl regarding the current high school graduation requirements, Senator Grindberg said the North Dakota Commission on Education Improvement is considering high school curriculum requirements. He said if there are changes made in the graduation requirements, the language in this bill draft should be reconsidered at that point.

In response to a question from Representative Myxter, Senator Grindberg said the discussions on curriculum requirements are ongoing.

Representative Keiser said some rural school districts may need to utilize the Interactive Video Network system in order to graduate qualified students.

Senator Nething said rural schools may have to consider offering mathematics and science courses cooperatively. He said rural schools will need to

provide mathematics and science or their graduates will not qualify to receive these grants.

Representative Keiser said this is an opportunity grant, and as such not everyone will qualify. He said this grant will be limited to those students who strive to achieve.

Chairman Grindberg called on Mr. Wayne Kutzer, State Director, Department of Career and Technical Education, for comments regarding the bill draft. He said there is consideration being given to creating a two-tier high school degree program in the state. He said there is an ongoing discussion regarding the availability of mathematics and science courses.

In response to a question from Representative Meier, Mr. Kutzer said two-year and technical academic programs recognized by the Department of Career and Technical Education end in receipt of an associate's degree and not a certificate.

Mr. Kevin Magstadt, Economic Development Association of North Dakota, testified in support of the bill draft.

In response to a question from Representative Froseth, Senator Grindberg said the reason for delaying the start of the grant program to the graduating class of 2014 is to allow the state to build up the fund to pay for the program as well as to time the program to coordinate with the decreasing high school enrollments in the state. He said in combination with the tax exemption for recent graduates, this bill addresses the here and now issues as well as the future issues being faced by the state.

It was moved by Representative Keiser, seconded by Representative Dahl, and carried on a voice vote that the opportunity grant program be amended to replace the consumer price index formula with the reevaluation of actual tuition at the institutions.

In response to a question from Representative Williams, Senator Grindberg said this bill draft is based on the North Dakota promise bill draft introduced in 2007. However, he said, there have been a few changes, including a change in the residency requirement as well as the ACT testing requirement for students enrolled in the two-year colleges.

Senator Nething raised a concern regarding Section 3 of the bill draft as it relates to consideration of a student's finances. He said it does not seem reasonable to take into account third-party funds and gift aid. He said to consider third-party funds and gift aid would seem to penalize good fiscal behavior.

It was moved by Senator Nething, seconded by Representative Keiser, and carried on a voice vote that the bill draft relating to the opportunity grant program be amended to remove consideration of third-party funds and other gift aid.

It was moved by Representative Keiser, seconded by Representative Meier, and carried on a voice vote that the bill draft relating to the opportunity grant program be amended to clarify

the grants' application to students attending institutions of higher education in North Dakota.

It was moved by Representative Williams, seconded by Senator Nething, and carried on a roll call vote that the amended bill draft relating to the opportunity grant program be approved and recommended to the Legislative Council. Senators Grindberg, Nething, and Seymour and Representatives Clark, Froseth, Glassheim, Meier, Myxter, and Williams voted "aye." Representatives Keiser and Ruby voted "nay."

Renaissance Zone

Chairman Grindberg called on committee counsel to review a bill draft [\[90298.0100\]](#) that expands the renaissance zone to include utility infrastructure. She said the bill draft provides for expansion of the term "rehabilitation" as it relates to the renaissance zone program to include repair or remodeling of utility infrastructure at a cost that is equal to or exceeds 50 percent of the value of the utility infrastructure.

Chairman Grindberg called on Mr. La France for comments regarding the bill draft. He said the Department of Commerce would need to do additional research regarding how the change in the law would apply to aboveground utilities versus belowground utilities.

Representative Keiser said this issue has come up in several renaissance zone communities, including Bismarck. He said the issue of utility infrastructure is especially important in the older portion of the cities, which is typically where the renaissance zones are located.

It was moved by Representative Keiser, seconded by Senator Nething, and carried on a roll call vote that the bill draft relating to expansion of the renaissance zone program to include rehabilitation of utility infrastructure be approved and recommended to the Legislative Council. Senators Grindberg, Nething, and Seymour and Representatives Clark, Froseth, Glassheim, Keiser, Meier, Myxter, and Ruby voted "aye." No negative votes were cast.

Chairman Grindberg called on committee counsel to review a bill draft [\[90296.0100\]](#) addressing the renaissance zone law and providing for the transferability for historic preservation and renovation tax credits as well as removing the distance requirement for the noncontiguous island portion of the renaissance zone.

Committee counsel said the bill draft amends NDCC Section 40-63-03 to remove the half-mile distance requirement between the two noncontiguous boundaries of the renaissance zone.

Committee counsel said the bill draft also provides that the historic preservation and renovation tax credit available in the renaissance zone would be transferred upon sale of the property. She said the terms of transfer are based on the same model used under NDCC Section 57-38-30.5, which is the income tax credit for research and experimental expenditures.

In response to a question from Senator Nething, Mr. La France said under the renaissance zone law, all the tax credits are transferable except the historic preservation and renovation tax credits.

It was moved by Representative Froseth, seconded by Representative Clark, and carried on a roll call vote that the bill draft relating to renaissance zone boundaries and transferability of tax credits be approved and recommended to the Legislative Council. Senators Grindberg, Nething, and Seymour and Representatives Clark, Froseth, Glassheim, Myxter, and Williams voted "aye." Representatives Keiser, Meier, and Ruby voted "nay."

State Employees

Chairman Grindberg called on committee counsel to review a bill draft [\[90333.0100\]](#) that provides for a Human Resource Management Services program to retain state employees in the workforce as those employees reach retirement age. She said the bill draft creates a new section to NDCC Chapter 54-44.3, relating to Human Resource Management Services.

Committee counsel said the bill draft creates a pilot program for Human Resource Management Services to implement to assist state government agencies in retaining state employees who are reaching retirement. She said the pilot program would allow for additional flexibility in the areas of flexible work hours, reduced work hours, flexible leave policies, and telecommuting. She said during the 2011-12 interim, the Legislative Council would receive a report on the status of the pilot program.

Committee counsel said although state agencies have flexibility in most of the areas addressed the bill draft, the pilot program is intended to provide additional flexibility as well as recognize there is a need to address the workforce shortage due to the retiring state workers.

Chairman Grindberg called on Ms. Laurie Steriotti Hammeren, Director, Human Resource Management Services, for comments regarding the bill draft. She said executive agencies already have the tools provided in this bill draft. She said in addressing workforce shortages, issues faced by the agencies include salaries as well as the loss of state health insurance at retirement if the retiree is pre-Social Security age.

Ms. Steriotti Hammeren said an interesting issue occurs when an employee retires and seeks to reenter the state government workforce and participate in the retirement system. She said if the worker changes retirement systems, then participation is allowed; however, if that worker stays in the same retirement system, continued participation is not allowed.

Ms. Steriotti Hammeren said another barrier faced by state employees who seek to stay in the state employment system after reaching retirement age is that state agencies are required to report full-time equivalent (FTE) positions. She said this reporting can be a challenge if an agency employee is working less than full-time.

Ms. Sterioti Hammeren said in looking at the bill draft she questions what "nearing retirement" means as well as what the legislators vision is for the pilot program.

In response to a question from Senator Seymour, Ms. Sterioti Hammeren said she thinks the tools exist to allow flexibility in retaining state government employees. She said in the past there have been attempts to address this issue. She said during the 2007 legislative session there was a bill that would have created a program that would have allowed retirement age workers to continue to work as well as draw from the Public Employees Retirement System.

Representative Glassheim said this bill draft was his idea. He said when he attended the Governor's Workforce Summit in 2007, one of the main issues addressed was the aging workforce and the high number of retirements right around the corner. He said it is important to him that the committee makes a clear statement that they recognize and support addressing this upcoming issue. He said one element that might be missing in the bill draft is the requirement that the agency market the pilot program so that employees are aware of the opportunities.

In response to a question from Representative Keiser, Ms. Sterioti Hammeren said a state employee who works half-time, which is 20 hours a week or more, qualifies for full health benefits. She said the strongest message that could be sent to retain workers would be to pay workers at market value as well as to continue health insurance following retirement.

Senator Nething posed the question of whether the bill draft might be converted to a study resolution. He said perhaps it would be valuable to have Human Resource Management Services select four agencies to monitor and then report back.

Representative Ruby said he supports the idea of a study.

Mr. Goettle said state government agencies have fewer and fewer options of how to retain workforce. He said the FTE limitations negatively impact his ability to have part-time retirees as employees contracting for work with his agency. He said to add to this, there are actually express limitations on agencies contracting with retired workers.

In response to a question from Representative Johnson, Mr. Goettle said the Department of Commerce has 67 FTE positions.

Representative Keiser said perhaps the issue could be addressed by allowing state agencies extra FTE positions if the positions are filled by retiring employees.

Representative Glassheim said it is his intention to give Human Resource Management Services broader power in order to establish pilot programs that may be effective.

It was moved by Senator Nething and seconded by Representative Glassheim that the bill draft relating to a Human Resource Management Services pilot program to retain

retired workers, as amended to provide for a pilot program that directs Human Resource Management Services to monitor selected agencies as well as initiate flexible programs and report back to the Legislative Council in two years, be approved and recommended to the Legislative Council.

Senator Seymour questioned whether Human Resource Management Services may incur funding needs relating to the bill draft.

Representative Keiser said he is frustrated in delaying action for two years. He said he encourages agencies to be creative in finding ways to address this problem.

Ms. Sterioti Hammeren said areas that might be relevant to retain workforce after retirement may include health insurance-related issues as well as retirement fund issues.

Representative Ruby said he does not support this bill draft because he does not think it does enough to address the issue. He said he thinks the Legislative Assembly needs to take strong action this coming legislative session to address this problem.

The motion carried on a roll call vote. Senators Grindberg, Nething, and Seymour and Representatives Clark, Glassheim, Johnson, Keiser, Meier, Myxter, and Williams voted "aye." Representative Ruby voted "nay."

Marketing Out-of-State Students

Chairman Grindberg called on committee counsel to present a bill draft [\[90327.0100\]](#) that requires the Department of Commerce to implement a program to market North Dakota higher education opportunities to out-of-state students. As part of the program, she said, the department would be required to work with the State Board of Higher Education. She said there is a \$1 million appropriation included in this bill draft.

It was moved by Senator Nething, seconded by Representative Glassheim, and carried on a roll call vote that the bill draft relating to marketing to out-of-state students be approved and recommended to the Legislative Council. Senators Grindberg and Nething and Representatives Clark, Glassheim, Johnson, Keiser, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

Operation Intern

Chairman Grindberg reviewed a bill draft [\[90331.0100\]](#) to provide a \$1 million appropriation out of general fund money to the Department of Commerce for the purpose of funding Operation Intern as provided for under NDCC Section 54-60-17. He said this appropriation amount doubles the appropriation for the 2007-09 biennium.

Chairman Grindberg called on Mr. Goettle regarding the bill draft. Mr. Goettle said the program provides up to a \$3,000 grant for a business to expand an existing intern program or to create a new program. He said this program would exhaust its appropriation.

It was moved by Representative Keiser, seconded by Representative Johnson, and carried on a roll call vote that the bill draft providing an appropriation for the Operation Intern program be approved and recommended to the Legislative Council. Senators Grindberg and Nething and Representatives Clark, Glassheim, Johnson, Keiser, Meier, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

RESOLUTION DRAFTS

Workforce Study

Chairman Grindberg called on committee counsel to review a workforce system study concurrent resolution draft [93013.0100]. She said this study resolution draft provides for a Legislative Council study of the state's workforce system and the feasibility and desirability of enacting legislation to address the issues identified in the 2007-08 interim Workforce Committee's consultant's report and the implementation of the workforce initiatives enacted by the 61st Legislative Assembly.

It was moved by Representative Keiser, seconded by Representative Johnson, and carried on a roll call vote that the study concurrent resolution draft relating to workforce be approved and recommended to the Legislative Council. Senators Grindberg and Nething and Representatives Clark, Glassheim, Johnson, Keiser, Meier, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

Immigration Reform

Chairman Grindberg called on committee counsel to review a concurrent resolution draft [93011.0100] urging Congress to support the development of a national immigration policy. Committee counsel said the resolution draft expresses support for the development of a balanced national immigration policy and urges Congress to work to develop an immigration policy that protects and preserves the safety and interest of the United States and its citizens while also recognizing the needs of business related to the supply of workers.

Representative Keiser raised his concern that this resolution does very little to impact federal policies.

It was moved by Representative Meier, seconded by Representative Johnson, and carried on a roll call vote that the concurrent resolution draft urging Congress to address immigration issues be approved and recommended to the Legislative Council. Senators Grindberg and Nething, and Representatives Clark, Glassheim, Johnson, Keiser, Meier, Myxter, Ruby, and Williams voted "aye." No negative votes were cast.

It was moved by Representative Keiser, seconded by Representative Glassheim, and carried on a voice vote the bill drafts to be forwarded to the Legislative Council be consolidated as follows:

- The two bill drafts relating to renaissance zones;
- The two Department of Commerce bill drafts providing for marketing higher education opportunities to out-of-state students and providing for an appropriation for Operation Intern; and
- The two higher education bill drafts providing for a tuition grant program and for a tax deduction for recent graduates.

It was moved by Representative Keiser, seconded by Representative Johnson, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts and concurrent resolution drafts recommended by the committee and to present the report and recommended bill drafts and concurrent resolution drafts to the Legislative Council.

It was moved by Representative Johnson, seconded by Representative Ruby, and carried on a voice vote that the committee be adjourned sine die. No further business remaining, Chairman Grindberg adjourned the meeting at 3:30 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:3