DEPARTMENT OF COMMERCE TESTIMONY REGARDING ECONOMIC DEVELOPMENT TAX INCENTIVES
MARCH 1, 2016, 1:00 P.M.
POLITICAL SUBDIVISION TAXATION COMMITTEE
REPRESENTATIVE JASON DOCKTER, CHAIRMAN

JUSTIN DEVER – CO-DEPUTY COMMISSIONER, ND DEPARTMENT OF COMMERCE

Good afternoon, Mr. Chairman and members of the committee, my name is Justin Dever and I serve as a Co-Deputy Commissioner for the North Dakota Department of Commerce. I will be providing economic impact information relating to the Seed Capital and Agricultural Processing Facility investment tax credits.

Cost and Benefits

Our analysis is based upon tax information provided by the Office of the State Tax Commissioner and job and wage information provided by Job Service North Dakota.

As a reminder, the information provided by the Tax Department includes the amount of tax credits earned or allowed based upon investment and is not directly comparable to the amount claimed in a given tax year.

Seed Capital Investment Tax Credit

Since 2002, investors in 50 companies have earned seed capital investment tax credits totaling $14,530,233.

According to information provided by Job Service North Dakota, 38 of the certified seed capital companies have had job records since 2007. This includes the follow job totals by year:

Years	Jobs	Companies with Jobs
2007	154	10
2008	186	15
2009	203	15
2010	190	12
2011	169	12
2012	203	17
2013	248	18
2014	372	20
2015	359	19

In order to estimate the overall impact, including the indirect and induced, we utilized a customized REMI Policy Insight™ model for North Dakota. The analysis shows the change in economic activity caused by the industry expansion. In order to show the total implications of the expansion, REMI developed a Policy Insight model with detailed employment, population, personal income, and other data specific to North Dakota. Using this model, REMI generated the regional baseline forecast and then used the information provided by the new project to develop an alternative forecast that would occur in the event of the expansion in this sector. The table below shows the difference to the economy that occurs from the project.

The tables below show the combined effect of the currently operational seed capital certified companies have on the economy of North Dakota.

Table 1 Summary Results

Category	Units	2014	2015	2016	2017	2018
Total Employment	Individuals (Jobs)	655	689	711	716	711
Gross Domestic Product	Millions of Current Dollars	$66.2	$68.8	$72.3	$74.5	$76.0
Output	Millions of Current Dollars	$121.0	$122.1	$128.1	$131.9	$134.5
Personal Income	Millions of Current Dollars	$36.5	$44.2	$49.9	$54.4	$58.0

Table 2 Employment Effects

Category	Units	2014	2015	2016	2017	2018
Total Employment	Individuals (Jobs)	655	689	711	716	711
Direct Employment	Individuals (Jobs)	372	359	359	359	359
Indirect & Induced Employment	Individuals (Jobs)	283	330	352	357	352

This economic impact analysis is based upon the information for the companies that had jobs in 2014 and 2015. This does not include the impact for the previous jobs that are no longer in existence. Also, this analysis does not include the impact of any construction of facilities.

Agricultural Processing Facility Tax Credit

Since 2001, investors in 17 agricultural commodity processing facilities have earned investment tax credits totaling $12,497,869.

The 23 companies that have been certified for the Agricultural Processing Facility Tax Credit received $41,659,564 in investment eligible for credit which equates to $12,497,869 in allowable credits for investors. Of these 23 companies, 12 are currently in operation in North Dakota.

According to information provided by Job Service North Dakota, 8 of the certified agricultural commodity processing facilities have had job records since 2007. This includes the follow job totals by year:

Years	Jobs	Companies with Jobs
2007	162	6
2008	205	6
2009	212	6
2010	239	6
2011	246	5
2012	199	5
2013	121	4
2014	159	6
2015	183	6

In order to estimate the overall impact, including the indirect and induced, we utilized a customized REMI Policy Insight™ model for North Dakota. The analysis shows the change in economic activity caused by the industry expansion. In order to show the total implications of the expansion, REMI developed a Policy Insight model with detailed employment, population, personal income, and other data specific to North Dakota. Using this model, REMI generated the regional baseline forecast and then used the information provided by the new project to develop an alternative forecast that would occur in the event of the expansion in this sector. The table below shows the difference to the economy that occurs from the project.

The tables below show the combined effect of the currently operational agricultural commodity processing facilities have on the economy of North Dakota.

Table 1 Summary Results

Category	Units	2014	2015	2016	2017	2018
Total Employment	Individuals (Jobs)	331	423	445	453	452
Gross Domestic Product	Millions of Current Dollars	$39.1	$51.8	$55.4	$57.9	$59.9
Output	Millions of Current Dollars	$97.5	$122.1	$129.1	$134.5	$139.0
Personal Income	Millions of Current Dollars	$19.2	$28.1	$32.2	$35.5	$38.1

Table 2 Employment Effects

Category	Units	2014	2015	2016	2017	2018

Total Employment	Individuals (Jobs)	331	423	445	453	452
Direct Employment	Individuals (Jobs)	159	183	183	183	183
Indirect & Induced Employment	Individuals (Jobs)	172	240	262	270	269

This economic impact analysis is based upon the information for the companies that had jobs in 2014 and 2015. This does not include the impact for the previous jobs that are no longer in existence. Also, this analysis does not include the impact of any construction of facilities.

Estimating Fiscal Impact and Return on Investment

As mentioned at a previous committee meeting, the model we use to estimate economic impact (REMI Policy Insight™) does not provide us the ability to estimate the impact to state tax revenues. Without this ability, it is difficult to produce a reliable estimate for return on investment.

Conclusion

Mr. Chairman and members of the Political Subdivision Taxation Committee, thank you for allowing me to visit with you today. That concludes my testimony and I am happy to entertain any questions.