



**Testimony of Ellen Huber
Economic Development Association of North Dakota**

**Interim Political Subdivision Taxation Committee
September 13, 2016**

Chairman Dockter and members of the Interim Political Subdivision Taxation Committee, my name is Ellen Huber, business development and communications director for the City of Mandan and vice-president of the Economic Development Association of North Dakota (EDND). On behalf of EDND, I would like to express our support of reviewing and extending the incentives that will sunset in 2017, including the electrical generating facilities sales tax exemption, the telecommunications infrastructure sales tax exemption and the manufacturing automation tax credit.

The tax credit and incentives under consideration are valuable to investors and our state. Others have or will be addressing the other incentives that will sunset in 2017; therefore, my testimony is focused on the automation tax credit.

Automation Tax Credit

The automation tax credit, which originally came out of the 2009 Interim Workforce Committee, was designed to provide support for North Dakota manufacturing companies investing in technology for the purpose of automating the manufacturing process. The program has successfully aided North Dakota manufacturers in gaining market share and increasing their competitiveness.

The automation tax credit is important to primary sector businesses challenged to recruit and retain skilled workforce while remaining globally competitive. Investment in innovative equipment can mean the difference between retaining a business or having it close or move elsewhere or the difference between status quo and an expansion. Many businesses in Mandan have used or have expressed interest in using the automation tax credit for equipment upgrades. These include Cloverdale Foods Company, a meat processing company; True North Steel, which manufactures tanks and a variety of steel structures; and L&H Manufacturing, which makes branding irons sold worldwide.

Many other major manufacturers in North Dakota, including John Deere, Bobcat and Doosan, Baker Boy and Steffes Corporation, have spoken to the importance of the automation tax credit in driving investments in North Dakota facilities to help businesses grow and bring jobs back to the state. Testimony was provided in support of the bill during the 2015 Legislative Session and 2015-2016

Interim, from North Dakota manufacturing companies, including Aldevron, Dakota Turbines, Impact Dakota, Killdeer Mountain Manufacturing, Northern Plains Electric Cooperative, Peterson Farm Seed, Pivotal Edge Inc., Precision Machine and Welding Inc., Swanson Health Products and WCCO Belting.

During the 2015 session, the tax credit allocation was reduced, limiting the amount of credit available to North Dakota manufacturing companies and lessening the incentive that would provide greater benefit to the state if expanded to the \$2 million tax credit amount that was available in the previous biennium.

We encourage the committee to remove the 2017 sunset to allow for further use and evaluation of this program and also increase the available amount to the original \$2 million.

Evaluation of Economic Development Tax Incentives

Our organization supports efforts to demonstrate the value of the state's investment in business support programs to diversify North Dakota's economy. We too want to assure North Dakota taxpayers that these incentives provide a strong return on their investment.

It is imperative the state reviews these incentives in depth to ensure North Dakota companies have the best tools at their disposal. Therefore, we are supportive of adopting and funding an evaluation tool, such as REMI, and the necessary staff support to properly evaluate the remaining economic development tax incentives during future interims.

In closing, we would like to thank you for your efforts in reviewing the state's economic development tax incentives and in helping to demonstrate the value of the state's investment in business support programs to grow and diversify North Dakota's economy.



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RE: Memo on Tax Automation Credit on the Growth of Cloverdale Foods Company

Dear Ellen:

We have partnered successful with several North Dakota business development entities throughout the last fifteen to twenty years. This has included the use of the Automation Tax Credit with the Office of Taxation, Workforce 20/20 with Job Service of North Dakota and Operation Intern with the State of North Dakota. These programs have been in integral part of our business plan and have helped create jobs and grow our business. The following table summarizes our growth:

Sales and Hours Worked 2012-2016

Year	(in Millions)	Hours	
	Sales	Worked	FTE's
2012	\$ 71,440	505,859	243
2013	\$ 74,985	508,282	244
2014	\$ 83,725	515,691	248
2015	\$ 86,234	589,521	283
2016	\$ 96,400	605,000	291
	<u>\$ 24,960</u>		<u>48</u>
Growth Rate			
2012-2016	34.9%		19.8%

We used the automation tax credit for the 2013 and 2014 tax years. We had qualifying purchases of \$1,497,616 and \$55,743 for tax years 2013 and 2014 which resulted in tax savings of \$221,443 for the two years. In the last four years we have grown sales 35% and added 48 jobs to the Bismarck-Mandan community, without state sponsored programs this growth rate would be more difficult.

If you need any other information or have any questions, please do not hesitate to contact me at kirko@cloverdalefoods.com or 663-9511 ext 202.

Respectfully,

Kirk Olson
Chief Financial Officer
Cloverdale Foods Company



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