

2013 HOUSE INDUSTRY, BUSINESS, AND LABOR

HB 1174

2013 HOUSE STANDING COMMITTEE MINUTES

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

HB 1174
January 22, 2013
Job 17489

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

Creation of corporate headquarters relocation program within Dept. of Commerce; provide appropriation

Minutes:

Attachment 1

Committee meeting called to order. Roll taken.

Hearing opened.

Chairman Keiser: If this bill comes out with a do pass, it will require additional work on the part of the committee. Provided background on creation of bill. For many of the oil-related jobs expanding in our state, the company headquarters are still out of state. What is the advantage of having a corporate headquarters in the state? We have only one company in our state on the big board, and that's MDU. Representative Kreun said that the local communities can already do everything that's in this bill, but I do not agree. This bill is not designed to supplant the economic development options that local communities have, that the Bank of North Dakota has, or anything similar. This bill, in concept, was to add a new tool. It's a short bill. All it does is empower the Commerce Department to initiate a program called the Commerce Headquarters Relocation Program. The bill is to see if we can do something to get companies not located here to move their headquarters here. What do companies do when they have headquarters somewhere? They buy professional services in that locale. It is similar in concept to a renaissance zone in that we give Commerce general authority to establish a program and to set the guidelines. Initially I had very specific things in here. Provided examples and their associated complications. What I tried to do was provide some degree of flexibility in the legislation for that.

This is a pilot project with a sunset. Moneys not spent would be carried over to the next biennium. It is a cash grant program to companies that would relocate their corporate headquarters to North Dakota and start to purchase our state's goods and services. It is limited to the energy-related businesses only and on a trial basis. The companies have to meet some minimal requirements. They have to have ten or more employees. It specifies that they have to be energy related, but we have eliminated professional service companies, such as engineering and accounting. We have engineering and accounting

firms locally that are providing services, and we don't want to fund the competition. These are manufacturing and process companies.

Amendments (attachment 1) bring it back to what was intended.

9:40 There would be three annual payments to a company that qualifies through Commerce. They have to hire at least ten people, and those people have to be with them for one year. Those people have to reside in North Dakota, operate in North Dakota, and meet the standards of purchasing their professional services in North Dakota. Once they have met those requirements for the first year, they can receive one third of the grant. Then in each of the subsequent two years, they can receive an additional third of the grant. But they must continue to meet the requirements. This is over and above everything else they can have access to.

Grants are as follows:

A corporation can receive \$100,000 per qualifying employee. To qualify, the employee's salary must be greater than 400% of the state-wide average annual wage. This is to be distributed at the end of the first year, second year, third year that they are here, so our exposure is somewhat controlled as long as they continue to meet those standards. They can also receive a \$50,000 grant per employee whose salaries are greater than 250% but less than 400% of the state-wide average annual wage. Commerce suggested this formula because if the state-wide annual wage rises, the requirement goes up as well. .

There currently is an appropriation for \$15 million. That amount is likely not going to pass and would be difficult to defend. If we want to be sincere about this, we need to go in near \$5 million, but that would be in the form of an amendment and with the input of this committee.

12:55 This bill is a concept. If we think it is good, we as a committee would need to work on it. What I know is that we have not been successful in getting companies to relocate here. We have them operating here, which is great, but their headquarters are not here. There is an added value we are not getting. Is there a way we can create an opportunity for those companies to physically relocate that would generate additional benefits and generate momentum? This is a high risk program, a high reward program. If we do nothing, we won't lose anything but an opportunity.

The amendments qualify it. The original bill was a little confusing to me. It looked like people could apply for more than \$100,000 per grant application. The amendments clarify the maximum grant application.

What happens if a company has two employees who meet the qualifications for the grant award? That would be okay. What if the second year, they move from one to three qualifying employees? That would be okay. We ran the numbers, and it has a payback for the state of North Dakota. They purchase goods and services; they pay state income tax and property taxes. It requires physical placement in North Dakota; it will not work for companies that want their employees to live elsewhere and work via the internet.

16:30 **Representative Vigesaa:** What is the state-wide average annual wage in North Dakota?

Chairman Keiser: I am unsure.

Representative Vigesaa: You mentioned a return on this investment. Do you have an estimate on what kinds of return there could be, based on an average-size corporate company?

Chairman Keiser: Not to my knowledge. When I ran the numbers and looked at property tax, sales tax, income tax, and all the things that would come with employing ten people for three years... It's really four years because you have to be here a year before you receive the first grant payment.

Representative N. Johnson: Clarification. There is no limit on the amount a company can get, if they have a large number of people over the designated annual wage?

Chairman Keiser: That is correct. Originally, I had had it in that for every ten employees, you could qualify for one person. Commerce said that that would be a nightmare to document. The reality is, if you're going to put a corporate headquarters here where you have one or more people making 400% of the average weekly wage, it's a good thing. We should not make it so difficult to manage the program that it becomes a burden.

19:12 **Representative Beadle:** With the \$15 million appropriation, if we drop it to \$5 million and it goes to Commerce's budget and is not used, is it your intention that it goes back into the general fund after the sunset clause?

Chairman Keiser: Yes, that's the way it does work.

19:40 **Representative Ruby:** What if the CEO and most of the board members live somewhere else? How do you determine that what is here is a true headquarters and not just a satellite?

Chairman Keiser: We discussed regional headquarters. This program will not fund those people. We want this to be truly the corporate headquarters, and we want people to be here physically.

Representative Ruby: Some people will say that this level of corporate welfare to some of the richest companies in the country. Have you looked into reasons why they are not coming here already?

21:24 **Chairman Keiser:** I have not looked into the reasons. I simply know they are not coming. This program may be designed for the relatively small companies that would consider moving here. I have no idea if this is enough of an incentive to get them to do this. I am not sure if this will work, but it is an attempt to come up with at least one program that might get them here.

Representative Kasper: Referred to the bill, page 1, lines 9-10. Your example of entrepreneurs led me to think of the possibility that there is an entrepreneur in Watford City right now. He doesn't have a business but is thinking about it and decides to locate the headquarters here. He'd hire the qualifying number of employees and would pay himself and his spouse the qualifying wage. Would that company qualify for the grant under your bill?

Chairman Keiser: Yes. They would meet the standards. If this legislation would entice them to do that, that is the purpose of this legislation. Maybe they would not do that without this legislation.

Representative Kasper: That is a hypothetical conclusion. We don't know if that entrepreneur would have done it or not. I see the opportunity for a \$600,000 grant for someone to open his business when he's never had the business.

Chairman Keiser: You are right. But they also have to pay those people those salaries, pay taxes, be physically located here, and so on.

Representative Kreun: Gave example of benefits of bringing in a company by providing financial support. What I still question with this particular bill is why. My observation is that they are so busy in those areas that they are probably not going after these companies. Why would they not go the venture capital program? I agree with the concept, but I do not know if we need an additional layer of actual money to do that. To limit it to energy, we have bio-chemical and bio-medical, which are exploding. We're working on those, too. Why limit it to one area of our economy if this is a state project? Those are components we're trying to put together. Would this be another tool? Gave example from Grand Forks. From my part of the state, we could use it but it would not affect us to that degree. What percentage of energy-related do they need to be in order to qualify?

Chairman Keiser: We have had those discussions in developing this bill. It has been my position and a position shared by Commerce that when you launch a new program like this, don't start writing lots of specifications. Give us the freedom to implement the program; we'll do a good job. We need to have flexibility. The primary focus is energy related. I would like to see this program go state wide. It is a pilot program. We do have other companies relocating here. But I know of no energy-related company with which we have been successful despite the fact the play in the Bakken is the North America. Is there anything we could do as a state so that we now get the corporate headquarter and all of the things that come with a corporate headquarters?

19:35 **Representative Boschee:** North Dakota is viewed by many as a leader. I see this as another tool in our toolbox. It might be fine-tuned with the Department of Commerce. I would be hesitant to support it as it is energy-related. I like it and where it is going, but I see that it needs fine tuning.

Chairman Keiser: Every community would like to have all the funding associated with Centers of Excellence or a four-year institution of higher education, and we cannot.

Representative Sukut: If you are an economic developer right now in western North Dakota, you do not have to do much. Businesses are moving in without any effort at all. But when you talk about corporate headquarters, there are none. When you get involved with doing fundraising and you start contacting businesses, the first response is they have to do is to check with their corporate headquarters. When you are talking about the compensation per employee, that will go on for a period of three years? And at the end of that period of time, then they are on their own

Chairman Keiser: The concept is that a company for an employee can either receive a \$100,000 grant or a \$50,000 grant. That is the maximum they can receive for that employee. That amount is payable over three years. It's really over four years because you have to have those employees in place for a twelve month period and have that employee who qualifies. Once that is in place, Commerce will then authorize the first payment. In year two, at the end of that period of time if the company continues to meet the requirements, there is another payment. After three years of qualifying, they can get the final payment. Does that mean that they could pick up and leave our state? Absolutely. But that is true in all economic opportunities.

Representative Sukut: We're talking about this program working strictly through the Department of Commerce. Are we going to get the regional economic or local economic development people involved in this at all, or is it strictly through the state?

34:45 **Chairman Keiser:** As with any program, the Commerce Department does an excellent job working with regional economic development people. After every session, they flood the state with information and bulletins describing what the legislature enacted. This is a community effort. We are placing the management of the program with the Commerce Department.

Representative N. Johnson: They may qualify for other programs as well. They could do all of them together?

Chairman Keiser: Yes, they could. Currently, they can take advantage of local, state, and federal programs at the same time.

Representative Kreun: Exactly what you said is true. All of the businesses I mentioned used a number of tools in the toolbox.

Support:

Opposition:

Neutral:

38:15 **Paul Lucy, director of Economic Finance Division for the Department of Commerce:** Something that I'd like clarification about is what Representative Kasper identified in lines 10-11. My question goes to Line 16 where it states out of state. There would need to be some clarification there as well.

Representative Vigesaa: What is the statewide annual average wage?

Paul Lucy: As of the end of 2011, our latest statistics, the annual average was for North Dakota was \$ 41,778. The 400% would be \$167,112, and the 250% would be \$104,445.

Representative Vigesaa: Would the addition of this bill require additional FTEs in your department?

Paul Lucy: No, we would not.

Representative Vigesaa: What would be an average size corporate group? How many companies would \$15 million fund?

Paul Lucy: We did not run any averages. We ran a scenario based on the bill as it is now without the amendments. Our interpretation was \$100,000 per individual per year. Gave an example with numbers.

Representative Vigesaa: Requested a copy of that information but with the new amendments.

Chairman Keiser: Would Commerce see this as a potential tool?

Paul Lucy: Any economic development incentive tool gets people's attention. I would agree with you that the best opportunity would be directed toward smaller companies.

Representative Kasper: How do you feel about entrepreneurs in North Dakota who are trying to start their company here and then end up trying to compete with out-of-state companies who get the grant and they don't?

Paul Lucy: Most all of our programs are focused on primary sector businesses that are providing a process or service that are marketed outside the state. In those instances, those companies are competing with other companies around the world for the same market. Energy industry is similar to that unless a company is establishing just to serve a local market. There may be cases where some companies feel their competition is being subsidized to create a competitive advantage.

Representative Kasper: It appears to me that the companies that are in the Bakken area are there to provide goods and services inside North Dakota. It would appear to me that your supposition that a lot are exporting their goods and services outside of the state would not apply.

Paul Lucy: Where the bill would hope to take us is they would be companies operated in North Dakota with their headquarters here involved in the energy industry across the country and maybe around the world.

Hearing closed.

Chairman Keiser: We may form a subcommittee

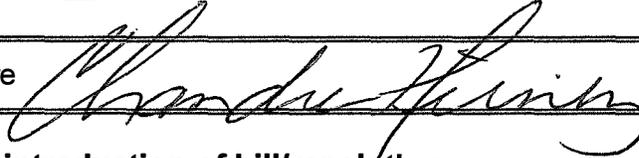
2013 HOUSE STANDING COMMITTEE MINUTES

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

HB 1174
February 4, 2013
Job 18248, Minute 4:04 to 23:45
Recording contains committee action for various other bills

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Creation of corporate headquarters relocation program within Dept. of Commerce; provide appropriation

Minutes:

Attachment 1

4:04 **Chairman Keiser:** I cannot do it, but I suggest that on page 2 of the bill, line 15, that we change it from \$15 million to \$2 million by an amendment, or any amount the committee may think appropriate. We also have two other amendments when I think should be on the bill. We have amendment 13.0401.02001, which I suggest be on the bill.

Based on the handout, attachment 1, from Commerce, if you wanted to change \$2 million to \$1 million, that would be adequate. They are projecting \$700,000 for the total grant.

6:02 (audio faint) The first amendment led to the revision in the amounts that came from Commerce, attachment 1. Initially, the folks from Commerce were looking at the award considerably differently than was intended. They were thinking you could receive the full amount each of the three years instead of a \$100,000 grant over three years.

Motion by Representative Vigesaa to adopt amendment 13.0401.02001. Representative N. Johnson seconded the amendment.

Voice vote to adopt amendment: All in favor.

7:26 **Representative Ruby:** Aren't these companies pretty much considered primary sector already?

Chairman Keiser: They are primary sector because there is an exclusion here that they cannot be service companies. That exclusion moves it toward the primary sector.

Representative Ruby: That if is through some of our economic development funds...

Chairman Keiser: This proposed legislation removes none of the other benefits available through any other plan or incentive program, nor do they impact this.

Representative Boschee **moves** that we substitute \$1 million on page 2, line 15. Representative M. Nelson seconds the motion.

Voice vote: Motion carries. That amendment is on the bill.

Representative Boschee **moves a do pass as amended;** Representative N. Johnson seconds the motion.

Chairman Keiser: I have seen no other bills that attempt to bring companies in to the basin. We can do nothing and will be as we are. I'm not suggesting that this is going to do anything more. Commerce says this is another tool; we might be able to bring some businesses to locate here. Provided examples of businesses which have their headquarters in North Dakota.

11:43 **Representative Gruchalla:** Initially I was not in support of this bill. I have some friends who worked at Great Plains Software. When that was bought out by Microsoft, all the executive jobs went to Washington. I do see merit in trying to do something to get the corporate headquarters here or to keep them here.

12:15 **Representative Beadle:** If no businesses apply for the grant, that money is not spent, correct?

Chairman Keiser: That money is not spent and stays in the general fund.

12:35 **Representative Becker:** I agree with you that trying to get the headquarters here could lead to a lot of economic benefit. I philosophical approach would be that it would be nice to get them here because of minimal regulations, low or no corporate taxes, and that sort of thing rather than what some of my constituents call corporate welfare.

13:06 **Chairman Keiser:** Stated various factors which make our state business friendly. Even with those factors, companies drive in, do business, and leave.

Representative Kreun: What was the rationale that it could not be professional service companies?

14:07 **Chairman Keiser:** Those are the non-primary sector businesses that would benefit from having the corporate headquarters of a primary sector business here. We have lots of support, such as accounting and engineering firms with their headquarters here. We did not feel it right to subsidize the competition. Those firms are already here and will benefit from a good revenue stream is a corporate headquarters locates here.

16:19 **Roll call vote on motion to do pass as amended. Motion fails.**

Yes = 6

No = 8

Absent = 1

17:14 **Representative Kasper:** Can we further amend the bill without reconsideration?

Chairman Keiser: The bill is back before us at this point. It can be amended without reconsideration.

Representative Kasper: My reluctance was not on the concept of the bill. I thought the \$1 million was not enough. I would suggest we amend \$1 million to \$2.5 million.

Motion to further amend the bill to change the \$1 million to \$2.5 million on page 2, line 15. Motion made by Representative Kasper and seconded by Representative Beadle.

Representative Kasper: If we're going to have a bill about which we get grief, let's make it worthwhile. If it works, it really works, and if it doesn't, the money will be there.

Voice vote on amendment: The amendment passes. The amendment is on the bill.

Representative Kasper **moves a do pass as further amended.** Representative Boschee seconds the amendment.

19:18 **Roll call vote on motion to do pass as amended. Motion fails.**

Yes = 7

No = 7

Absent = 1

Representative M. Nelson **moves to send it out without recommendation.**

Chairman Keiser: If we do, it will be rereferred to appropriations, which it will anyway.

Voice vote on motion to send out without a recommendation. Motion fails.

Representative Ruby **moves a do not pass as amended.** Representative Frantsvog seconds the motion.

21:18 **Roll call vote on motion to do pass as amended. Motion fails.**

Yes = 7

No = 7

Absent = 1

Representative Kasper: Can we send it out as a 7-7 tie?

Chairman Keiser: That would be without recommendation.

Representative Kasper: Is there a number which would make the bill more favorable?

Representative M. Nelson: Our choice is either to send it out without a recommendation or to wait until Representative Amerman is here.

Representative Beadle **moves to send bill out of committee with no recommendation.**
Seconded by Representative Gruchalla.

Voice vote on motion to send out without recommendation: **Motion carries.**

Chairman Keiser: It goes out without recommendation.

Carrier: Representative Vigesaa

VK
2/5/13

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

Page 1, line 12, remove "If the"

Page 1, remove lines 13 and 14

Page 1, line 21, replace "provide" with "award"

Page 1, line 21, replace "with" with "a grant that is distributed in"

Page 1, line 21, after "three" insert "equal"

Page 1, line 22, after "annual" insert "grant"

Page 1, remove line 24

Page 2, line 1, remove "history for the preceding twelve months."

Page 2, line 3, after "payments" insert "related to the award"

Page 2, line 4, replace "annual payment" with "grant award"

Page 2, line 8, replace "An annual" with "A"

Page 2, line 8, replace "payment" with "award"

Page 2, after line 13, insert:

"5. Although a qualified business may apply for more than one grant award under this section, a qualified employee under subsection 4 may not be counted in more than one grant application."

Page 2, line 15, replace "\$15,000,000" with "\$2,500,000"

Renumber accordingly

Date: 29.3 2-4-2013

Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13.0401.02001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Vigesaa Seconded By Johnsa

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsovog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

Total Yes _____ No _____
Absent _____

Floor Assignment _____

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

Date: 24-2013

Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Boschee Seconded By Nelson

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

Vote
Vote

Total Yes _____ No _____
Absent _____

Floor Assignment _____

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

*\$1 million instead of \$15 million
on line*

Date: 2-4-2013
 Roll Call Vote #: 3

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1174**

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Boschee Seconded By Johnson

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman		ab
Vice Chairman Gary Sukut		✓	Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla	✓	
Rep. Rick Becker		✓	Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog		✓			
Rep. Nancy Johnson	✓				
Rep. Jim Kasper		ab ✓			
Rep. Curtiss Kreun		✓			
Rep. Scott Louser		✓			
Rep. Dan Ruby		✓			
Rep. Don Vigesaa		✓			

Total Yes 6 No 8
 Absent 1

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:
\$/million

Motion fails

Date: 2-4-2013

Roll Call Vote #: 4

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Kasper Seconded By Beadle

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

Vote

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

\$ 2.5 millia

Date: 2-4-2013

Roll Call Vote #: 5

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1179

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended ^{as} Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Kasper Seconded By Boschee

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser	✓		Rep. Bill Amerman	✓	ab
Vice Chairman Gary Sukut		✓	Rep. Joshua Boschee	✓	
Rep. Thomas Beadle	✓		Rep. Edmund Gruchalla	✓	
Rep. Rick Becker		✓	Rep. Marvin Nelson	✓	
Rep. Robert Frantsvog		✓			
Rep. Nancy Johnson	✓				
Rep. Jim Kasper	✓				
Rep. Curtiss Kreun		✓			
Rep. Scott Louser		✓			
Rep. Dan Ruby		✓			
Rep. Don Vigesaa		✓			

Total Yes 7 No 7

Absent 1

Floor Assignment _____

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

with 2.5 millia amendment

motion fails

Date: 2-4-2017

Roll Call Vote #: 6

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Nelson Seconded By _____

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun					
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa					

No vote

Total Yes _____ No 6

Absent _____

Floor Assignment _____

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

Motion -> without recommendation

Date: 24-2013

Roll Call Vote #: 7

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13.0401.02002

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Ruby Seconded By Frantsvog

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser		✓	Rep. Bill Amerman	✓	
Vice Chairman Gary Sukut	✓		Rep. Joshua Boschee		✓
Rep. Thomas Beadle		✓	Rep. Edmund Gruchalla		✓
Rep. Rick Becker	✓		Rep. Marvin Nelson		✓
Rep. Robert Frantsvog	✓				
Rep. Nancy Johnson		✓			
Rep. Jim Kasper		✓			
Rep. Curtiss Kreun	✓				
Rep. Scott Louser	✓				
Rep. Dan Ruby	✓				
Rep. Don Vigesaa	✓				

Total Yes 7 No 7

Absent 1

Floor Assignment _____

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

Date: 24-2013

Roll Call Vote #: 0

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1174

House Industry, Business, and Labor Committee

Legislative Council Amendment Number 13-0401-02002

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider Consent Calendar

Motion Made By Beadle Seconded By Gruchalla

Representatives	Yes	No	Representatives	Yes	No
Chairman George Keiser			Rep. Bill Amerman		
Vice Chairman Gary Sukut			Rep. Joshua Boschee		
Rep. Thomas Beadle			Rep. Edmund Gruchalla		
Rep. Rick Becker			Rep. Marvin Nelson		
Rep. Robert Frantsvog					
Rep. Nancy Johnson					
Rep. Jim Kasper					
Rep. Curtiss Kreun		<u>1/29</u>			
Rep. Scott Louser					
Rep. Dan Ruby					
Rep. Don Vigesaa		<u>20th</u>			

Total Yes _____ No _____

Absent _____

Floor Assignment Vigesaa

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

without recommendation

REPORT OF STANDING COMMITTEE

HB 1174: Industry, Business and Labor Committee (Rep. Keiser, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION and BE REREFERRED to the Appropriations Committee (14 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1174 was placed on the Sixth order on the calendar.

Page 1, line 12, remove "If the"

Page 1, remove lines 13 and 14

Page 1, line 21, replace "provide" with "award"

Page 1, line 21, replace "with" with "a grant that is distributed in"

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Page 2, line 3, after "payments" insert "related to the award"

Page 2, line 4, replace "annual payment" with "grant award"

Page 2, line 8, replace "An annual" with "A"

Page 2, line 8, replace "payment" with "award"

Page 2, after line 13, insert:

"5. Although a qualified business may apply for more than one grant award under this section, a qualified employee under subsection 4 may not be counted in more than one grant application."

Page 2, line 15, replace "\$15,000,000" with "\$2,500,000"

Renumber accordingly

2013 HOUSE APPROPRIATIONS

HB 1174

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1174
2/12/13
Job 18760

Conference Committee

Committee Clerk Signature

Meredith Traubert

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new section to chapter 54-60 of the North Dakota Century Code, relating to creation of the corporate headquarters relocation program within the department of commerce; to provide an appropriation; to provide an exemption; and to provide an expiration date.

Minutes:

You may make reference to "attached testimony."

Rep. George Keiser, District 47: This came out of committee without recommendation. Introduced the bill.

5:50

Chairman Delzer: On your amended bill, you took it from \$15M down to \$2.5M; section 3 allows the money to be held whether or not it is even used, but section 4 puts an expiration date on there. If no one had used it by the expiration date, there'd be no way they could grant it, yet the money would not be returned to the general fund, the way this bill is set up.

Rep. Keiser: We were told by Legislative Council in drafting this bill, because there is a year delay on the first payment, we have to set it up so that it would expire in 2015, but if not used, would sunset after the two years.

Rep. Monson: You mentioned entrepreneurs; if you start up your own company, you don't qualify for this, if you're a brand new company started in ND, correct?

Rep. Keiser: Incorrect. Page 1 line 15 lays out the criteria. The thought was Commerce could have flexibility, the way the bill is designed, that if you're locating in the state, it is a new entity and would qualify, regardless of residency status.

Rep. Monson: I see there is some grey area, but relocating tells me they were somewhere else first.

Rep. Keiser: It says locate or relocate, page 1 line 10.

Rep. Boe: How long do they have to be a business out of state?

Rep. Keiser: They could be out of state one month, or less. If they locate their corporate headquarters here and hire 10 people plus the executive and are located in the state for a full year, at the end of the full year they qualify for 1/3 of the grant. If at any point the employment falls below 10, subsequent payments are eliminated and they cannot qualify again.

Rep. Skarphol: Could you define professional services?

Rep. Keiser: Commerce has a definition of primary sector professional services; this is language they wanted. It includes accounting, marketing, banking, legal, and engineering.

Chairman Delzer: Thank you. The committee continued on to the next bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1174
2/19/13
Job #19199

Conference Committee

Committee Clerk Signature

Mary Bruecker

Explanation or reason for introduction of bill/resolution:

A Bill for an Act to create and enact a new section to chapter 54-60 of the North Dakota Century Code, relating to creation of the corporate headquarters relocation program within the department of commerce; to provide an appropriation; to provide an exemption; and to provide an expiration date.

Minutes:

No attachments.

Chairman Delzer: This came out of committee without recommendation and it has to deal with corporate headquarter relocation. They said they took a whole bunch of votes on it and took it down from \$15 million to \$2.5 million. What are the committee's wishes?

Representative Grande: Made a motion for a Do Not Pass.

Representative Brandenburg: Seconded.

Chairman Delzer: If you could make it work it would be nice to have some headquarters come in here but I really don't see how this would make it work. I think there's better ways for us to have use of money and there's not going to be any shortage of expenditures this year.

ROLL CALL VOTE: 21 YES 0 NO 1 ABSENT

Representative Thoreson will carry this bill.

Date: 2/19/13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1174**

House Appropriations 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 Rep. Grande Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch					
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Thoreson

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

REPORT OF STANDING COMMITTEE

HB 1174, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING).
Engrossed HB 1174 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1174

①
1174
1-22-2013

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1174

Page 1, line 12, remove "If the"

Page 1, remove lines 13 and 14

Page 1, line 21, replace "provide" with "award"

Page 1, line 21, replace "with" with "a grant that is distributed in"

Page 1, line 21, after "three" insert "equal"

Page 1, line 22, after "annual" insert "grant"

Page 1, remove line 24

Page 2, line 1, remove "history for the preceding twelve months."

Page 2, line 3, after "payments" insert "related to the award"

Page 2, line 4, replace "annual payment" with "grant award"

Page 2, line 8, replace "An annual" with "A"

Page 2, line 8, replace "payment" with "award"

Page 2, after line 13, insert:

"5. Although a qualified business may apply for more than one grant award under this section, a qualified employee under subsection 4 may not be counted in more than one grant application."

Renumber accordingly

House Bill 1174 Grant Award Scenario

HB 1174
24-2013

Funding Scenario: Company has the following employment numbers and salary levels for employees in their HQ office in North Dakota. Employment numbers in each column are total employees in that category for that year.

<u>Salary Level</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
\$167,112+	3	4 (+1)	5
\$104,445 - \$167,111	5	6 (+1)	7
Less than \$104,445	4	5 (+1)	8

Year 3 employment increases are not factored into the grant award calculations because the law will sunset and the business will no longer qualify for an award for new employees brought on in year 3.

Year 1 (First12 employees)
 $\$33,333.33 \times 3 = \$100,000.00$
 $16,666.67 \times 5 = 83,333.35$
 $0.00 \times 4 = \underline{0.00}$

\$183,333.35 Total Year 1 Payment

Year 2 (First12 employees)
 $\$33,333.33 \times 3 = \$100,000.00$
 $16,666.67 \times 5 = 83,333.35$
 $0.00 \times 4 = \underline{0.00}$
 \$183,333.35

Year 1 (3 new employees)
 $\$33,333.33 \times 1 = \$ 33,333.33$
 $16,666.67 \times 1 = 16,666.67$
 $0.00 \times 1 = \underline{0.00}$
 \$ 50,000.00

\$233,333.35 Total Year 2 Payment

Year 3 (First12 employees)
 $\$33,333.33 \times 3 = \$100,000.00$
 $16,666.67 \times 5 = 83,333.35$
 $0.00 \times 4 = \underline{0.00}$
 \$183,333.30

Year 2 (3 new employees)
 $\$33,333.33 \times 1 = \$ 33,333.33$
 $16,666.67 \times 1 = 16,666.67$
 $0.00 \times 1 = \underline{0.00}$
 \$ 50,000.00

\$233,333.35 Total Year 3 Payment

Year 4 (First12 employees)
 $\$ 0.00 \times 3 = \$ 0.00$
 $0.00 \times 5 = 0.00$
 $0.00 \times 4 = \underline{0.00}$
 \$ 0.00

Year 4 (3 new employees)
 $\$33,333.33 \times 1 = \$ 33,333.33$
 $16,666.67 \times 1 = 16,666.67$
 $0.00 \times 1 = \underline{0.00}$
 \$ 50,000.00

\$ 50,000 Total Year 4 Payment

Total Grand Award for employment numbers during the two years the legislation is applicable to.

\$ 183,333.35	Year 1 Payment
233,333.35	Year 2 Payment
233,333.35	Year 3 Payment
<u>50,000.00</u>	Year 4 payment
\$ 700,000.00	Total Grant Award *

* Total adjusted for rounding

Bureau of Labor Statistics 2011 annual average wage for North Dakota. \$41,778

400% of \$41,778 = \$167,112

250% of \$41,778 = \$104,445