

2015 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2136

2015 SENATE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

SB 2136
1/21/2015
Job Number 22255

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to business incentive accountability reports

Minutes:

Attachment

Chairman Klein: Called the meeting back to order.

Justin Dever, Manager of the Office of Innovation & Entrepreneurship North Dakota Department of Commerce: Written Testimony Attached (1). (:30-3:18)

Chairman Klein: Asked if they have many noncompliant currently.

Justin Dever: Yes we do. We do report on an annual base to an interim committee and that list includes the status for all.

Chairman Klein: Is that the report we heard before?

Justin Dever: This past interim was the interim taxation committee that received it. It lists which businesses received incentives, how much incentive they received and how many jobs they were supposed to create versus how many they actually created. That is also available on our website if you go to ndcommerce.com/accountability.

Chairman Klein: So that is available to all of us.

Justin Dever: He continues going over his written testimony. (4:11-4:54)

Chairman Klein: This is very simple; we are just changing the dates to make it consistent.

Senator Sinner: Will this make it easier to look at all of your businesses that benefit from these programs; can you get a consistent report at a specific time?

Justin Dever: Yes you can have that but it would be done consistently. You would have the number of jobs that were created in the report that was filed that year. So you can say jobs that were created with the reporting in 2014.

Chairman Klein: Closed the hearing.

Senator Murphy: moved a do pass.

Senator Sinner: seconded the motion.

Roll Call Vote: Yes-7 No-0 Absent-0

Senator Murphy will carry the bill.

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. SB 2136**

Senate Industry, Business and Labor Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Senator Murphy Seconded By Senator Sinner

Senators	Yes	No	Senators	Yes	No
Chairman Klein	x		Senator Murphy	x	
Vice Chairman Campbell	x		Senator Sinner	x	
Senator Burckhard	x				
Senator Miller	x				
Senator Poolman	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Murphy

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

REPORT OF STANDING COMMITTEE

SB 2136: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2136 was placed on the Eleventh order on the calendar.

2015 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2136

2015 HOUSE STANDING COMMITTEE MINUTES

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

SB 2136
3/11/2015
24607

- Subcommittee
 Conference Committee

Ellen LiTang

Explanation or reason for introduction of bill/resolution:

Business incentive accountability reports.

Minutes:

Attachment 1

Chairman Keiser: Opens the hearing on SB 2136.

Justin Dever~Office of Innovation & Entrepreneurship for the North Dakota Department of Commerce. (Attachment 1).

Representative Amerman: If they applied for additional incentives, wouldn't the department ask them "how many jobs have you created the past two years"?

Dever: We maintain a list of companies that are not in compliant. It's up to each grantor to visit with the Department of Commerce to check to see if that company is compliant or not. A lot of these incentives are provided by other grantors besides the Department of Commerce. The other thing is it's up to the business to report this information. In statue right now, they don't report it until March 1. So a grantor may not know that they not in compliance base on the timing.

Representative Lefor: What is a state grantor?

Dever: There are two types of grantors, state grantor and a political sub division grantor.

Representative Ruby: If they received a \$25,000 or more in a given year from state or local grantors, they received \$25,000 from a local grantor, you are applying this law to them? If so, how are checking when they have their own agreement with that business, right?

Dever: You are correct and under current law we are not changing that aspect.

Chairman Keiser: Political sub divisions that grant a benefit are required to file a report with the commerce department.

Chairman Keiser: What is the definition of benefit date?

Dever: Is when they receive the benefit.

Chairman Keiser: When I initiate the loan is the benefit date, not when it's granted?

Dever: Correct.

Chairman Keiser: Anyone else here to testify is support of SB 2136, opposition, neutral?
Closes the hearing, what are the wishes of the committee?

Vice Chairman Sukut: Moves a Do Pass.

Representative Laning: Seconded.

Roll call was taken for a Do Pass on SB 2136 with 13 yes, 0 no, 2 absent and Representative Lefor will carry the bill.

Date: March 11, 2015

Roll Call Vote: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2136

House Industry, Business & Labor Committee

Subcommittee Conference Committee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations

Other Actions: Reconsider _____

Motion Made By Rep Sukut Seconded By Rep Laning

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	X		Representative Lefor	X	
Vice Chairman Sukut	X		Representative Louser	X	
Representative Beadle	X		Representative Ruby	X	
Representative Becker	X		Representative Amerman	X	
Representative Devlin	X		Representative Boschee	X	
Representative Frantsvog	Ab		Representative Hanson	X	
Representative Kasper	Ab		Representative M Nelson	X	
Representative Laning	X				

Total (Yes) 13 No 0

Absent 2

Floor Assignment Rep Lefor

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

REPORT OF STANDING COMMITTEE

SB 2136: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (13 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
SB 2136 was placed on the Fourteenth order on the calendar.

2015 TESTIMONY

SB 2136

#1

**DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2136
JANUARY 21, 2015, 9:30 A.M.
SENATE INDUSTRY, BUSINESS AND LABOR COMMITTEE
ROOSEVELT PARK ROOM
SENATOR JERRY KLEIN, CHAIRMAN**

**JUSTIN DEVER – MANAGER, OFFICE OF INNOVATION & ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE**

Good morning, Mr. Chairman and members of the committee, my name is Justin Dever and I manage the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce. I am here before you today in support of Senate Bill 2136.

SB 2136 was introduced by the Department of Commerce to improve the administration of the Business Incentive Accountability law (NDCC Chapter 54-60.1). This law was passed by the legislature in 2005 and took effect on January 1, 2006. The law applies to businesses receiving incentives totaling \$25,000 or more in a given year from state or local grantors.

The law requires grantors and recipients to enter into business incentive agreements outlining the incentive that the business is to receive and the requirements for the business. This includes a commitment by the business to continue operations in the jurisdiction for five years and, if the incentive's purpose is job creation, a goal for the numbers of jobs to be created within two years. The recipient business is required to report for at least two years regarding the number of jobs created.

SB 2136 relates to the timing of the annual reports filed by the recipient businesses. Currently, businesses file the report on a calendar year basis, with information as of December 31st provided by March 1st of the following year. We are proposing to change that to correspond with the anniversary of the benefit date. The Department of Commerce is requesting this change to improve accountability and consistency among state grantors.

This change improves accountability as it reduces the lag between the time when a company potentially becomes noncompliant with reaching job creation goals and when we become aware of that fact. This is important because a company that is not in compliance is ineligible to receive any additional incentives for a period of five years, or until they become compliant. For example, if a company were to receive an incentive in January of a given year, they technically have until January two years later to create the jobs. Currently, however, their reports reflect jobs as of December 31st and these reports aren't filed until prior to March 1st of the following year. During this lag, they could potentially apply for and receive additional incentives that they would not be eligible to receive if they didn't create the required jobs. With the proposed change, the company would have 60 days after the anniversary of the benefit date to file the report.

Some state grantors today are already using the benefit date in order to fit the requirements of their programs. The Bank of North Dakota's PACE program is a monthly interest buy-down program and if the recipient business has not met its goal, it does not qualify for the next month's

#1

interest buy-down. Implementing this timing change among all grantors will improve the consistency of how the law is administered.

Mr. Chairman and members of the Industry, Business and Labor Committee, that concludes my testimony and I am happy to entertain any questions.



DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2136

MARCH 11, 2015, 2:00 P.M.

**HOUSE INDUSTRY, BUSINESS AND LABOR COMMITTEE
REPRESENTATIVE GEORGE KEISER, CHAIRMAN**

**JUSTIN DEVER – MANAGER, OFFICE OF INNOVATION & ENTREPRENEURSHIP, ND
DEPARTMENT OF COMMERCE**

Good afternoon, Mr. Chairman and members of the committee, my name is Justin Dever and I manage the Office of Innovation and Entrepreneurship for the North Dakota Department of Commerce. I am here before you today in support of Senate Bill 2136.

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Some state grantors today are already using the benefit date in order to fit the requirements of their programs. The Bank of North Dakota's PACE program is a monthly interest buy-down program and if the recipient business has not met its goal, it does not qualify for the next month's interest buy-down. Implementing this timing change among all grantors will improve the consistency of how the law is administered.

Mr. Chairman and members of the Industry, Business and Labor Committee, that concludes my testimony and I am happy to entertain any questions.