

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

ECONOMIC DEVELOPMENT COMMITTEE

Wednesday, June 21, 2006
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Rick Berg, Chairman, called the meeting to order at 9:05 a.m.

Members present: Representatives Rick Berg, Donald L. Clark, Donald D. Dietrich, Mark A. Dosch, Eliot Glassheim, Jim Kasper, Bob Martinson, Eugene Nicholas, Kenton Onstad, Dan J. Ruby, Elwood Thorpe; Senators Duane Mutch, John O. Syverson, Ryan M. Taylor, John M. Warner

Members absent: Representatives Dawn Marie Charging, Pam Guleson, Lisa Meier, Clark Williams; Senators April Fairfield, Nicholas P. Hacker, Randy A. Schobinger

Others present: See Appendix A

It was moved by Representative Nicholas, seconded by Senator Warner, and carried on a voice vote that the minutes of the May 17, 2006, meeting be approved as distributed.

BUSINESS CLIMATE STUDY

Chairman Berg briefly reviewed the key issues identified at the May 17, 2006, meeting of the committee. He said the key issue of workforce was addressed at the May 17, 2006, meeting; the key issues of attracting and retaining young people and young families, image, and higher education will in large part be addressed during today's meeting; and the key issues of transportation and trade will be addressed at a future meeting. Within this basic framework, he said, at future meetings the committee will continue to receive followup information on all of the key issues and will schedule presentations on specific action items within the key issues as individuals are available to make these presentations.

Workforce

Chairman Berg called on Ms. Beth Zander, Job Service North Dakota, for comments regarding the characteristics of the unattached unemployed in the state. Ms. Zander said the information she is providing is followup information from the presentation she made at the May 17, 2006, meeting.

Ms. Zander distributed a written copy of her testimony and a two-page summary that provides details regarding the characteristics of the unemployed individuals, a copy of which is attached as Appendix B.

Ms. Zander reviewed the characteristics of those unemployment insurance claimants who are not expecting to return to their previous employer and the

characteristics of those unemployment insurance claimants who have had repeat claims. She provided information regarding the unattached unemployed, including the number of claimants; average duration of claim; exhaustion rate; and demographics, including geographic area, education level, gender, occupation before layoff, and age. She also reviewed the demographics for repeat claimants.

In response to a question from Senator Syverson, Ms. Zander said whether an employee who is terminated due to drug use may receive unemployment insurance benefits in large part depends on the specific circumstances. For example, she said, eligibility may depend on whether the drug use reached the level of misconduct, such as putting other individuals at risk, or whether the employer has a written policy regarding drug use.

In response to a question from Representative Dosch, Ms. Zander said there is no easy answer to explain why there are open jobs in the community and unemployed individuals are still drawing unemployment insurance. She said some claimants will have a higher level of selectivity in accepting employment at the beginning of the claim and as that claim nears exhaustion will settle for a lower-paying or less-fulfilling job.

Representative Berg said the real question is how the state may be able to give incentives for unemployed individuals to take lower-paying jobs and not stay on unemployment insurance until the claim is exhausted. He said a possible incentive might be giving employees monetary incentives.

In response to a question from Representative Ruby, Ms. Zander said although Job Service North Dakota provides workforce training, the funding for this training comes from sources other than the funding for unemployment insurance.

In response to a question from Representative Berg, Ms. Zander said in the situation of an unemployed individual who had been earning \$30,000 a year, the claimant likely would qualify for the maximum benefit of 26 weeks at a rate of approximately \$340 per week. She said if that individual were to take a lower-paying job, the individual may earn up to 60 percent of the weekly benefit without impacting the benefit amount. She said if this individual were to earn more than 60 percent of the weekly benefit amount, the excess amount would impact the weekly benefit dollar for dollar. She said she will provide specific data

regarding what North Dakota's total workforce is to the Legislative Council staff.

In response to a question from Representative Glassheim, Ms. Zander said the statistics regarding the annual number of unattached claimants of approximately 4,718 differs from the number of unattached claimants at any given time. She said the number of unattached claimants at any given time would be fewer than 4,718.

In response to a question from Senator Warner, distinguishing between the Job Service North Dakota unemployment statistics, based upon those actively looking for work, and the Bureau of Indian Affairs unemployment statistics, based on the number of individuals eligible to work, Ms. Zander referred to Ms. Korrine Lang, Job Service North Dakota. Ms. Lang said although both statistics have value, federal funding for Job Service North Dakota requires that the Job Service North Dakota unemployment statistics are calculated for unemployment insurance purposes. She said this calculation is very complicated and time-intensive.

Senator Warner said it might be helpful for the state to evaluate the state's available workforce.

In response to a question from Representative Ruby, Ms. Zander said Job Service North Dakota does contract with the Department of Human Services to collect data regarding the unemployed and she can provide this information to the Legislative Council staff.

Representative Berg asked what the state can do to decrease the number of unemployed. For example, what can the state do to decrease the level of unemployment in the age range of 21 through 55. Ms. Zander said the state should continue doing what it is currently doing, by continuing to allow claimants to gain soft skills and continuing to look at ways to motivate employees to seek employment.

Ms. Zander said Job Service North Dakota had received federal Reed Act funds to specifically address the reemployment of the unemployed and these funds have decreased the number of unemployed claimants, in large part by providing intense case management of claimants. However, she said, these funds are coming to an end.

Representative Kasper requested information regarding why employees leave employment.

In response to a question from Representative Onstad, Ms. Zander said unemployment data has unique qualities for a variety of reasons, including there are some individuals who are unemployed but do not use Job Service North Dakota services and who do not file for unemployment insurance. She said typically the number of those individuals increases when the job market is good. Ms. Lang said the unemployment statistics used by Job Service North Dakota are very precise and sound and every state uses the same formula.

In response to a question from Representative Kasper, Ms. Zander said in the case of a homemaker who decides to enter the job market, she may be

considered in North Dakota's unemployment statistics if she is part of a sample group. She said she can provide the committee with additional information regarding how this data is compiled.

Chairman Berg called on Ms. Lang for a status report on the federal funding of Job Service North Dakota programs. Ms. Lang provided written testimony, a copy of which is attached as Appendix C.

Ms. Lang said Job Service North Dakota is unique in that almost 100 percent of the state's workforce programs are federally funded but are state-administered and locally delivered. She said this organizational structure has created a challenging budget situation for Job Service North Dakota as it responds to federal budget cuts. She said the initiative started by Job Service North Dakota to evaluate the budget is called the Job Service North Dakota right size budgeting process, which recognizes a major budget impact of approximately \$3.8 million, including \$1 million in federal program funding that will be cut; increases in costs, such as salaries and inflationary increases for operational costs, in the amount of approximately \$800,000; and approximately \$2 million using a baseline that does not include any special, competitive grants funding or carryover of budget balances.

Ms. Lang said the agency planning team has been restructured to align with a business model designed to build value in workforce services through effective delivery. She said the core functions under this model would be twofold--central office functions and service office functions. She said that for purposes of budget development going forward, Job Service North Dakota expects further federal budget cuts in the future. She said costs will continue to increase for employee salary and related benefits as well as for general and specific price increasing for operating expenses.

In response to a question from Representative Ruby, Ms. Lang said the Federal Unemployment Tax Act funds unemployment insurance administration. She said although North Dakota used to be a gainer state in that it received more federal funding than was contributed, this has changed and North Dakota has become more equal.

Representative Berg said he would like to receive additional information regarding the total amount of money paid to the federal government by North Dakota businesses and the total amount of federal funds provided to Job Service North Dakota.

Representative Kasper said he would like to receive more specific information regarding the budgetary changes, including a comparison of the 2005-07 Job Service North Dakota budget with the proposed 2007-09 Job Service North Dakota budget.

Representative Berg said the information requested by Representative Kasper could be provided by showing the changes between the current and upcoming budget, indicating the net effect.

In response to a question from Representative Dosch regarding the Job Service North Dakota computer system update, Ms. Lang said there has

been a change in philosophy. She said initially Job Service North Dakota looked at changing the mainframe; however, now it is looking at updates to the mainframe. Ms. Zander said it appears to be more cost-efficient to enhance and modify the current system instead of replacing the entire system.

Representative Ruby said as an employer he likes using the online services to search for available employees.

Transportation

Chairman Berg said in an attempt to address how the state may be able to positively impact economic development through smaller airports, he had requested the Legislative Council staff contact some of the Part 135 operators to ask for their suggestions. He said Part 135 operators are a federal class of operators who meet Federal Aviation Administration requirements that allow them to charge for their services. For example, he said, he understands some of the smaller airports in the state lack the necessary airport equipment to allow pilots to land in suboptimal weather conditions. He said perhaps the state could assist in acquiring this equipment for airports and this would have a positive economic development impact.

Chairman Berg called on committee counsel to summarize the information that had been requested.

Committee counsel stated she contacted Part 135 operators in the communities of Grand Forks, Fargo, Bismarck, Dickinson, and Williston and requested information. Specifically, if the state's objective is to increase economic development through private air charter businesses, how could the current system be modified focusing on changes that could be made at the state level and identify specific improvements that could accomplish this goal of increasing economic development through private air charter businesses. She said she received a response from the Part 135 operators in Bismarck and Dickinson. A copy of the written responses from these two operators is on file in the Legislative Council office.

Representative Berg said the two written responses raised the issues of the cost of doing business, including insurance requirements. Additionally, he said, the Bismarck operator raised the concern of how some operators have found a way to avoid the cost of having to meet the Part 135 requirements, including avoiding the high cost of commercial insurance. Additionally, the Bismarck operator raised a concern regarding the city of Bismarck's financial support given to a startup operation and how this negatively impacts the private sector that is competing with the startup.

Representative Berg said the city assistance given to an operator refers to Point2Point Airways, which recently started business. He said it is his belief that this startup will not be self-sustaining.

Senator Syverson said it is his opinion that aviation provides a good fit with North Dakota in large part because North Dakota is a big state with a large number of airports. He said as rural medical facilities

become scarcer and regional medical centers become more common, medical aviation will need to be addressed. Additionally, he said, there is a phenomenon of newer jets being smaller and more readily available but our state's smaller airports are not designed to handle these small jets. Overall, he said, aviation infrastructure is worthy of the committee's consideration.

Chairman Berg said the key issue of transportation will be addressed in more detail at a future meeting.

Image

Chairman Berg said in looking at the key issue of image, the action items include:

1. Supporting and funding tourism marketing, media relations, and internal image campaign;
2. Expanding message training for service sector employees; and
3. Authorizing incentives for tourism facilities.

Chairman Berg said in considering all of these action items, it is important to focus on the goal of improving the state's internal and external image.

Chairman Berg called on Ms. Sara Otte Coleman, Division of Tourism, Department of Commerce, to present information relating to current efforts and proposals regarding tourism marketing and tourism media relations. Ms. Otte Coleman gave a computer presentation and distributed two recent tourism brochures. A printed copy of the computer presentation is attached as [Appendix D](#).

Ms. Otte Coleman reviewed the current programs that address image. She said the creative strategy includes continuing to communicate the legendary brand and focus on what makes North Dakota rich in culture and history. She said Lewis and Clark and Sakakawea will continue to be featured legends. Additionally, she said, a broader city experience strategy has been developed, consistent with the legendary brand, but focusing on the city weekend getaway experience.

Ms. Otte Coleman reviewed the statistics regarding the 2005 return on investment for the advertising campaign, indicating for every \$1 spent, \$81 was returned. She said research shows advertising improves image.

Ms. Otte Coleman said some of the greatest challenges faced by the Division of Tourism include limited resources. She said the division's challenges include funding, dedicated staff, providing funding to host all of the travel writers who express an interest in writing about North Dakota, and the cost of funding travel expenses to bring media members to the state.

In response to a question from Senator Warner, Ms. Otte Coleman said the state's marketing campaign is intended to be a cooperative program with the state's industries. She said the Division of Tourism presents its marketing campaign each September, allowing cooperative opportunities for smaller entities. However, she said, the reality is that very few private sector attractions have advertising budgets large enough to participate in the state's

media campaign. She said the exception would be convention visitor bureaus, the State Fair, and Norsk Hostfest.

In response to a question from Representative Berg, Ms. Otte Coleman said tourism marketing that addresses the state's internal image includes a cooperative effort done with the Department of Parks and Recreation to encourage North Dakota residents to vacation in the state.

In response to a question from Representative Kasper, Ms. Otte Coleman said the division does address the hunting market with approximately 50,000 hunting and fishing guides printed and distributed each year.

Chairman Berg called on Ms. Tracy Finneman, Department of Commerce, to present information regarding the current efforts and proposals regarding business media relations and the internal image campaign. Ms. Finneman gave a computer presentation, a copy of which is attached as [Appendix E](#).

Ms. Finneman said the Department of Commerce specifically addresses image in its business media relations and internal image campaign. For purposes of business relations, she said, areas with room for improvement include providing outgoing media trips, creating and distributing media kits, creating a business photo gallery, and creating an enhanced resource network. She said in response to the initiative of the 2005 Business Congress, the Department of Commerce has implemented an internal image campaign which was launched in March 2006.

In response to a question from Representative Kasper regarding creation of a photo gallery, Ms. Finneman said she recognizes that larger companies do have business photos available online and the department does work with these larger companies; however, the smaller businesses do not have the same online presence. She said it would be helpful to take photos of these smaller businesses and have them available as an online gallery.

In response to a question from Senator Warner, Ms. Finneman said in order to deal with issues of intellectual property, it may be necessary to negotiate with each individual photographer or organization.

Representative Berg said he appreciates Ms. Finneman's efforts and thinks the department is on the right track.

Representative Berg said workforce needs is a developing concern and some North Dakotans are looking outside the North Dakota job market. He said to attempt to address this, perhaps some of the department's image campaign could focus on positive aspects of the state's cost of living and low crime rates.

Ms. Finneman said she is cognizant of the state's workforce needs and the department is making efforts to meet across the state. She said an example of a specific effort being taken to address workforce in the state is that the department has a summer intern who

is working to contact the alumni publications of the institutions of higher education in the state.

Chairman Berg called on Ms. Otte Coleman to make a presentation relating to current efforts and proposals regarding message training for employees. She gave a computer presentation, which is included as part of [Appendix D](#).

Ms. Otte Coleman said current efforts include the Lewis and Clark hospitality training program and the rest area brochure fulfillment program. She said future goals include a statewide visitor information center employee training program and a statewide hospitality training program. She said specific challenges related to message training for service sector employees include establishing the required buyin and support from businesses and the high rate of labor turnover in the hospitality industry.

Representative Berg said as the committee moves forward it needs to know what it can do to help take the Division of Tourism to the next level. He requested that at a future meeting Ms. Otte Coleman present additional information focusing on what changes can be made from a legislative standpoint.

Ms. Otte Coleman said through her presentation she has tried to focus on future goals and challenges. She said she would be happy to provide the committee with additional information regarding legislative changes that can be made.

Representative Glassheim said he perceives tourism as generally addressing out-of-state image. He thinks there would be value to have a dedicated staff person to speak to North Dakotans across the state regarding the specific issue of image.

Representative Berg said he sees the value in having rest area caretakers trained in selling the high points of North Dakota to travelers who pass through rest areas.

Chairman Berg called on Ms. Otte Coleman to make a presentation regarding current and proposed incentives for tourism facilities. She gave a computer presentation, which is included in [Appendix D](#).

Ms. Otte Coleman said challenges faced by the Division of Tourism include the minimal amount of dedicated tourism dollars available, the lack of a central coordinator for tourism facilities, and the typical funding requirement that a business be a primary sector business in order to qualify for incentive dollars.

Representative Berg said he recognizes the primary sector business concern and this is exactly the type of issue the committee may wish to address.

Ms. Otte Coleman distributed a document that outlines some of the criteria for incentive programs relevant to tourism facilities. A copy of this document is on file in the Legislative Council office. She said incentive dollars for tourism facilities are available from the North Dakota Development Fund, Inc., and the Agricultural Products Utilization Commission (APUC).

Representative Berg asked what the committee can do to take tourism facility incentives to the next

level. He said state grants and loans seem limited in what they can do. He requested that Ms. Otte Coleman bring additional information to a future meeting regarding legislative actions that may address the issue of incentives for tourism facilities.

Attracting and Retaining Young People and Young Families

Chairman Berg said under the key issue of attracting and retaining young people and young families, the following three action items have been identified:

1. Target marketing and offer incentives to young people and young families;
2. Continue to hold focus groups for young professionals and students; and
3. Recruit students to North Dakota institutions of higher education.

Chairman Berg said for each of these action items it is important to remember the key issue is how each of these areas can be addressed to ultimately attract and retain young people and young families.

Chairman Berg called on Mr. Cory Fong, Tax Commissioner, to make a presentation regarding current efforts and proposals to target marketing and offer incentives to young people and young families. Mr. Fong gave a computer presentation, a copy of which is attached as [Appendix F](#).

Mr. Fong said he is very interested in economic development in North Dakota. He said he was able to work on some of these issues when he was deputy commissioner at the Department of Commerce. Additionally, he said, he has followed the activities of the Economic Development Committee as it carries out its business climate study, including the 2006 Business Congress.

Mr. Fong said although his computer presentation includes a summary of income tax incentives, he will focus on what can be done better. He said one way to consider addressing workforce needs may be to provide incentives for workforce recruitment and retention-related expenses and possibly for quality-of-life-related projects. He said as it relates to workforce recruitment and retention, it may be tricky to establish appropriate criteria for retention. He said internships are good bridges between innovation and universities helping to get jobs in North Dakota.

Mr. Fong said the concept of research expense credits is already in North Dakota law; however, it is not used very much in North Dakota in its current format. He said infrastructure enhancements may specifically focus on transportation.

Mr. Fong said he believes the Tax Commissioner plays a role in economic development; however, one challenge that needs to be recognized is because the Tax Department performs tax regulation, it is important for the department to keep at arm's length in business dealings. He said the department is addressing this challenge through reorganization and he is requesting legislative support as he undertakes this reorganization.

Representative Berg said he appreciates that Mr. Fong provided concrete ideas and the issue of expanding the research expense credit has been raised in an earlier meeting by Representative Gulleason.

Chairman Berg called on Mr. Eric Hardmeyer, Bank of North Dakota, for a presentation regarding current efforts and proposals to target marketing and offer incentives to young people and young families. Mr. Hardmeyer provided written testimony, a copy of which is attached as Appendix G.

Mr. Hardmeyer provided background information and suggested improvements regarding the beginning entrepreneur loan guarantee program, partnership in assisting community expansion (PACE) loan program, and the new venture capital program.

Mr. Hardmeyer said that suggested improvements for the beginning entrepreneur loan guarantee program include Bank of North Dakota-sponsored legislation that will increase the total volume that the Bank of North Dakota can guarantee under the program. He said for purposes of the PACE loan program, he suggests that the Bank of North Dakota seek a higher appropriation amount for the next biennium. He said he does not have any suggested improvements for the new venture capital program.

Representative Berg said for the suggested changes for the beginning entrepreneur loan guarantee program, he requested that Mr. Hardmeyer draft proposed language so that the committee could include this in its legislative package.

In response to a question from Representative Berg, Mr. Hardmeyer said under the PACE loan program, as interest rates increase, the program becomes a more valuable incentive.

Mr. Hardmeyer said that Bank of North Dakota student loans may be another area in which the state can positively impact the attraction and retention of young people and young families. He said that over the last couple of years, interest rates have been at historic lows with fixed rates at between 3 and 4 percent. However, he said, there have been federal changes that impact new loans, resulting in fixed rates at 6.8 percent. He said student debt increases as tuition costs increase and interest rates increase, with a current average student debt of \$19,000.

Mr. Hardmeyer said the Bank is doing three things related to student loans. First, he said, the Bank has a fixed rate option which is a state alternate loan program for students who have maxed out traditional loans. Second, he said, current federal loans have a 3 percent initiation fee that the Bank of North Dakota pays. Third, he said, the federal government is silent on who pays the 1 percent guarantee fee and the Bank of North Dakota has chosen to pay this expense.

Mr. Hardmeyer said possible enhancements to encourage students to stay in the state may include student loan forgiveness, such as what is already happening with optometrists and dentists.

In response to a question from Representative Berg, Mr. Hardmeyer said for purposes of the three programs he reviewed, in order to participate, a student either needs to be a North Dakota resident, regardless of whether the school attended is in the state or out of state, or needs to be an out-of-state resident who is attending a North Dakota school.

Representative Berg said the Bank's student loan programs may incentivize out-of-state students to attend North Dakota schools.

Chairman Berg called on Ms. Zander to make a presentation regarding current efforts and proposals to target marketing and offer incentives to young people and young families. Ms. Zander provided written testimony, a copy of which is attached as Appendix H.

Ms. Zander said her written testimony includes information regarding the current efforts being undertaken by Job Service North Dakota but she will focus her testimony on proposed efforts. She said because the funding for Job Service North Dakota is almost 100 percent federal, one action that could be taken is to designate state funds to better address the state's agenda. She said under the current format with reliance on federal funding, Job Service North Dakota is required to focus on the federal government's agenda and also is vulnerable to the availability of federal funds. Additionally, she said, on page 5 of her written testimony, she informally queried the younger research analysts at Job Service North Dakota and included the comments these individuals provided. She said she brings this to the committee's attention because it seems employers need to be aware of the expectation of younger employees.

In response to a question from Representative Ruby, Ms. Zander said she is familiar with the career education program in Grand Forks which was reviewed by the committee at its last meeting. She said Job Service North Dakota does work closely with schools in the state and the schools do tap into the labor market information.

In response to a question from Representative Berg, Ms. Zander said in the past, employees of Job Service North Dakota have gone out to schools to provide outreach services; however, because of decreases in funds, these onsite visits are decreasing. She said she will provide the committee members with additional information regarding what is being done to provide outreach to the schools.

Representative Ruby said it sounds as if the exchange of information between Job Service North Dakota and the schools is not being fully utilized and is not being provided statewide. He said the state should strengthen the Job Service North Dakota link with the kindergarten through grade 12 schools.

Representative Berg said the committee is faced with an age-old problem of 80 percent of North Dakota students going on to earn a four-year degree, but the number of North Dakota jobs requiring a four-year degree is significantly less than 80 percent of the jobs in the state.

In response to a question from Representative Kasper, Ms. Zander said because of decreasing federal funding, the focus of Job Service North Dakota has been to educate the professionals in the schools instead of providing onsite visits. She said Job Service North Dakota does promote technology and use of the web in providing services to schools.

Chairman Berg called on Ms. Amanda Butcher Mack, Department of Commerce, to provide a presentation regarding current efforts and proposals to target marketing and offer incentives to young people and young families. Ms. Butcher Mack gave a computer presentation and distributed written testimony. A copy of her written testimony is attached as Appendix I.

Ms. Butcher Mack provided an overview of the North Dakota ambassadors program, including a program overview, review of current marketing and incentive efforts, the greatest challenges being faced by the program, greatest opportunities that can be recognized, proposed modifications to current marketing and incentive efforts, and specific improvement suggestions.

Ms. Butcher Mack said there are approximately 1,000 North Dakota ambassadors who reside in 26 states and 6 countries. She said one of the challenges she faces is finding ways to contact the 2.1 million former North Dakotans who are living outside the state. She said action has been taken to address this challenge and includes new efforts with alumni organizations, considering expanding the audience, and increasing the relationship with Job Service North Dakota to get information into the schools.

Representative Berg said the committee is faced with the challenge of attracting and retaining young people and young families. He said he recognizes the ambassador program brings in businesses but the committee needs to look at what the Legislative Assembly can do to help the ambassadors program recruit a workforce. He said he recognizes that North Dakota has the challenge of having a limited number of upper management positions available in the state.

Ms. Butcher Mack said several ambassadors are executive recruiters so perhaps they have a role in the ambassadors program. Representative Berg said perhaps the committee could consider providing incentives for executive recruiters who bring workers into the state.

Chairman Berg called on Mr. Michel Hillman, North Dakota University System, to make a presentation regarding current efforts and proposals to recruit students to North Dakota institutions of higher education. Mr. Hillman provided committee members with a binder of written information and gave a computer presentation. A copy of the computer presentation is attached as [Appendix J](#). A copy of the material included in the binder is on file in the Legislative Council office.

Mr. Hillman said the North Dakota University System enrollment management/service plan is

included in the material in the binder. He said of particular importance is the fact that the enrollment strategies include the strategy of expanding the state's population base.

Representative Kasper asked what the North Dakota University System is doing to attract and retain out-of-country students. Mr. Hillman said the material in the binder includes information regarding recruitment of international students as well as statistics on international educational exchange in North Dakota. He said it is interesting to note that the North Dakota University System enrollment is approximately the same size as the enrollment for the University of Minnesota; however, North Dakota has half the number of international students as the University of Minnesota. He said the North Dakota University System has approximately 2,000 international students, of which 176 are from Manitoba and 261 are from Saskatchewan.

Mr. Hillman said there was a 2005 proposal to look at implementing a statewide international student recruitment plan. He said this plan was approved by the State Board of Higher Education but due to problems associated with ConnectND, these funds were rerouted for other purposes. He said as part of the background information for the 2005 proposal, the North Dakota University System wrote a white paper on the issue of international students, a copy of which is included in the binder.

In response to a question from Senator Syverson, Mr. Hillman said the 2005 international recruitment proposal does provide for targeting international recruitment in specified countries, such as Turkey.

Representative Berg said the committee's goal is to recruit students to North Dakota institutions of higher education for the purpose of attracting and retaining young people and young families. He said if the North Dakota University System enrollment from out-of-state students can be increased, it will help to attract and retain young people and young families. He said in looking at what actions the state can take to further this objective, we should attempt to align the efforts to target the countries and the areas from which we recruit students. For example, he said, it would be valuable to recruit students in study areas in which North Dakota has job needs and to align recruitment with countries with which North Dakota has trade relationships.

Representative Berg asked Mr. Hillman what the committee can do to help the University System recruit students.

Mr. Hillman said the University System is affirmatively taking action to recruit students, taking advantage of all levers given current resources. He said proposals include international student recruitment as well as providing online education services. He said he recognizes that although online education does not automatically bring students to this state, it does take a first step in getting out-of-state students familiar with North Dakota and the North Dakota University System. Additionally, he said, a

proposal may include hiring a full-time employee to go to student fairs across the country, representing the North Dakota University System as a whole. Finally, he said, he supports English as a second language program because these students may stay for academic programs in the state.

In response to a question from Representative Kasper, Mr. Hillman said the North Dakota University System does allow for online education for out-of-state students. He said over 100 online programs are delivered through partnerships between campuses in North Dakota and out-of-state schools. He said the North Dakota University System has a designated position that addresses articulation and transfer and North Dakota leads the country in this area. He said he is looking at addressing articulation and transfer with out-of-state education programs at this time.

Representative Ruby said the committee needs to remember that only 25 percent of North Dakota high school graduates are prepared to enter college.

Representative Kasper said he recently visited the island country of Antigua, which is an English-speaking, Christian culture, with educational needs in the area of four-year programs.

Mr. Hillman said the North Dakota University System did followup on the request made by Representative Kasper and has not yet heard back from a representative from Antigua.

In response to a question from Representative Glassheim, Mr. Hillman said for purposes of the international recruitment proposal made in 2005, the North Dakota University System has everything it needs, except the funding.

In response to a question from Senator Taylor, Mr. Hillman said the issue of student visas is an important question. After 9/11, he said, the availability of student visas did tighten up but things seem to be opening up again. He said there is recognition at the federal level that education of international students is good for international relationships. He said countries vary in how they restrict student attendance for the United States. For example, he said, the Chinese government has an expectation that students educated outside the country of China return home following their education but this is not true of all countries.

Representative Berg said he recognizes there is increasing competition for students. He said if the North Dakota University System seeks legislative support, he would suggest that it align its recruitment efforts with trade country focuses, workforce needs, and pursuing areas of excellence, such as polymers and coatings. He said that recruitment needs to be a priority for each campus in the North Dakota University System. Additionally, he said, he sees Grand Forks, Fargo, and Bismarck as having large immigrant populations and therefore as having strong English as a second language program.

Mr. Hillman said the 2005 international recruitment proposal was an attempt to pursue this recruitment on a low budget with the goal of ultimately being self-

sustaining. He said the 2005 proposal was not based on the partnerships and suggested alignments being suggested by the committee today. He asked for guidance regarding how he should pursue the suggested changes.

Representative Berg said the committee can pursue proposals in a variety of ways, including putting required language in the committee's legislative package. He has suggested that Mr. Hillman work with the Legislative Council staff to craft the required language to be presented to the committee for consideration for the committee's legislative package.

In response to a question from Senator Syverson, Mr. Hillman said the state's future is tied to education from preschool to graduate school and the P-16 Task Force is evaluating what kind of changes need to be made to keep up with the state's needs. He said the North Dakota University System has challenging programs and the licensure examination success rates reflect the quality of these programs.

In response to a question from Representative Berg, Mr. Hillman said the North Dakota University System is taking actions to address incentives for nonresident students to attend school in North Dakota. He said it is considering flexibility for tuition and is expanding recruitment in the states that have university systems that are full.

In response to a question from Representative Berg, Mr. Hillman said when it comes to flexibility for tuition, it is important to remember that education is not funded by enrollment-driven funding. He said higher enrollment is not a cost to the taxpayer.

In response to a question from Representative Glasheim, Mr. Hillman said the P-16 Task Force is addressing the importance of language skills and the federal academic competitiveness grant rewards foreign language skills. He said it might be possible to consider a state companion program to complement this federal program.

In response to a question from Representative Kasper, Mr. Hillman said some states' university systems lack capacity. For example, he said, in Washington there is capacity in the two-year education programs but not the four-year programs and in California there is a lack of capacity at all levels.

In response to a question from Senator Warner, Mr. Hillman said when online courses are offered in areas such as speech, it is easier to complete the course on campus but there are ways to do it without coming to the state.

Representative Berg requested that Mr. Hillman continue his presentation and address proposed efforts for increasing communication between businesses and institutions of higher education; current and proposed efforts to promote seamless lifelong learning; and current and proposed efforts to provide a demand-driven education that is responsive to job market needs in the state.

Representative Berg said examples of areas in which increased communication is needed include the energy sector and nanotechnology. He said he seeks to have a better interface between jobs and education programs. He asked what the Legislative Assembly can do to help the University System react quickly to workforce needs.

Mr. Hillman said the State Board of Higher Education does have some funding to initiate positioning at the different campuses and this is valuable. He said the North Dakota University System has the fastest approval at the State Board of Higher Education level but this does not necessarily address the speed at which the campuses are reacting to business needs. Additionally, he said, in 2002 the North Dakota University System established CC Benefits, which is a collaboration with the Association of Community College Trustees. Under CC Benefits, he said, studies are performed on the economic impact of a college, enhancing a college's ability to better serve its stakeholders while addressing economic development.

Representative Berg said he would like to receive more information regarding CC Benefits as it seems like this program is right on track. He said the state needs to identify commercial benefits to filling the emerging and targeted faculty needs.

Mr. Hillman said under the existing structure, campuses have an incentive to increase enrollment and to provide courses in emerging areas. He said if a campus's enrollment increases, the campus gets to keep the tuition.

Mr. Hillman said he thinks the committee's discussion is very valuable and he will take this information back to the State Board of Higher Education when it meets in August.

Chairman Berg said he is looking at legislative drafting to take place in July and August and hopes Mr. Hillman can provide some guidance in this undertaking before the August meeting of the State Board of Higher Education.

Representative Kasper said he is interested in reviewing the budget for international recruitment.

Chairman Berg asked that the committee first focus on the substance of the program and the required action steps and focus on funding needs second. He said he recognizes that the committee will need to address the fiscal impact but would like to first spend the committee's resources on identifying substance.

Representative Martinson said the State Board of Higher Education budget proposal for the upcoming biennium is already prepared.

Representative Berg said the 2005 international recruitment proposal differs from the aligned version that has been discussed in committee today.

Senator Warner said comments made by Mr. James Burgum, Governor's office, regarding data collection for the internship program should be addressed by the committee. Ms. Carlee McLeod,

Governor's office, said she would inform Mr. Burgum of the committee's request.

Chairman Berg said at the next meeting of the committee, the committee will receive several reports and will need to begin fleshing out the proposed legislative package. He said the tentative date for the next meeting of the committee will likely be in the third week in July.

No further business remaining, Chairman Berg adjourned the committee at 2:50 p.m.

Jennifer S. N. Clark
Committee Counsel

[ATTACH:10](#)