

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

ECONOMIC DEVELOPMENT COMMITTEE

Wednesday, October 26, 2005
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Rick Berg, Chairman, called the meeting to order at 9:00 a.m.

Members present: Representatives Rick Berg, Dawn Marie Charging, Donald L. Clark, Donald D. Dietrich, Mark A. Dosch, Eliot Glassheim, Pam Guleson, Jim Kasper, Bob Martinson, Lisa Meier, Eugene Nicholas, Kenton Onstad, Dan J. Ruby, Elwood Thorpe, Clark Williams; Senators Nicholas P. Hacker, Duane Mutch, Randy A. Schobinger, John O. Syverson, Ryan M. Taylor

Members absent: Senators April Fairfield, John M. Warner

Others present: See Appendix A

Chairman Berg welcomed the committee members and briefly reviewed the history of the Legislative Council's Economic Development Committees. He said the activities of this committee in large part stem from the 1999-2000 interim with the activities of the interim Commerce and Labor Committee, chaired by Representative Eliot Glassheim. He said that committee was responsible for introducing legislation creating the Department of Commerce. On a more recent note, he said, during the 2003-04 interim, the interim Economic Development Committee initiated the activities of the business climate study which will be continued by this committee during the 2005-06 interim and which are planned to continue during the 2007-08 interim.

Chairman Berg said at his request, the Greater North Dakota Chamber of Commerce sent a letter to local economic developers in this state requesting information that will help the committee in its charge to study the state's business climate and to participate in the business climate focus groups and the Business Congress. He said he looks forward to working with the Greater North Dakota Chamber of Commerce during this interim. Additionally, he said, the legislation creating this committee charge, Section 17 of Senate Bill No. 2032 (2005), specifically provides that the Department of Commerce will be actively involved in the committee's activities, which is a bit of a change from the language of the study charge during the 2003-04 interim. As last interim, he said, the committee is charged with contracting with a consultant to assist in the business climate focus groups and Business Congress.

Chairman Berg said the objectives of this committee should include considering how to:

1. Instill a process the state can use on an ongoing basis in order to continually evaluate the state's business climate;
2. Provide for a transition so that this process can be done by the state without requiring the use of a private consultant; and
3. Effectively track the results of the outcome of the committee activities in order to continually improve the business climate and to improve the study activities undertaken by the committee.

Chairman Berg called on Mr. John D. Olsrud, Director, Legislative Council, who reviewed the [*Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council*](#).

BUSINESS CLIMATE STUDY

Chairman Berg called on committee counsel to review a memorandum entitled [*Business Climate Study - Background Memorandum*](#).

In response to a question from Representative Glassheim, Chairman Berg explained that the committee members will attend and participate in the focus group discussions to be held across the state. He said he plans on continuing the process by which the committee members sit at tables with invited business leaders in order to encourage face-to-face discussion between business leaders and committee members.

In response to a question from Representative Guleson regarding whether the state's eight regional planning councils of economic development corporations and job development authorities will be participating in the committee's activities. Representative Berg said the study charge includes the requirement that the committee hold focus groups specifically for economic developers and this may be the appropriate time to request the input of the regional planning councils. He said the study charge is twofold in that it directs the committee to hold focus group discussions with business leaders and it requires the committee to hold focus group discussions with local economic developers.

In response to a question from Representative Glassheim regarding when the local economic

developers would be invited to provide input at meetings, Representative Berg said although the study charge requires six focus groups--two aimed specifically at economic developers and four aimed specifically at business leaders--it is his assumption that at the focus groups for the business leaders, the only local economic developers invited will be those economic developers from the host city.

Chairman Berg called on Mr. Shane Goettle, Department of Commerce, to discuss how the department will be working with the committee during the interim. Chairman Berg said Mr. Goettle represents one of North Dakota's best and brightest and he is excited to have him return to work for the state of North Dakota. Mr. Goettle said he is serving as Deputy Commissioner of Commerce and will transition into Commissioner of Commerce on December 1, 2005.

Mr. Goettle outlined some of the activities of the Department of Commerce and recent successes the department has recognized. A copy of his written testimony outlining this information is on file in the Legislative Council office.

Mr. Goettle said that in assisting the committee with the business climate study, the Department of Commerce suggests the following format:

- The department will work with the Greater North Dakota Chamber of Commerce, Economic Development Foundation, and local economic developers in developing a list of "movers and shakers" within the business community.
- The department will send out a brief survey to individuals on the preliminary invitation list to get them thinking about the issues that will be raised at the focus groups and to give the individuals a preliminary idea of what to expect at the focus groups.
- Business leaders and economic developers who send back their surveys will be invited to the focus groups.
- Focus groups will be professionally facilitated. The Department of Commerce is drafting a solicitation to secure a local vendor to provide professional services. Additionally, the department is planning on using the services of Mr. Miles Friedman, the consultant who provided services for the committee during the 2003-04 interim. Mr. Friedman will help the local vendor to develop the format for the business climate activities.
- The department anticipates scheduling focus groups in the cities of Grand Forks, Fargo, Minot, and Bismarck specifically for business leaders and two focus groups specifically for local economic developers.
- The consultant will develop a report from the findings of the focus groups and experts will

then be engaged to suggest solutions to identified issues.

- Finally, the Business Congress will be held to review the activities of the focus groups and propose solutions and the committee will move forward drafting necessary legislation.

Mr. Goettle said he is working with the Legislative Council staff to ensure the department's activities reflect the wishes of the committee.

In response to a question from Senator Taylor, Chairman Berg said the committee will need to make a directive regarding the issue of who will be providing the consultant services for the committee. He said that one option for the committee to consider is to have Mr. Friedman continue to provide services during this interim, with the focus on working with and essentially training a local consultant in order to provide a local consultant with information regarding the procedure that was followed last interim as well as the thought process undergone by Mr. Friedman in establishing this procedure. Mr. Goettle said he would like to see these consultant services provided by a local consultant and as part of this would support having Mr. Friedman essentially "train the trainer." He said once the local consultant is trained on how to facilitate these focus groups and the Business Congress, he would envision that this process could continue every two years with a local facilitator.

Chairman Berg said the way the study charge is designed, the Legislative Council is charged with contracting with a consultant to provide these services and the funding for these services is appropriated to the Department of Commerce. He said the Department of Commerce will work with the committee in selecting and contracting with the appropriate consultant.

It was moved by Representative Nicholas and seconded by Senator Mutch that the Department of Commerce be requested to negotiate with Mr. Miles Friedman and draft and finalize a contract with Mr. Friedman, subject to Legislative Council approval, for the provision of professional services specifically designed to transition to having a local consultant provide these professional services; that the Department of Commerce be requested to assist the Legislative Council in locating a local consultant to assist the committee in providing services for the focus groups and Business Congress; and that the Department of Commerce be requested to draft a contract for this local consultant's professional services, subject to Legislative Council approval.

In response to a question from Representative Glassheim, Representative Berg said that in selecting a local consultant, he assumes the Department of Commerce will assist the Legislative Council staff in drafting a request for proposal in order to solicit bids for these services. He said the Legislative Council would make the ultimate decision regarding the

consultant selected. Mr. Goettle said that the Department of Commerce would assist in drafting a request for proposal to find the local consultant.

After this discussion, **the motion passed by voice vote.**

Representative Nicholas said this committee has a unique opportunity because of Mr. Goettle's background in agriculture and he encourages the committee to help the department connect the dots between energy and agriculture.

Chairman Berg asked the committee to consider issues the committee may specifically wish to be included as part of the focus group discussions.

Representative Thorpe said value-added agriculture, biodiesel, and ethanol all offer opportunity. He said this window of opportunity may be limited to the next 10 to 12 years and the state will need to focus on how best to benefit from these opportunities.

Representative Guleson said it may be important to look at the infrastructure needs of the state relevant to development. For example, she said, issues relating to water, natural gas, and electrical load capacity have a direct impact on the ability of a region to support economic development.

Representative Glassheim said although he is slightly cautious when it comes to ethanol because ethanol production might take more energy than ethanol saves, he thinks it is important to consider sustainability when addressing these energy issues.

Representative Berg said the activities of the committee should focus on creating jobs. He said job creation is 80 percent growing existing North Dakota businesses, 10 percent companies moving into the state, and 10 percent new businesses.

Representative Glassheim said the focus groups should address how to support business endeavors that are spinoffs from research, such as nanotechnology businesses and bioscience businesses. Representative Nicholas said he thinks the real opportunities are in the area of nanotechnology.

Chairman Berg called on Mr. Dave Maclver, President, Greater North Dakota Chamber of Commerce, for comments regarding the business climate study. Mr. Maclver provided written testimony, a copy of which is attached as Appendix B.

Mr. Maclver said the Greater North Dakota Chamber of Commerce has been holding territorial meetings across the state and the main theme that he hears at these meetings is the issue of workforce availability, specifically in the areas of the trades, services, and professional sectors.

Mr. Maclver said as the committee moves forward with the business climate study, he encourages the committee to watch out for unintended consequences. Generally, he said, the challenges being faced by North Dakota are not unusual and states across the country are being faced with these same challenges. He said the Greater North Dakota Chamber of

Commerce looks forward to being a participant in the work of the committee.

Representative Charging said an example of unintended consequences happened in New Town in that although the construction project for the new bridge had a positive impact on the community, it did bring to the community's attention the issue of the illegal workforce that came to provide some of these services and the reality that the Border Patrol has limited resources to address the issues related to illegal immigrants.

In response to a question from Representative Kasper regarding the need to retain our workforce, Mr. Maclver said the best and brightest in the state are not leaving. However, he said, one concern communities voice is that if we send our kids out of the community in order to be trained, oftentimes these kids do not return; therefore, communities want to provide this training closer to home. He said an issue related to local training is the need for adequate housing for individuals undergoing this training.

Representative Syverson said that he is pleased to see that Mr. Maclver is aware of and is trying to address the need to provide and support technical education.

Representative Berg said it is important to have communication between the education system and the business sector in order for the education system to understand the business needs in the state. He said that North Dakota's unemployment rate is deceiving because most North Dakotans will not tolerate sitting around and waiting for jobs; instead, we are more prone to leave a community in order to look for a job. He said he is interested in looking at linking training or education with information regarding future job needs.

Representative Ruby said some counties in the state have high unemployment rates and we do not want these rural counties to lose their populations as individuals leave to look for employment.

Representative Berg said part of the committee charge is to see what state actions can address these business climate needs and what state actions can have a positive impact on the state's business climate.

Senator Hacker said traditionally, four-year degree students are more mobile than lesser-educated individuals and are more willing to move if a job is not available in the community in which they live. He said that rural areas often lack the job opportunities four-year degree students are seeking.

VENTURE AND RISK CAPITAL STUDY

Chairman Berg called on committee counsel to review a memorandum entitled [*Venture and Risk Capital Study - Background Memorandum*](#).

Representative Berg said in looking at the issue of venture capital, the committee may find that there is adequate venture capital opportunity in the state;

however, North Dakota businesses do not want to give up control of the business to a venture capitalist. He said one option for the committee to consider in going forward with this study is look at the spectrum of programs available in the state to determine if it is possible to streamline these programs. Another thing for the committee to consider in performing this study, he said, is that often public venture capital fails because unlike private venture capital, public venture capital decisionmakers do not truly have a stake in the outcome of the investment. He said the issue of venture capital is a critical issue in this state and the committee will need to dig deep to perform a valuable study.

Senator Hacker said public venture capital is tough. He said there is a question regarding whether the public sector is really the best or most appropriate provider of venture capital.

Representative Berg said one option may be to provide incentives to private venture capitalists to consider investing in North Dakota companies. He said that private venture capital brings a level of expertise that may not be available in the public sector.

Representative Kasper said there is a question of whether there is actually a lack of venture capital firms or instead whether there is a lack of venture capital deals. He asked whether the state takes any affirmative action in getting the word out to venture capitalists about the investment opportunities in this state. Representative Berg said he thinks Representative Kasper has hit the nail on the head and that North Dakota has a limited volume of venture capital deals available.

Representative Gulleason said at a recent technology conference in Fargo, one of the issues discussed was that part of the problem is lack of deals in the state.

Representative Glassheim said he would like to receive more information regarding the use of all of the different investment and financing programs in the state.

Representative Nicholas said there is capital available in this state but there may be a need for assistance and helping investors come up with the right projects. He said the Bank of North Dakota might be suited to assist in facilitating these matches.

Representative Glassheim said as part of the study, the committee should try to determine exactly what elements are needed relating to venture capital.

Representative Berg said it would be helpful for the committee to receive information regarding which of the financing programs in the state are being used. He requested that the Department of Commerce provide the committee with information regarding the use of all of the economic development programs, not just venture capital.

Representative Glassheim said for quite awhile he has tried to come up with a way to give North

Dakotans the opportunity to invest a small amount of funds in a larger fund that specifically invests in North Dakota. He said his experience has been that there may be some federal laws that restrict the ability to make this happen. Representative Kasper said he thinks Minot has a North Dakota-specific investment opportunity like this.

Senator Hacker said in looking at the state of financing, there may be a lack of seed capital or early-stage financing in this state and there might be something the state could do to encourage angel investors.

REPORTS TO COMMITTEE

Status Reports on Programs and Studies

Bank of North Dakota

Representative Berg called on Mr. Eric Hardmeyer, President, Bank of North Dakota, for a brief status report of the Bank's investment in alternative and venture capital investments and early-stage capital funds under North Dakota Century Code (NDCC) Section 6-09-15(4)(c). Mr. Hardmeyer said that to date under this investment program, the Bank has committed to the following 12 projects:

Name	Amount Committed
Alien Technology	\$2,450,000
Dynasecco, Inc.	75,000
Grizella Corp.	300,000
Feed Management	500,000
Vanguard Manufacturing	385,000
Red Trail Energy	500,000
Hensley Aircraft	75,000
Vtrenz	275,042
GYG Technologies	100,000
SEO Precision	50,000
Results Unlimited	300,000
Gruby Technologies	150,000
Total	\$5,160,000 ¹

¹Of the total amount committed, only \$1,045,037 has been funded.

Mr. Hardmeyer said of these 12 projects, 8 are structured as equity investments and the other 4 are structured as loans. He said for the most part, these projects are startup companies and the fund typically will not commit more than \$300,000 per project.

In response to a question from Representative Berg regarding the typical terms under this program, Mr. Hardmeyer said in the case of a subdebt, the project is structured as a loan; however, if this is an equity investment, it is generally structured with preferred stock or capital stock.

In response to a question from Senator Hacker, Mr. Hardmeyer said under this program, the Bank typically tries to structure a subdebt with warrants in order to allow conversion to equity. He said 10 of the 12 projects are beginning or early-stage companies. However, he said, Alien Technology is an exception to some of these generalizations.

Representative Berg requested the Bank to provide the committee with information regarding the

use of all of the Bank's business funding programs and any recommendations and how to change these programs to be more streamlined and efficient.

Department of Commerce

Chairman Berg called on Mr. Goettle to report on the status of the department's new programs, the American Indian Business Development Office, International Trade and Business Office, local economic developer certification program, image information program, business hotline program, and Dakota Manufacturing Initiative. Mr. Goettle provided written testimony, a copy of which is attached as Appendix C.

In addition to his written testimony, Mr. Goettle provided the committee with information from the department's July 20, 2005, strategy session regarding the North Dakota American Indian Business Development Office and a memorandum regarding the progress on the Dakota Manufacturing Initiative, copies of which are on file in the Legislative Council office.

Regarding the local economic developer certification program, Representative Berg said he is a little concerned with the direction this program seems to be taking. He said he thinks the interim committee's vision for this program was to help local economic developers, especially those in smaller communities, to learn the basics of economic development in North Dakota. He said the program should help these local economic developers in teaching them the basics regarding our state economic development programs, teaching the basic steps a person needs to take to participate in these programs, and introducing these economic developers to the individuals who administer these programs. He said this process to teach these basic elements of economic development are especially valuable to smaller communities that may have economic developers who do not have a large amount of experience in economic development and who would benefit from quickly getting up to speed in this economic developer position. Additionally, he said, the 2003-04 interim committee recognized there is frequently a large amount of turnover in economic developers in these smaller communities and that the program would need to be offered on an as-needed basis.

Mr. Goettle said he understands Representative Berg to be saying the interim committee's vision was for a more basic program than what is being proposed by the department.

Representative Berg called on Mr. Paul Govig, Division of Community Services, Department of Commerce, for comments regarding the local economic developer certification program. Mr. Govig said the department has an existing program that provides orientation services for local economic developers and it is possible that the department could expand that program to provide the services Representative Berg raised.

Representative Berg said that by expanding the department's orientation program and adding the certification element, the department could provide a practical and valuable service to local economic developers.

Mr. Govig said the Department of Commerce agrees that the orientation assistance and the certification are both valuable and needed and the economic developer community supports these things.

Representative Onstad said during the last interim, economic developers indicated they are seeking a "tool kit" that includes a list of economic development programs, funding sources, and instructions for using these programs and funding sources.

In response to a question from Senator Taylor regarding whether the Department of Commerce has the necessary staff and resources to expand the existing orientation program, Mr. Govig said the department's discussions resulted in having higher education put together the certification program. Mr. Goettle said in order for the Department of Commerce to provide these orientation services in house, the department would require additional resources.

Representative Berg said the economic developer certification program needs to be very practical. He said he challenges the department's claim that it is not capable of providing this service in house because the department may be overplanning what is required to provide these services.

Senator Hacker questioned whether the certification program could provide for local economic developers to have an onsite visit to Bismarck which is then followed up with an online course leading to certification.

Mr. Goettle said he will spend some time with individuals from the department to better align the program with the concerns that have been raised by the committee today. He said he will get back to the committee at a future meeting regarding what resources the department might have available.

Regarding the image information program, Representative Berg said last interim the committee heard several businesses express concern about the impression visitors get when they visit our state, whether it be from a cabdriver or the person who works behind the desk at a hotel.

Representative Charging said the Division of Tourism used to have a program designed to work with members of the service sector to improve visitors' perception of this state. Representative Berg requested the Department of Commerce to touch base with its Division of Tourism to see whether this program still exists or whether it would be feasible.

Chairman Berg called on Mr. Goettle to report on the status of the two studies the department has been charged with under Sections 51 and 52 of Senate Bill No. 2018 (2005) regarding intellectual property rights

and economic development incentives. Mr. Goettle's testimony regarding these two studies is included in Appendix C.

Regarding the intellectual property study, Representative Gulleason asked whether the open records concerns that have been voiced are specific to any specific law or if there is a specific example of how the open records laws have negatively affected intellectual property rights.

Mr. Goettle said the effect of open records laws on intellectual property rights is an issue that is raised regularly; however, it is typically voiced as a generalized concern. He said there has been success when the department works with larger businesses and they deal with intellectual property rights contractually, but he is hoping to make it easier for smaller businesses to deal with intellectual property rights.

Representative Berg said in looking at the economic development incentives study the department will be conducting, this study appears to intersect with the committee's business climate study and the information the committee has requested from the department.

University System

Chairman Berg called on Mr. Eddie Dunn, North Dakota University System, to report on the status of the centers of excellence program. Mr. Dunn provided the committee members with a copy of the centers of excellence application approved by the Centers of Excellence Commission on August 12, 2005, and a status report of applications, a copy of which is on file in the Legislative Council office.

Mr. Dunn said that the Centers of Excellence Commission was formed, organized, and began its work by July 2005. He said the individuals involved in implementing the 2005 legislation that refined the centers of excellence program have been very cognizant of following the provisions and the intent of the law.

Representative Gulleason requested Mr. Dunn to provide the committee members with information regarding how the state is providing its workforce training programs and whether the needs of businesses and employees are being met, what challenges are faced, and what the state might be able to do to help address these challenges. Mr. Dunn said that the two-year schools have just implemented a program through which they can evaluate the capacity of the training versus the demand for the jobs and he will generate a report in accordance with Representative Gulleason's request and provide this to the committee members.

Representative Berg briefly reviewed the history of the centers of excellence program, including the approval process for new centers of excellence. He said under the new approval process, the State Board of Higher Education and Department of Commerce review and approve a commission recommendation,

the commission recommendation also goes to the Emergency Commission for review, and finally goes to the Budget Section for approval. He said at this point there are four centers of excellence recommendations that have been made by the commission which will soon be coming before the Emergency Commission and the Budget Section.

Chairman Berg called on Mr. Mark Nisbet, Centers of Excellence Commission, to report on the status of the centers of excellence program. Mr. Nisbet made a computer presentation, a paper copy of which is on file in the Legislative Council office. Additionally, he provided a copy of a summary of what a center of excellence is, the funding for the centers of excellence, funding criteria for the centers of excellence, and the funding approval process, a copy of which is attached as Appendix D.

In his computer presentation, Mr. Nisbet defined a center of excellence, reviewed the overall concept of the centers of excellence program, discussed how the centers of excellence program will create opportunity in the area of economic development, reviewed the reporting requirements that require that certain information be provided to the Legislative Council, reviewed the centers of excellence recommendation and approval process, reviewed the criteria to be used in making funding recommendations and funding distribution criteria, and reviewed the activities that have occurred since the completion of the 2005 legislative session.

Representative Berg complimented Mr. Nisbet on his ongoing work and involvement in the centers of excellence program. He said that the centers of excellence program is being watched very carefully and there is a high level of interest in the program. He expressed concern regarding a statement in Mr. Nisbet's written material that provides one of the two primary benefits of a center of excellence--"excellence in education and training--which fosters a highly skilled workforce." He said that although he recognizes workforce is a very important issue, he does not view the centers of excellence program as being a program intended to address workforce issues.

Representative Berg said from his perspective the centers of excellence program is designed to assist partnerships between universities and the private sector to result in economic development growth. As a result of this legislation, he said, he was expecting universities to go out to the private sector to find out what the needs and opportunities were; however, he thinks that what is really happening under this legislation is that universities, such as North Dakota State University, have been the decisionmakers and are deciding what to pursue under the centers of excellence program.

Mr. Nisbet said relating to the workforce element of the centers of excellence program, having a prepared workforce provides a competitive edge to businesses. Additionally, he said, the recommended centers of

excellence are industry-requested programs. He noted specific instances in which the private sector was asked for input. He said the situation with North Dakota State University might be a bit unique in that it was in a position in which it already felt it knew who its private sector partners were.

In response to a question from Representative Martinson regarding the issue of how workforce relates to the centers of excellence program and his concern that this program is going to be perceived by higher education as providing something for everyone, Mr. Dunn reviewed the centers of excellence application forms. Mr. Dunn said the application clearly sets out the 11 listed criteria for funding under the program. He said Nos. 1 through 9 of the listed criteria were legislatively determined, whereas the final two criteria were determined by the Centers of Excellence Commission, including the requirement that there be community support. He said he believes the application and the process follows the letter of the law and the legislative intent. Additionally, he said, the application forms do not specifically address workforce; however, he does view workforce to be a positive spinoff of the centers of excellence program.

In response to a question from Representative Martinson regarding the workforce element, Mr. Dunn said he agrees that the workforce element is not in the centers of excellence legislation and frankly therefore is not on the application. However, he said, the private sector and the universities view the issue of workforce as a valuable spinoff and recognize it as such. Mr. Nisbet said in the case of Xcel Energy, Inc., he noticed that training is related to economic development and it is not intended to be training for the local workforce. He said that private sector industry will create jobs if training is available.

In response to a question from Representative Berg, Mr. Dunn said as applicants appear before the commission, due diligence is taken to make sure there is both a private sector need and private sector support for the program seeking designations as a center of excellence.

Representative Berg said he thinks the private sector should be leading this application process, not the universities, and that includes the private sector initiating the actual application process.

Mr. Nisbet said in the case of Xcel Energy, Inc., the private sector did drive the application process and did affirmatively seek these services. He said he recognizes that the first round of center of excellence applications may be unique in that several university and private sector interests have been sitting around waiting for the opportunity to apply for designation as a center of excellence.

Mr. Nisbet said in his view, the commission was rather conservative in this first round in making recommendations as designations of centers of excellence. Due to this conservative approach, he said,

each of the centers being recommended has almost ensured success.

Representative Berg said the concern he hears from committee members is that the focus of the program should follow legislative intent and additional focuses should not be added just because there is an unmet need that can take advantage of the program or the funds. Mr. Nisbet said that he would take the concerns raised by the committee members back to the commission for its next meeting.

Chairman Berg called on Dr. Robert L. Potts, Chancellor, North Dakota University System, to present a summary of the activities of the University System in preparing for the required report to the committee regarding the study of incentives the state could adopt to serve as a catalyst for stimulating more efficient commercialization of new technologies. Dr. Potts provided written testimony, a copy of which is attached as Appendix E.

Dr. Potts said before conducting this study, the State Board of Higher Education will consult with the Department of Commerce. He said it is yet to be determined whether the study will be conducted internally as a joint effort between the University of North Dakota and North Dakota State University, by a third-party contractor, or a combination of these approaches.

Representative Berg asked Dr. Potts if he could provide the committee with any specific examples of how open meetings or open records laws impact the ability to commercialize new technologies.

Office of Management and Budget

Representative Berg called on Ms. Sherry Neas, Office of Management and Budget, to report on the status of the new program through which the Office of Management and Budget provides procurement information through the Internet and to summarize the activities the agency is taking to prepare for the required report to the committee regarding the agency's procurement assistance center study. Ms. Neas provided written testimony, a copy of which is attached as Appendix F.

Ms. Neas reviewed the activities the Office of Management and Budget is taking to implement the procurement information web site. She said the activities being taken to implement the web site include the upcoming hiring of a new procurement officer, rewriting of the online system used by agencies and bidders to access the state bidders list, modifying the State Procurement Office web site, and notifying vendors on the state bidders list of the changes being made to the web site to provide for online listing of bidding opportunities. She said the Office of Management and Budget plans to have the web site fully implemented by July 1, 2006. Additionally, she said, the Office of Management and Budget, as part of a procurement resource roundtable group organized by the United States Small Business

Administration, plans to work with this group to plan the study related to a procurement technical assistance center.

In response to a question from Representative Kasper regarding whether the Office of Management and Budget has been timely in implementing the web site, Ms. Neas said although a specific date is not specified in the bill requiring the web site, the Office of Management and Budget has been diligently working toward implementing the web site.

In response to a question from Representative Ruby regarding mailing of notices to vendors on the state bidders list, Ms. Neas said the mailing that was made was very broad and anyone who receives a check from the state could be considered a vendor. Therefore, the Office of Management and Budget is seeking to clarify which person who receives checks is actually a vendor for purposes of procurement.

Representative Gulleason said one of the barriers to contracting with the state is often that North Dakota vendors are not able to compete with foreign workers. She said it is important to know where the actual work is being done when the state enters a contract with a vendor.

In response to a question from Representative Kasper, Ms. Neas said North Dakota is a member of the Western States Contracting Alliance, which allows North Dakota to enter cooperative purchasing agreements with other government purchasers. Representative Kasper said he is concerned that as a part of the state's participation in this alliance, some North Dakota vendors get shut out of North Dakota bidding opportunities because vendors able to meet the requirement for the state of North Dakota may not be able to meet the requirement for all of the alliance states.

Renaissance Zone Annual Report

Chairman Berg called on Mr. Richard Gray, Division of Community Services, Department of Commerce, to present the annual report on renaissance zone progress. Mr. Gray provided written testimony, a copy of which is attached as Appendix G.

Mr. Gray said that since his last report to the committee in 2004, five new cities have been added to the renaissance zone list, bringing the total numbers of cities with a renaissance zone to 26. He

said in total there have been 315 projects approved, 186 of which are completed and eligible for claiming state and local tax exemptions and credits.

In response to a question from Representative Glassheim, Mr. Gray said the data he provided regarding the impact on state and local taxes reflects an estimate of the exemptions and credits that will be available over the five years following the close of a project. He said these are estimates until the Tax Commissioner is able to confirm actually claimed credits and exemptions.

Representative Glassheim said he is trying to evaluate the data provided to determine how effective the return on investment is for the state.

Representative Berg said in looking at the 186 projects that have been completed, and the estimate of \$3.1 million in local property tax exemptions that may be claimed over the next five years, if there is \$70 million in value created through the improvement of the property and there is a 2 percent general property tax rate, this will generate \$1.4 million per year of additional property tax revenues for these local communities. He said he has always been amazed with the success of this program and the value the local community is receiving due to increased property tax revenues.

Mr. Gray said the property tax and income tax exemptions have been very effective incentives. He said that people have been very willing to take advantage of even relatively small tax relief in order to recognize a tax saving.

In his closing remarks, Chairman Berg proposed future meeting dates of January 10-11, 2006, February 7-8, 2006, March 1, 2006, and April 19-20, 2006. He said committee members should review these dates and contact him or committee counsel if there are significant conflicts. No further business remaining, Chairman Berg adjourned the meeting at 2:25 p.m.

Jennifer S. N. Clark
Committee Counsel

[ATTACH:7](#)