

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

INDUSTRY, BUSINESS, AND LABOR COMMITTEE

Friday, October 26, 2007
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, Bill Amerman, Donald L. Clark, Mark A. Dosch, Glen Froseth, Jim Kasper, Darrell D. Nottestad, Gary Sukut, Elwood Thorpe, Don Vigasaa; Senators Arthur H. Behm, Robert M. Horne, Jerry Klein

Members absent: Representatives Tracy Boe, Steve Zaiser; Senators Nicholas P. Hacker, Terry M. Wanzek

Others present: See [Appendix A](#)

Chairman Berg called on committee counsel who reviewed the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council](#).

COMMERCE DEPARTMENT STUDY

Chairman Berg said one of the studies the committee will be addressing at a future meeting is a comprehensive study of the Department of Commerce. He said the business climate in the state is good and a recent study indicated that North Dakota ranked high nationally with respect to having a growing economy. He said the Legislative Assembly and state agencies have worked together with the private sector to create a strong business environment. Over the last 18 months, he said, international trade by businesses within the state has increased from \$1 billion to \$1.5 billion, which makes North Dakota the seventh fastest-growing state with respect to international trade. He said programs, such as the seed capital tax credit, renaissance zones, and the PACE program, have been beneficial in promoting business growth within the state. In addition, he said, the energy industry is a driving force in the economy. Although the North Dakota University System is providing training to fill jobs within the state, he said, the biggest problem to be faced in growing the state's economy is the need for a trained workforce. He said state agencies and higher education have been flexible and have been responsive to the needs of business but will need to continue to strive to provide trained workers if the state's economy is going to continue to grow. He said the study of the Department of Commerce will look closely at the department to determine if changes are necessary to improve the business climate for the future.

At the request of Chairman Berg, Ms. Jennifer S. N. Clark, Counsel, Legislative Council, provided a summary of the activities of the interim

Workforce Committee. Ms. Clark said the Workforce Committee will hold its second meeting on October 29, 2007. She said the committee is studying the state's system for addressing workforce needs through a workforce initiative; job development authorities to determine the economic impact created by the authorities, to examine funding mechanisms used by the authorities, and to determine whether the authorities serve a viable purpose; possible methods of growing North Dakota's population and increasing the available workforce in the state; and the means by which the University System fulfills the state's workforce needs.

At the request of Chairman Berg, Ms. Roxanne Woeste, Senior Fiscal Analyst, Legislative Council, provided the committee with an update regarding the interim Higher Education Committee's study of the means by which the North Dakota University System can further contribute to developing and attracting the human capital to meet North Dakota's economic and workforce needs. She said the committee has met twice and participated in a policy discussion with representatives of several state, regional, and national entities. She said the committee identified several higher education policy areas to address and will continue discussion regarding the identified policy areas.

Chairman Berg said the results of the studies conducted by the Workforce Committee and the Higher Education Committee, along with this committee, should identify a strategic plan for future business and workforce development in the state. He said it is vital that workforce training programs be flexible to meet the needs of businesses and communities. As a result, he said, there will need to be an investment in education that will help create job opportunities and the employees required to fill those jobs.

In response to a question from Representative Kasper, Ms. Woeste said one of the policy issues identified by the Higher Education Committee is student retention and graduation rates. She said the committee also has received information regarding the number of students migrating from the state and will examine the role of the North Dakota University System with respect to retaining students in rural areas.

Senator Klein said high school students need better counseling with respect to the job opportunities

available in the state and the value of technical education.

Senator Behm said students often are not aware that many jobs for graduates of technical education programs often pay more than certain jobs requiring a bachelor's degree.

Representative Nottestad said it is important to realize that the growth of vocational programs will require adequate facilities and additional funding.

LICENSURE AND TRAINING OF ELECTRICIANS STUDY

At the request of Chairman Berg, committee counsel reviewed a memorandum entitled [Licensure, Training, and Classroom Education Requirements for Electricians - Background Memorandum](#).

Chairman Berg said the adoption of House Bill No. 1218 during the last legislative session aligned electrician experience and training requirements with nationally recognized standards. He said there was concern regarding the number of apprentice electricians who had failed the journeyman electrician test and questions arose regarding whether the apprentice electricians were receiving adequate training and regarding the nature of the test.

Mr. Don Offerdahl, State Electrical Board, provided written testimony ([Appendix B](#)) regarding the committee's study of the licensure, training, and classroom educational requirements for electricians. Mr. Offerdahl said there is some concern with certain businesses not having appropriate trained individuals onsite supervising electrical work. He said the training and licensing requirements are in place to ensure safety for workers and consumers. He said the State Electrical Board is looking at methods to encourage high school students to enter the electrical trade. He said the State Electrical Board has been very proactive in working to improve the electrical industry, address technological advances, and enter reciprocal licensing agreements with other states. He said North Dakota has entered a reciprocal agreement with several other states which generally requires that a journeyman electrician have 8,000 hours of experience. He said the 8,000-hour experience requirement is a national standard. He said testimony during the last legislative session indicated that 95 percent of the individuals who went through apprenticeship passed the journeyman test.

In response to a question from Representative Berg, Mr. Offerdahl said he sees no further need for legislation or to study the issues relating to the licensing of electricians. He said the State Electrical Board is always looking to improve training and provide better mentoring of apprentices. He said the impact of House Bill No. 1218 will not be seen until February 2009.

Senator Dwight Cook said he supported the inclusion of this study into House Bill No. 1218. Although the board does a great job with regulation of the industry, he said, it is important to see if the

appropriate direction was taken through House Bill No. 1218. If apprentice electricians are not passing the journeyman test, he said, the real question is if 8,000 hours of training is necessary with an education requirement. He said if a person receives a degree in most fields, experience requirements generally are not included as a condition of licensure. Because there is a workforce shortage, he said, the state must address the availability of workers and the 8,000-hour requirement may deter individuals from entering the electrical field.

In response to a question from Representative Berg, Senator Cook said this state does not need to allow other states to set appropriate training requirements for electricians in this state.

In response to a question from Senator Horne, Mr. Offerdahl said the State Electrical Board has allowed 2,000 hours of classroom education to be substituted for 2,000 hours of experience. He said if the state did not require 8,000 hours of training, the state would be dropped from the multistate reciprocity agreement.

Mr. Ivan Maas, State College of Science, Electrical Technology Department, submitted written information ([Appendix C](#)) regarding the committee's study of the licensure of electricians. Mr. Maas said the State College of Science offers a two-year associate's degree that may be obtained either through a construction or an industrial option. He said the college graduates approximately 55 to 70 students annually, and approximately 40 percent to 45 percent of the students stay in the state. Last year, he said, approximately 350 jobs were listed for placement and the school graduated 59 students. He said the college is trying to address workforce needs in the state and is interested in the potential expansion of the electrical training program to other areas of the state. However, he said, the cost of moving the program to other communities would be high. Therefore, he said, the college is looking at options that would provide interactive video network classroom training in other areas of the state and laboratory training in the second year in Wahpeton.

In response to a question from Representative Berg, Mr. Maas said the majority of the jobs listed for placement with the college are in the Upper Midwest. He said the written materials he submitted include a list of the jobs filled by graduates last year, including the name of the employer, location of the employer, and starting wage.

In response to a question from Representative Amerman, Mr. Maas said the college has received no requests to substitute high school training for college credit.

In response to a question from Representative Kasper, Mr. Maas said although the college has participated in a University System-mandated survey process to track graduates, it has not always been easy to maintain contact with some graduates.

In response to a question from Senator Klein, Mr. Maas said of the 59 students in the electrical

technology program last year, about 12 to 14 were from Minnesota, 4 to 5 were from South Dakota, and 7 or 8 were from Montana.

Representative Berg said the University System should be able to provide additional information on where graduates are going after graduation.

In response to a question from Representative Froseth, Mr. Maas said he has no information regarding the number of North Dakota students who go to out-of-state institutions for electrical education or the number of graduates from out-of-state programs that receive jobs in this state. He said the technical institution in Moorhead attracts a number of students from the Fargo area.

In response to a question from Representative Nottestad, Mr. Maas said he is satisfied the college is attracting the right number of electrical students. However, he said, improvements can be made in market penetration with respect to recruitment of students.

In response to a question from Representative Vigesaa, Mr. Maas said a number of the graduates from the State College of Science have obtained jobs in the energy field within the last few years. He said improvements can always be made in determining whether there are better methods to meet the workforce needs of the state.

In response to a question from Representative Kasper, Mr. Maas said although a number of students want to stay in North Dakota and are willing to accept lower wages, a number of students leave the state to receive higher pay.

Mr. Eugene Cross, State Electrical Board, said adequate training is needed for apprentices, and the State Electrical Board is working with other entities to provide excellent training programs for electricians. Although the board was seeing high failure rates on licensing tests, he said, the board has continually worked to ensure that the licensing examinations are reasonable to ensure properly trained electricians.

In response to a question from Senator Horne, Mr. Cross said the board supports the changes adopted in House Bill No. 1218. He said the 8,000-hour training requirement is necessary and important for reciprocity purposes.

In response to a question from Representative Froseth, Mr. Cross said he has not heard much complaining about the 8,000-hour requirement.

In response to a question from Senator Klein, Mr. Cross said the electrical industry is similar to other professions and industries in the state in that there is an aging workforce. He said electricians see the benefit in becoming a master electrician because it can be an excellent business opportunity.

In response to a question from Representative Dosch, Mr. Offerdahl said although the State Electrical Board creates the licensing examinations, the board shares information with other states so that the examinations from this state are similar to those in other states.

Mr. Cross distributed correspondence from the president of the North Dakota Electrical Contractors Association ([Appendix D](#)).

Representative Froseth said it appears that most people are satisfied with the provisions of House Bill No. 1218 and that there does not seem to be any significant issue for study. He said the committee may choose to seek more input from electrical contractors and electricians as well as monitor the administrative rules process to see if there are concerns with rules adopted by the board pursuant to House Bill No. 1218. He said the lack of electricians in the state is similar to most other trades and professions because there are not enough young people to fill the jobs. He said if education and training programs are available, the state may be able to retain young people and bring people from other states into this state to fill open jobs.

Senator Behm said he has been contacted by master electricians who have indicated that the 8,000-hour requirement is necessary.

Chairman Berg said the committee will continue to monitor the rulemaking process and should seek more information from Job Service North Dakota and the North Dakota University System regarding tracking of graduates. He said issues that could be considered include establishing a class of licensure between apprentice and journeyman, allowing apprentice electricians to work with less supervision, and basing licensing on proficiency rather than experience.

Representative Dosch questioned whether the difficulty of the licensure examinations is a barrier to young people beginning the apprenticeship process or whether there is a problem with preparation for the examination.

Representative Nottestad said the committee should seek additional information regarding the test failure rates in neighboring states.

WIRELESS INDUSTRY STUDY

Committee counsel distributed a background memorandum entitled [Wireless Service Impact on Business Climate - Background Memorandum](#).

Mr. Tony Clark, Public Service Commissioner, provided written testimony ([Appendix E](#)) regarding the committee's study of the wireless industry. Mr. Clark said wireless coverage in the state is expanding and becoming much better. He said improved coverage generally begins in urban areas and moves along major highways before expanding into rural areas. However, he said, significant progress is being seen in rural areas.

In response to a question from Representative Berg, Mr. Clark said the wireless coverage maps are routinely updated. However, he said, wireless companies typically prefer not to provide information regarding future tower placement due to the competitive nature of the industry and other issues related to siting.

Representative Berg said it may be necessary to consider establishing a wireless authority to assist

wireless companies in financing and construction of towers that may be used by all providers.

Mr. Clark said Vermont has created a broadband authority and a similar concept may merit exploration in this state. He said the Public Service Commission is working to ensure that regulatory barriers do not discourage investment by wireless companies in the state. He said another area that may be examined is the reduction of telecommunication taxes. He said the taxes have not changed in years and are quite high.

Chairman Berg requested Mr. Clark to report to the committee at a future meeting and attempt to identify three barriers faced by wireless companies in the state and three methods that may be considered to encourage wireless investment.

Chairman Berg called on Mr. Steven Lysne, SRT Communications, Inc., for comments regarding the committee's study of the wireless industry. Mr. Lysne submitted written testimony ([Appendix F](#)).

In response to a question from Senator Horne, Mr. Lysne said part of the reason SRT became involved in the wireless business is because consumers have been moving from landline telephones to wireless services.

In response to a question from Representative Amerman, Mr. Lysne said SRT receives federal universal service funds for providing coverage to customers in high-cost areas. He said wireless and landline providers are eligible for the funding, which is distributed on a per line basis.

In response to a question from Representative Berg, Mr. Lysne said the Public Service Commission works well with wireless providers, and he is not aware of any major barriers to wireless providers as a result of state regulations. He said the biggest hindrance to wireless expansion is the cost of towers and antennas.

Chairman Berg called on Ms. RaeAnn G. Kelsch, Alltel, for comments regarding the committee's study of the wireless industry. Ms. Kelsch said Alltel provides nationwide wireless services for 12 million customers. She said Alltel purchased Western Wireless in 2005 and has made significant investments in infrastructure in North Dakota. In 2005, she said, Alltel invested approximately \$30 million in the state. In 2006, she said, Alltel's investment in the state was about \$28 million. She said 13 new tower sites were built in 2006 and a number of sites were upgraded or expanded. She said Alltel's payroll in the state is approximately \$5 million per year. She said the company's investment in the first half of 2007 in the state was about \$22 million. During this year, she said, Alltel will build at least 26 new sites in the state.

Ms. Kelsch said although there are now more wireless lines than landlines in this state and on a national basis, only 12.8 percent of the homes in the country have eliminated landline service entirely. She said Alltel has worked closely with the Public Service Commission to identify and fill gaps in coverage in areas where it makes good business sense. She said

the company has built towers in many rural communities. As a result of a petition to the Public Service Commission, she said, Alltel placed a tower in Northwood in March 2007. She said that tower remained operational during the tornado that struck that city this summer.

Ms. Kelsch said society has changed and young people are more accustomed to mobility. She said new businesses look at infrastructure and wireless coverage because young employees want to be located in areas where they are in constant communication. She said Alltel is in the process of launching enhanced service in areas of the state located along major highways so that subscribers will be able to receive faxes, browse the Internet, and access other mobile tools, such as navigation systems. She said the benefits of expanded services in rural areas assist in economic development and in emergency situations.

In response to a question from Representative Froseth, Ms. Kelsch said the status of wireless buildup and broadband service in this state is ahead of that in other rural states, such as Montana, South Dakota, and Wyoming. She said the Public Service Commission has been proactive and works well with wireless providers, while not putting up regulatory barriers. She said the state of Wyoming has considered providing a tax exemption for wireless equipment. She said other states have considered methods to encourage wireless expansion, including the building of towers or allowing the use of existing governmental facilities, such as water towers and State Radio towers, for wireless antennas. She said some states have considered using homeland security funding for aiding the expansion of wireless services.

In response to a question from Representative Berg, Ms. Kelsch said barriers to expansion of wireless service could include local siting ordinances or the imposition of additional regulations that other states do not have, such as requiring additional notices or items on bills or marketing materials.

In response to a question from Senator Klein, Ms. Kelsch said a local siting ordinance is a barrier to entry in a particular market and is not affected by federal preemption. Because the wireless industry is so competitive, she said, self-regulation of the industry is ongoing. Therefore, she said, there is little need for governmental regulation. She said companies need to be flexible to meet consumer needs and compete with other providers.

In response to a question from Representative Vigesaa, Ms. Kelsch said wireless companies can share towers, but the nature of the competition sometimes discourages that. She said she is not sure of the number of towers that will be necessary for seamless coverage because technology changes affect coverage. However, she said, significant progress is being made toward that goal. She said she hopes the Federal Communications Commission continues to allow universal service funds to be used to build towers to fill coverage gaps.

In response to a question from Representative Nottestad, Ms. Kelsch said although the Public Service Commission can encourage the building of a tower, the commission has no authority to force a wireless provider to build a tower in a particular location.

Chairman Berg noted that the committee received written testimony from a representative of Verizon Wireless ([Appendix G](#)) and from the Department of Commerce ([Appendix H](#)) regarding the committee's study of the wireless industry.

Chairman Berg requested committee counsel to communicate with representatives of SRT, Verizon, and Alltel to request information regarding three potential incentives and the three greatest barriers with respect to the expansion of wireless service in the state.

DEPARTMENT OF COMMERCE STUDY

Chairman Berg said he invited representatives of the Department of Commerce to provide some background for the committee before the committee takes an indepth look at the department.

At the request of Chairman Berg, Mr. Paul Govig, Department of Commerce, submitted written information regarding the organization of the department, the Economic Development Foundation strategic plan benchmark update, and employee performance agreements ([Appendix I](#)).

In response to a question from Representative Berg, Mr. Govig said the role of the Economic Development Foundation is important in developing and updating a yearly strategic plan. He said the commerce cabinet generally meets quarterly and provides a good forum for sharing information.

In response to a question from Representative Berg, Mr. Govig said the population of the state increased in 2006. He said many things are going very well in the state and the private sector is driving growth in the state's economy.

In response to a question from Representative Amerman, Mr. Govig said the average annual wage is a determination measured through salaried workers and excludes the agricultural sector.

In response to a question from Senator Horne, Mr. Govig said a Department of Commerce marketing team tracks favorable media mentions of the state. He said the team attempts to place a value on positive articles and other media mentions based upon the cost of advertising.

In response to a question from Representative Kasper, Mr. Govig said the availability of workforce will be an important issue to address by the department. He said there is a smaller group of people that will need to fill more jobs. He said innovation, efficiency, and profitability will drive job growth.

Representative Berg said the department will need to refine how benchmarks are measured and provide appropriate accountability. He said it will be important to look at the future rather than measuring past

successes or failures. He said the state needs to increase productivity and examine where future growth will be so that businesses can compete globally.

Representative Sukut said the committee should examine whether funding for the Economic Development Division should be devoted more to development efforts at the local level. He said it appears the bulk of economic development occurs at the local and regional levels, and local and regional economic development entities are struggling with the funding.

Representative Vigesaa said businesses in the Cooperstown area pledged to pay for a portion of the salary of an economic developer position. He said that is not possible in all areas of the state. Therefore, he said, some state money should be passed to the local level to assist in funding economic development.

Representative Kasper said the committee may consider requesting information from local economic development organizations to determine how much additional funding would be needed at the local level.

Representative Berg said all economic development organizations are required to complete an annual report regarding accountability. He said the annual report should reveal the amount of funding expended at the local level. If more state money is passed to the local level, he said, there may need to be some incentive to develop strategic plans and improve local expertise.

Representative Sukut said information regarding the total amount of economic development expenditures through the eight regional planning councils may be beneficial in determining whether the programs are effective.

Chairman Berg called on Mr. Gordon La France, Department of Commerce, for comments regarding the renaissance zone conference. Mr. La France submitted a proposed agenda for the conference ([Appendix J](#)).

Mr. La France said the department will invite representatives of cities involved in renaissance zone projects as well as cities that have not participated in renaissance zone projects. He said the conference will likely be held in February 2008.

In response to a question from Representative Kasper, Mr. La France said he will consider extending the time of the conference to allow for more presentations and discussion.

In response to a question from Representative Berg, Mr. La France said the number of renaissance zone projects statewide is approaching 400. He said 50 projects in Watford City have resulted in the entire downtown area being completely redone.

Representative Berg said some rural areas may need more resources to get the renaissance zone process going. He said it may be necessary to reevaluate the original purpose of the renaissance zone legislation and evaluate whether the renaissance zone incentives are appropriate to stimulate additional growth.

Representative Froseth said it may be necessary to examine the requirement that renaissance zones consist of contiguous areas. He said it may be better to provide flexibility because each community faces different challenges and circumstances.

In response to a question from Representative Nottestad, Mr. La France said a renaissance zone may encompass an entire small community. He said the city of Buffalo has had about 15 projects completed.

Chairman Berg said the next meeting of the committee likely will be in December or January and

may be held at the Department of Commerce. There being no further business, Chairman Berg adjourned the meeting at 2:50 p.m.

John Bjornson
Committee Counsel

ATTACH:10