

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

WORKFORCE COMMITTEE

Monday, October 29, 2007
Conference Room, JA Insurance
Gwinner, North Dakota

Senator Tony Grindberg, Chairman, called the meeting to order to 9:00 a.m.

Members present: Senators Tony Grindberg, Ray Holmberg, Dave Nething, Tom Seymour; Representatives Donald L. Clark, Stacey Dahl, Mary Ekstrom, Glen Froseth, Eliot Glassheim, Pam Guleson, Nancy Johnson, George J. Keiser, Lisa Meier, Lee Myxter, Dan J. Ruby, Clark Williams

Member absent: Representative Steve Zaiser

Others present: See [Appendix A](#)

It was moved by Senator Holmberg, seconded by Representative Ekstrom, and carried on a voice vote that the minutes of the September 6, 2007, meeting of the committee be approved as distributed.

Chairman Grindberg explained the committee members have been invited to eat lunch with the senior class of North Sargent School. Following the meeting, committee members are invited to tour the Bobcat plant.

STUDIES AND REPORTS

Department of Commerce

Chairman Grindberg called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, to summarize the department's presentations on the annual state business incentive report, centers of excellence status report, and Governor's Workforce Summit overview.

Annual State Business Incentive Report

Chairman Grindberg called on Mr. Justin Dever, Department of Commerce, to provide the first annual state business incentive report as required under North Dakota Century Code (NDCC) Section 54-60.1-07. Mr. Dever provided written testimony and supplementary data ([Appendix B](#)).

Mr. Dever reviewed the number of jobs targeted to be created or retained by each state business incentive recipient; the number of jobs achieved in comparison to the jobs targeted by each state business incentive recipient; average compensation of jobs targeted, including identification of the average benefits and average earnings by each state business incentive recipient; and the average compensation of jobs created or retained by each state business incentive recipient. The data he provided includes a summary of achievement of goals by each state

business incentive project as well as a copy of the state grantor reports.

In response to a question from Representative Keiser, Mr. Dever said that although the partnership in assisting community expansion (PACE) program generally requires proof of new job creation, this is not true of all state business incentives. He said the state is able to utilize a clawback provision if the state business incentive recipient does not meet the identified employment goals within two years.

In response to a question from Representative Guleson, Mr. Dever said the two-year goal achievement is established by statute.

In response to a question from Representative Ruby, Mr. Dever said because the business incentive accountability law was enacted by the Legislative Assembly in 2005, it is too soon to track the use of clawback provisions.

Mr. Goettle said the state business incentives included in this first annual report are for calendar year 2006. He said some of these 2006 incentives may be less than 12 months old. He said the next annual report will cover two years and will therefore include more data and will cover a longer period of time.

In response to a question from Representative Froseth, Mr. Dever said that if a state business incentive recipient does not meet the employment goals within two years, the grantor has a choice of which option to pursue. He said the options are provided statutorily and they include the grantor's ability to grant a one-year extension to meeting the goals after which the grantor may provide another one-year extension in writing. If after an extension period of two years, he said, the recipient has not met its employment goals, the grantor may hold public hearings to determine whether to decrease the goals or whether it would be appropriate to exercise the clawback provision.

In response to a question from Senator Nething, Mr. Dever said that the Department of Commerce can modify the annual report to include data regarding which communities are benefiting from the state business incentives.

Representative Ekstrom said that for purposes of future annual reports, if a recipient is not achieving its employment goal, she would like to receive information regarding why the goal is not being met. For example, she said, it would be important to know

whether the recipient is unable to find the necessary workforce to fill the employment goal.

Centers of Excellence Status Report

Chairman Grindberg called on Mr. Goettle to provide a report on the status of the centers of excellence program. Mr. Goettle provided written testimony ([Appendix C](#)).

Mr. Goettle said a formal centers of excellence annual report will be received from each of the 11 centers funded through the competitive centers of excellence program by the end of the year and a summary of these reports will be made available in 2008. In his status report, Mr. Goettle provided information regarding the three centers legislatively awarded funding in 2003 and the 11 centers awarded funding during the 2005-07 biennium. He said the Budget Section is scheduled to meet on Tuesday, October 30, 2007, to act on six proposals that have been recommended for funding by the Centers of Excellence Commission.

In response to a question from Representative Guleson regarding centers that are applying for a second round of funding, Mr. Goettle said the statute is clear that a center may not receive funds more than once per biennium. However, he said, the statute does allow subsequent funding, and he thinks this is valuable in recognizing successful efforts.

In response to a question from Representative Keiser regarding what policy recommendations he might have, Mr. Goettle said the commission would be in the best position to address future policy recommendations. However, he said, the 2007 legislation reflected his requested changes for increased accountability and recognition of the role of the Department of Commerce as it related to the centers of excellence program. He said that for purposes of the success of the program, flexibility is key.

Senator Nething said it would be valuable for the committee members to receive a history of the statutory evolution of the centers of excellence program. He said he would like to see all the committee members on the same page to help determine whether the program is meeting the intended goals.

Senator Grindberg said the evolution of the centers of excellence program has been very complex, and in his opinion it has not yet reached a state of full evolution.

Mr. Goettle said 2007 legislation did provide some focus, for example, clarifying that a project is not allowed if the project's primary purpose is workforce training.

Senator Holmberg said the 2007 legislative review of the centers of excellence program recognized there was a lack of workforce funding and, as a result, additional funding was included for workforce programs.

In response to a question from Senator Nething, Mr. Goettle said the 2007 legislative changes will be applied to the upcoming center designation requests.

Governor's Workforce Summit Overview

Chairman Grindberg called on Mr. Goettle to provide an overview of what took place at the Governor's Workforce Summit held in Bismarck on October 11-12, 2007.

Mr. Goettle said the 2007 Governor's Workforce Summit served as an effective kickoff for this interim committee's workforce system study. He said a high point of the summit included the industry panel as well as the breakout sessions. He said the Department of Commerce is very happy with how the summit turned out, including exceeding attendance goals.

Chairman Grindberg called on Mr. Jim Hirsch, Department of Commerce, for comments regarding the Governor's Workforce Summit. Mr. Hirsch said data indicates there were 351 registrants who participated in the 2007 Governor's Workforce Summit. He said the cross-section of participants was very broad.

Mr. Goettle said if there was a gap in the participants, it was the need for more representatives of kindergarten through grade 12.

Senator Nething said he attended some of the Governor's Workforce Summit activities and he thought there might have been a lack of labor representation.

Mr. Hirsch said several of the breakout sessions did include representatives of union shops and organized labor was represented on the steering committee.

Representative Johnson said she attended the Governor's Workforce Summit and she attended a breakout session on apprenticeships. She said union and nonunion participants attended this session.

Representative Keiser said he perceives there to be a paradigm shift. In the past, he said, the state has invested resources in seeking new businesses, whereas now the state has been successful in recruiting and retaining businesses but instead needs to focus on attracting and retaining workers. He said to address this current need, it will be necessary to look at the existing population and what can be done to get workers in jobs. He said untapped sources of workers may include senior citizens and recipients of public benefits as well as individuals who have been in the prison population. Additionally, he said, it will be necessary to attract workers to the state. He said the state will not be successful and the businesses in the state will not be successful if the state and businesses focus their energies on stealing other states' and other businesses' employees.

Mr. Hirsch said the focus on workforce should be attraction, retention, and expansion.

Mr. Goettle said as part of addressing the workforce needs of the state, there needs to be better alignment of the preparation of students for future jobs. He said even if graduates do leave the state,

hopefully they will return as they start advancing their careers.

In response to a question from Representative Froseth, Mr. Hirsch said the Department of Commerce has considered recruiting workers from markets in the country that have high unemployment. However, he said, in taking this step, it is very important that the skills of these members of the unemployed group be aligned with the needs in the state. The Department of Commerce is pursuing workers from out of state but needs to be very careful that these workers meet the state's needs.

Representative Johnson recognized that housing needs are related to workforce needs.

Representative Glassheim said he attended the Governor's Workforce Summit and it is important to recognize the workforce needs being experienced by North Dakota are similar to what is going on nationwide. He said North Dakota, as well as other states, needs to make better use of the workers in residence. He said one thing state government has control over is state employment, and the state will be experiencing increasing retirements in the next five years and state government should look at ways to address this.

Representative Ruby said data presented at the Governor's Workforce Summit indicated North Dakota has a very high labor force participation rate and this will be a challenge as the state tries to increase its workforce participation.

Representative Froseth said with high school and higher education annual graduations of approximately 6,000 students, it will be very difficult for the state to fill the state's approximately 10,000 open positions.

Representative Glassheim said one way to address the workforce needs of the state is to expand the pool of possible workforce, such as focusing on retirees reentering the workforce and disabled individuals participating in the workforce. Mr. Hirsch said that in addition to Representative Glassheim's suggestion, underemployed individuals make up a group that should be focused on to increase participation in the workforce.

Bobcat

Chairman Grindberg called on Mr. Dan Antrim and Mr. George Barrie, Bobcat, Gwinner plant, for a presentation providing an overview of plant activities, workforce experience, and workforce projections. Mr. Antrim and Mr. Barrie gave a computer presentation ([Appendix D](#)).

Mr. Antrim reviewed the physical operations of the Gwinner plant, the organizational structure of the Gwinner plant, the workload of the Gwinner plant, and the level of employment at the Gwinner plant.

In response to a question from Representative Guleson, Mr. Antrim said although he is not aware of Bobcat having formally researched the issue of housing needs of its workforce, Bobcat does work with the local communities and real estate agents to address housing needs of employees.

In response to a question from Representative Williams, Mr. Antrim said the recruitment and training approach of Bobcat differs according to the classification of the position. Generally, he said, Bobcat limits its recruitment to the area within a 50-mile to 100-mile radius of the plant. He said for purposes of training, Bobcat works with the State College of Science, University of North Dakota, and North Dakota State University to provide training as well as providing some of the training in house.

Mr. Antrim said using welders as an example, they are becoming more and more in demand and the training could be upgraded to prepare these individuals for manufacturing jobs that have specific requirements for welders. He said when Bobcat looks for skilled workers, the workers generally need to have several skill-sets so they are more flexible.

In response to a question from Representative Meier, Mr. Barrie said in 2004 the Gwinner plant added approximately 100 employees, and then again in 2005 added an additional 100 employees. He said looking at the average age of employees at the Gwinner plant, it is not a bell curve but instead is heavy with younger employees and older employees.

In response to a question from Senator Nething, Mr. Antrim said a fair number of employees at the Gwinner plant have a spouse who also is employed at the plant. He said Bobcat does not provide child care services for employees. Mr. Barrie said because the workforce resides over such a broad area, it is more difficult to address child care needs.

Mr. Barrie said the recruitment area generally does not exceed a 100-mile radius because the longer the commute for employees, the higher the turnover rate. He said this large geographic area results in challenges relating to issues like child care.

In response to a question from Representative Guleson regarding what the state or local governments can do to help Bobcat with recruitment or other business barriers, Mr. Barrie said some of the major challenges faced by Bobcat include how to better support its workers with issues such as housing. He said in this region of the state, there are no multilisting services for housing, and there is a shortage of available housing.

In response to a question from Representative Johnson, Mr. Antrim said the Gwinner plant runs a 24-hour operation.

In response to a question from Representative Clark, Mr. Antrim said the approximate employment costs per hour for an employee at the plant is \$27 per hour.

In response to a question from Representative Dahl regarding what changes may arise from the change in ownership of Bobcat, Mr. Dennis Schneider, Global Operations, Bobcat, said at this time no changes have been announced. He said Bobcat has been through a transition in ownership before and has remained and they expect that to be the case this time as well.

In response to a question from Representative Froseth regarding what things the community could do to attract and retain workforce, Mr. Antrim said it is a reality that a rural environment is not attractive to some people and to other people it is very attractive. Mr. Barrie said North Dakota is the best kept secret in the lower 48 states. He said North Dakotans need to do a better job promoting ourselves.

In response to a question from Representative Ruby regarding whether other companies are faced with competing with Bobcat for workforce, Mr. Antrim said local manufacturers provide components for Bobcat. He said Bobcat tries to work with local suppliers and vendors to share the workforce; however, he does recognize there is some competition for workforce. He said he hopes that overall the presence of Bobcat in the community has more of a positive impact than a negative impact.

In response to a question from Representative Meier, Mr. Antrim said for 20 years Bobcat has run a co-op program with local institutions of higher education. He said students and Bobcat have been able to use the co-op program as a stepping stone to full-time employment.

In response to a question from Senator Grindberg regarding Bobcat's involvement with local high schools, Mr. Antrim said from time to time Bobcat hosts tours of the plant and does try to keep close contact with school officials. He said Bobcat does offer a summer program in which it hires hourly temporary help to assist with covering hours open due to vacation leave. Typically, he said, these positions are given to recent high school graduates.

In response to a question from Representative Froseth, Mr. Antrim said Bobcat typically handles workforce decreases through attrition. However, he said, during this last shift, Bobcat did need to do some layoffs. He said recently Bobcat called back all of the recently laid-off individuals who were willing and able to return.

In response to a question from Senator Nething, Mr. Antrim said Bobcat sets the rate of pay for college interns by consulting with local institutions of higher education to make sure the rate of pay is competitive. He said typically the rate of pay for interns is not a barrier to participation. He said interns typically have the same work assignments as the full-time workforce. He said Bobcat has developed the intern program over the course of 20 years and has a successful program. He said the program used by Bobcat is part of an agreement with the local unions regarding the employment of summer help and interns.

State College of Science

Chairman Grindberg called on Dr. John Richman, President, and Mr. Dale Knutson, Dean of College Outreach, State College of Science, for a presentation regarding the southeast quadrant training program, college outreach, and career resource support programs.

Dr. Richman said the State College of Science is responsible for workforce development and workforce training. He said the four academic clusters focused on are manufacturing, construction, transportation, and allied health professions. Additionally, he said, they do realize there are emerging clusters, such as nanoscience, which is also included in the school's academic framework.

Dr. Richman said at the State College of Science they seek a seamless process from preschool through higher education. He said one step that could be taken to assist in this seamless process would be an increased ratio of career counselors to students. He said North Dakota rates well for graduating high school seniors; however, the state does not do as good a job in keeping these students in higher education through graduation.

Dr. Richman said it is important for legislators to understand that career and technical education costs are higher than the typical baccalaureate degree. He said he believes the model exists to address the state's workforce needs and he is a big supporter of the Higher Education Roundtable to further this end.

Mr. Knutson gave a computer presentation on the North Dakota Workforce Training System ([Appendix E](#)). Additionally, he distributed a copy of the *North Dakota Workforce Training* business plan for the southeast region for the fiscal year 2008-09, a copy of which is on file in the Legislative Council office.

In response to a question from Representative Guleson regarding the allied health care shortage, Dr. Richman said in order to offer a well-rounded educational experience, the curriculum needs to include a clinical component. He said it is this clinical component that is a barrier to increasing the educational opportunities for these allied health professions. He said the reality is that if North Dakota institutions of higher education send students out of state to complete the clinical component of their education, the odds are increased that these students will not return to North Dakota because clinical experiences often lead to job offers. He said the institutions of higher education need to reach a delicate balance on how to address this issue.

In response to a question from Senator Grindberg regarding how the state might be able to track the level of training and how increased training will result in increased earning, Mr. Knutson said for purposes of the workforce training quadrant, if an employee provides a Social Security number, it is possible to track an employee's earning progression. However, he said, the intent of workforce training is not always to increase wages, but sometimes the goal is to retain a job.

In response to a question from Senator Grindberg regarding the success of offering tax credits to incentivize automation, Mr. Knutson said emerging technologies are often related to automation and accomplish more with fewer bodies.

Workforce

Chairman Grindberg called on Mr. Tom Ricker, President, Local 560, United Steel Workers, for comments regarding the committee's study of workforce issues. Mr. Ricker provided the committee members with a copy of Job Service North Dakota's employment and wages data of 2006 annual averages. A copy of this information is on file in the Legislative Council office.

Mr. Ricker said that the two most important issues in contract renegotiations are health care and wages. He said job security is very important to workers, and these workers need to work together with the employer.

Mr. Ricker said trade schools and the education system are both very important in efforts to keep graduates in the state. Finally, he said, the tourism industry and employers can play a vital role in promoting North Dakota to help in the recruitment of workers.

Chairman Grindberg called on Mr. Bill Amerman, State Representative, District 26, for comments regarding the committee's study of workforce issues. Representative Amerman said he recognizes addressing the issues relating to workforce is a huge task, and the committee will find there are no easy answers. He said it may be time for the state to provide incentives to employees to help address these workforce issues.

Representative Amerman said small communities need help in building infrastructure, such as housing, and businesses need to partner with the communities to address these local needs.

Representative Amerman said as it relates to the issue of child care, it is typical at Bobcat that new hires will work night shifts and this means those families will face unique child care needs. He said at Bobcat one-third of the employees work the day shift, one-third work swing shift, and one-third work the night shift.

In response to a question from Senator Nething regarding whether the fact that North Dakota is a right to work state negatively impacts workers, Mr. Ricker said as it relates to his union, he does not think that North Dakota's status as a right to work state is an impediment. He said nearly all of the eligible employees at Bobcat are in the union. In general, he said, it is true that right to work is an impediment to unions; however, this is just not true for the Gwinner Bobcat plant due to its high union participation.

Representative Johnson raised the issue of women dropping out of the workforce as they reach their 50s in order to care for elderly parents and said anything the state can do to help keep these people in the workforce will be beneficial.

Chairman Grindberg called on Ms. Carolyn Christianson and Ms. Diane Smith, North Dakota Horizons community program, for comments regarding this program.

Ms. Smith said the North Dakota Horizons community program is funded by the Northwest Area

Foundation and the program provides leadership training so the community can help itself instead of relying on others.

Ms. Christianson said the North Dakota Horizons community program has recognized a lack of housing in this region, and the North Dakota State University Extension Office has provided some assistance in addressing these needs.

Job Development Authorities

Chairman Grindberg called on Mr. Terry Traynor, North Dakota Association of Counties, and Mr. Jerry Hjelmstad, North Dakota League of Cities, for information regarding the economic impact of and the financing mechanisms used by job development authorities.

Mr. Hjelmstad provided written comments ([Appendix F](#)). He said the information in his written testimony reflects the responses to a survey of city job development authorities. He said although the survey responses were not complete, the responses do give some insight into the activities taking place through city job development authorities.

In response to a question from Representative Keiser, Mr. Hjelmstad said he will seek more information to determine the circumstances under which city job development authorities are taking equity positions, whether due diligence is being done to protect tax money in taking these equity positions, and whether clawback provisions are applicable if a job development authority takes an equity position.

In response to a question from Representative Ruby, Mr. Hjelmstad said he will seek additional information regarding what happens to a job development authority's equity position if the business succeeds.

Representative Keiser said it is his understanding that some of the equity positions taken by job development authorities are in the form of a preferred form of stock that the company buys back if successful. Senator Nething said it is likely that unless an equity position has failed, it has received very little scrutiny. He said with the 2007 change in the law authorizing job development authorities to take equity positions, it will likely be at least a year before any data is available on the success of using this form of financing.

Representative Keiser said some of the job development authorities have been taking equity positions even before the law allowed these positions, and he would like additional data on how these transactions have worked.

Representative Glassheim clarified that he does not think the job development authorities intended to take any illegal action by taking any equity positions under the old law, and he assumes the taking of an equity position was limited to high-risk situations.

Mr. Traynor provided written testimony regarding the survey performed of county job development authorities ([Appendix G](#)). He said the county surveys

are still incomplete, and he will provide additional information as this information becomes available.

In response to a question from Senator Grindberg, Mr. Goettle said that the state business incentive report does not include information regarding local business incentives. He said although the business incentive law under NDCC Chapter 54-60.1 does provide for data collection on local business incentives, this data stays at the local level.

Mr. Goettle said members of the Economic Development Association of North Dakota have approached him asking why the issue of job development authorities is being addressed by the committee.

Senator Grindberg requested that Mr. Hjelmstad and Mr. Traynor provide this committee with additional information when the survey process of city and county job development authorities has been completed.

Senator Nething clarified that the committee will still be seeking additional information on those job development authorities that have taken equity positions and what their experience has been.

Chairman Grindberg called on Ms. Sandy Hanson, Sargent County Job Development Authority Board member, for comments regarding the job development authority study. She said that her experience has been that the mill levy provides limited funding for the job development authority, and the job development authority has been successful through partnerships with other economic organizations. She said that although the Sargent County Job Development Authority has had some failures, they have not been substantial.

FUTURE MEETING PLANNING

Senator Nething extended an invitation to the committee to hold a future meeting in Jamestown. He said he recently attended a meeting in Denver and learned about the ATC WorkKeys System, which is a job skills assessment system. He said he would support extending an invitation to learn more about this program.

Senator Nething said it would be valuable for the committee to receive information regarding internship and cooperative programs. He said he is especially interested in learning what elements are necessary to make these internship programs work and whether there are incentives that would be valuable in increasing participation in these programs.

Senator Nething said he would be interested in investigating ways to increase workforce participation by retired workers. He said it might be possible to increase retiree participation in the workforce by increasing flexibility in the workforce, such as allowing individuals to work from home or offering 30-hour workweeks.

Senator Grindberg said it might be desirable to host a single focus group on health care and health profession issues.

Senator Nething requested that if a focus group on health care issues is scheduled, it is important to include mental health providers and mental health issues.

Representative Keiser said he would support the ideas of holding a health care focus group.

Representative Ekstrom asked if it might be possible for the committee to receive information from the Tax Department regarding how the state's aging population will be impacting the state's future revenue flows.

Chairman Grindberg said he will be working with the Department of Commerce and the Legislative Council staff to establish an invitation for the focus groups, a location for the two February focus group meetings, and to contract with a consultant to provide services for the focus groups and the Workforce Congress.

No further business remaining, Chairman Grindberg adjourned the meeting at 2:22 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:7