

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

WORKFORCE COMMITTEE

Wednesday, July 29, 2009
Roughrider Room, State Capitol
Bismarck, North Dakota

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

Members present: Senators Tony S. Grindberg, Tim Flakoll, Karen K. Krebsbach, Dave Nething, Larry J. Robinson, Mac Schneider, Tom Seymour, Ryan M. Taylor; Representatives Donald L. Clark, Eliot Glassheim, Nancy Johnson, Lee Kaldor, Lisa Meier, Corey Mock, Lee Myxter, Michael R. Nathe, Ken Svedjan, Clark Williams

Member absent: Senator Ray Holmberg

Others present: See [Appendix A](#)

Chairman Grindberg welcomed committee members and called on committee counsel to review the [Supplementary Rules of Operation and Procedure of the North Dakota Legislative Management](#).

TECHNOLOGY STUDIES

Chairman Grindberg distributed a document ([Appendix B](#)) prepared by the State Science and Technology Institute which addresses technology-based economic development.

Chairman Grindberg called on committee counsel to present two background memorandums entitled [Technology-Based Entrepreneurship and Economic Development Best Practices - Background Memorandum](#) and [Certified Technology Parks Study - Background Memorandum](#).

Chairman Grindberg called on Mr. Robert E. Olson, Regional Director, Economic Development Administration, United States Department of Commerce, Denver, Colorado, to make a presentation regarding research and technology best practices. He made a computer presentation and distributed a printed copy of the presentation ([Appendix C](#)). He reviewed the role of the Economic Development Administration as it relates to support for technology-based economic development, reviewed trends in technology-based development, and reviewed examples of best practices being implemented by other states.

In response to a question from Representative Glassheim, Mr. Olson said in looking at North Dakota's unique strengths North Dakota has a very healthy, diverse economy, which tends to strengthen the economic development dynamic. He said this is a great time for North Dakota to take initiatives because due to North Dakota's relative economic development health, North Dakota may be able to leap ahead of other states that are having budgetary problems.

In response to a question from Representative Kaldor, Mr. Olson said one step universities can take to help with research and technology is to make sure they continue to provide technical assistance outside their walls. He said it is important for institutions of higher education to work with the private sector and to encourage their staffs to act in entrepreneurial ways.

In response to a question from Representative Nathe, Mr. Olson said it may not be necessary to take legislative or policy actions in order to attract federal research in the state; however, it may be helpful to look across the federal research realm to see where there are expanding opportunities, to consider what has worked well for other states, and to consider the unique assets of North Dakota.

In response to a question from Senator Nething, Mr. Olson said he is not familiar with the United States Department of Energy's Experimental Program to Stimulate Competitive Research (EPSCoR).

In response to Senator Nething's question, Mr. Mark Hoffmann, University of North Dakota, stated EPSCoR funding is typically used for infrastructure improvement for research and development.

Chairman Grindberg said it might be helpful to have a presentation regarding the EPSCoR program at a future meeting.

Chairman Grindberg called on Mr. Delore Zimmerman, Red River Valley Research Corridor, Grand Forks, for comments regarding the status of the Red River Valley Research Corridor. He distributed a brochure entitled *2010 Red River Valley Research Corridor - A Plan to Build a More Vibrant Technology-Based Economy For the Region*, copies of which are on file in the Legislative Council office.

Mr. Zimmerman reviewed the Red River Valley Research Corridor's priority goals for 2010:

1. Expand federal funding for research, training, and manufacturing contracts;
2. Attract venture capital from outside the region;
3. Create new jobs by building homegrown high-tech companies and technologies in the region;
4. Commercialize intellectual property developed in the corridor;
5. Facilitate vigorous networking of researchers, business, entrepreneurs, advanced service providers, and investors; and
6. Create regional connections to the corridor within and outside of the state.

In response to a question from Senator Schneider regarding steps the state could take to address North Dakota's lack of venture capital, Mr. Zimmerman said tax credits for angel capital would be helpful. He said venture capital is a unique beast, and it is likely that in North Dakota it would be most helpful to focus on investment capital.

Chairman Grindberg called on Mr. Paul Lucy, Director, Division of Economic Development and Finance, Department of Commerce, for comments regarding the two technology studies. He said during times of recession there is typically increased entrepreneurialism. He said if North Dakota experiences an increase in entrepreneurialism the state will be in a favorable position to do well and capitalize.

Mr. Lucy said one of the primary priorities for the state should be leveraging assets of higher education as they relate to technology and entrepreneurial development. He said one thing that could help the state is aggressive marketing of North Dakota's capabilities and programs.

Mr. Lucy said programs existing in North Dakota that will help further technology and entrepreneurial development include Innovate ND, North Dakota Ambassadors Program, Experience North Dakota, investment tax credits, programs to link entrepreneurial and existing enterprises, assistance in identifying markets that might exist for entrepreneurs, and Bank of North Dakota programs.

Mr. Lucy said upcoming programs that may assist technology and entrepreneurial development include using North Dakota Development Fund money for entrepreneurial centers, technology-based entrepreneurial development, upgrading the Innovate ND program, and progressively promoting entrepreneurship programs.

Mr. Lucy said two of the most important elements in assisting entrepreneurship are:

1. Supporting incubators that can provide broad levels of support; and
2. Providing upfront capital such as investment tax credits for angel investment, seed capital investment, and agricultural business investment.

In response to a question from Senator Flakoll, Mr. Lucy said the Department of Commerce has recognized there are some industries that are experiencing a lack of new graduates to fill workforce needs, whereas others have not been hindered by the number of graduates. For example, he said, in some areas of the aerospace sector new graduate needs are being met whereas in other areas of the aerospace sector there are needs for increasing graduate rates. He said at this point and time the Department of Commerce has been more focused on what the North Dakota institutions of higher education can offer versus focusing on areas of shortage.

In response to a question from Senator Seymour, Mr. Lucy said that one definition of technology-based entrepreneurship is business opportunity that uses

new technology or innovations or new uses for technology.

Senator Grindberg said at a future meeting the committee will plan on receiving a formal list of the Department of Commerce programs which includes an evaluation of these programs and also addresses whether there may be gaps in some programs.

Chairman Grindberg called on Ms. Jolynne Tschetter, Department of Commerce, for comments regarding the committee's two technology studies. She said her work at the Department of Commerce includes working with interested parties to link higher education with economic development. She said she seeks to build long-term relationships that link higher education with businesses, including research relationships, consulting relationships, and relationships resulting in or resulting from centers of excellence.

Ms. Tschetter said gaps in education can in part be addressed by educating students as to career opportunities.

Chairman Grindberg called on Mr. Justin Dever, Department of Commerce, for comments regarding the committee's two technology studies. His testimony focused on the centers of excellence economic development program, Innovate ND, and the new technology-based entrepreneurial grant program. He provided a program overview ([Appendix D](#)) of the North Dakota centers of excellence program and written testimony ([Appendix E](#)).

Chairman Grindberg called on Ms. Elaine J. Fremling, Chairman, North Dakota Economic Development Foundation, for comments regarding the committee's study of the foundation's effectiveness. She provided written material ([Appendix F](#)).

Senator Grindberg said he participated in the interim study that resulted in the formation of the Department of Commerce. He said in the late 1990s the trend seemed to be privatization of economic development; therefore, the decision was made to create a department of commerce that had a private partnership through the foundation. He said one of the goals in establishing a foundation was to help during transitions from one executive administration to the next.

In response to a question from Representative Glassheim, Ms. Fremling said although the foundation membership does not specifically require Native American representation, one of the new members coming on the foundation is Native American. She said since its inception, the foundation has raised approximately \$260,000 from private partners.

Chairman Grindberg called on Mr. Gaylon Baker, Economic Development Association of North Dakota, for comments regarding the committee's two technology studies. He said the Economic Development Association of North Dakota represents local developers, who are the final delivery system for economic development programs and policies

established by the Legislative Assembly and the North Dakota University System.

Mr. Baker said that as local economic development relates to technology-based companies, if a company is not technology-based, the company will be in trouble due to its inability to survive. Additionally, at the local level economic developers are active in making new businesses mentors with the hopes of helping new entrepreneurs.

In response to a question from Senator Seymour, Mr. Baker said that as an economic developer if he becomes aware of a gap within his community, he will pursue the filling of that gap. He said in the Dickinson area he is lucky that there is a diverse economy; however, he is working to improve the biotechnology sector.

WORKFORCE STUDIES

Chairman Grindberg called on committee counsel to review a memorandum entitled [Workforce Studies - Background Memorandum](#).

Representative Glassheim said that at a future meeting it would be helpful to review which of the 2007-08 interim consultant recommendations have been met or addressed through legislation.

Chairman Grindberg called on Mr. Larry Anderson, Department of Commerce, for comments regarding the committee's two workforce studies. He distributed written testimony ([Appendix G](#)) from Mr. Jim Hirsch, Director, Division of Workforce Development, Department of Commerce. He said Mr. Hirsch's testimony addresses a report on the North Dakota talent initiative and the federal and state budget alignment in support of the talent initiative.

Additionally, Mr. Anderson distributed the registration material ([Appendix H](#)) for the 2009 Governor's Workforce Summit, which will be held October 8-9, 2009, in Fargo, North Dakota. He extended an invitation to all Workforce Committee members to attend this meeting. He said the registration fee will be waived for the committee members.

In response to a question from Senator Robinson regarding a list of "hot jobs" received from the Department of Commerce during the legislative session and the appearance that these "hot jobs" are not consistent with the open job listings from Job Service North Dakota, Mr. Anderson said the Department of Commerce and Job Service North Dakota have become aware of this concern and the issue is being addressed to better synchronize these two lists of job opportunities.

In response to a question from Senator Schneider, Mr. Anderson said in 2007 the legislative appropriation for Operation Intern was \$600,000, which was designed to fund 200 internships. He said of these 200 internships approximately 25 percent were in technology-based industries. He said the appropriation for the 2009-11 biennium has been increased to \$900,000, which is intended to fund 300 internships.

Chairman Grindberg called on Mr. William G. Goetz, Chancellor, North Dakota University System, for review of legislation impacting the North Dakota University System as that legislation relates to workforce and economic development.

Mr. Goetz reviewed the following Higher Education Roundtable cornerstones:

1. Economic development connection;
2. Education excellence;
3. Flexible and responsive system;
4. Accessible system;
5. Funding and rewards; and
6. Sustaining the vision.

Mr. Goetz said the first cornerstone of economic development connection recognizes that technology plays a major role in education.

Mr. Goetz said during the 2009 legislative session, strides were made in addressing the issue of affordability of education. He said of particular interest the North Dakota University System will be working on marketing the two-year community colleges. Additionally, he said, there is ongoing activity with the centers of excellence program.

In response to a question from Senator Schneider regarding whether there has been an increase in the retention of graduates from institutions of higher education in North Dakota, Mr. Goetz said the state is realizing continued increases in the number of North Dakota higher education graduates retained following graduation. He said this retention includes non-North Dakota residents as well as international students. However, he said, there are areas in which the state could improve, including retention activities and improved funding of technical education.

Chairman Grindberg called on Mr. Baker for comments regarding the committee's two workforce studies. He said local economic developers are active in growing communities and in a growing workforce. He said the workforce needs in the state vary by community.

Mr. Baker said it is his belief that the state is better at retaining students from two-year institutions than it is at retaining students from four-year institutions.

In response to a question from Senator Grindberg regarding a recent Moody's report indicating North Dakota may lag behind other states as these other states come out of the recession, Mr. Baker said although it is not unreasonable to believe that "when you don't hit the floor hard, you don't bounce as high," he did recognize 2010 looks to be a great year for North Dakota.

Chairman Grindberg called on Mr. Joe Becker, Tax Department, for comments regarding the committee's two workforce studies. He said the Tax Commissioner was unable to attend the committee meeting; however, he is very interested in the committee's activities, and members of the Tax Department are available to assist the committee as it pursues its interim studies.

COMMITTEE DISCUSSION AND INTERIM PLANNING

Senator Nething said he has concerns regarding workforce issues relating to the public sector. Specifically, he said, upcoming retirements in the public sector will result in an experience gap. He said there may be benefits in retaining some of our public sector retiring workers; however, this may require some increased flexibility to deal with issues such as retirement benefits and health benefits. Additionally, he said, it may be beneficial to increase the use of interns in public sector fields such as physical science, information technology, and engineering.

Senator Robinson said he agrees with Senator Nething. Additionally, he said, he would support the idea of the committee meeting in each of the quadrants of the state and he supports the idea of holding a joint meeting with the Higher Education Committee and Education Committee.

Senator Grindberg recognized there are workforce needs relating to the public sector; however, it is also important to recognize the Employee Benefits Programs Committee has been charged with the receipt of a report from Human Resource Management Services on the outcome of its study and evaluation of steps the state could take to recruit and retain state employees in state government employment as the state employees reach retirement.

Representative Meier said that as the committee pursues its workforce studies, it should consider the specific workforce needs relating to the health care sector, especially in the rural areas in the state.

Representative Svedjan said he recently came across material from the National Conference of State Legislatures regarding student internships. He said there may be federal money appropriated to the

United States Department of Agriculture which may be available for student internships. He said if possible he would encourage the state to use this funding source for student internships. He said if this federal money is available, the question may arise whether at the state level this program would be better managed by the North Dakota Department of Commerce or by some other state entity.

Senator Schneider said a recent Council of State Government's publication reported states such as Ohio have been leveraging economic development with the economic development activities of neighboring states. He said North Dakota may be able to benefit from a program like this.

Senator Nething said he supports the idea of the committee attending the Governor's Workforce Summit.

Chairman Grindberg said it may be possible to schedule the next meeting to coincide with the Governor's Workforce Summit. The next meeting is tentatively scheduled for October 7, 2009, in Wahpeton. He said he will seek Legislative Council approval for committee member reimbursement for expenses as well as per diem for attending the two-day Governor's Workforce Summit in Fargo. He said the third committee date will tentatively be set for December 1, 2009, in Bismarck.

No further business remaining, Chairman Grindberg adjourned the meeting at 2:20 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:8