

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

WORKFORCE COMMITTEE

Wednesday, October 7, 2009

Red River Valley Room, Student Center, State College of Science
Wahpeton, North Dakota

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

Members present: Senators Tony S. Grindberg, Ray Holmberg, Dave Nething, Larry J. Robinson, Mac Schneider, Ryan M. Taylor; Representatives Donald L. Clark, Eliot Glassheim, Nancy Johnson, Lee Kaldor, Corey Mock, Michael R. Nathe, Ken Svedjan, Clark Williams

Members absent: Senators Tim Flakoll, Karen K. Krebsbach, Tom Seymour; Representatives Lisa Meier, Lee Myxter

Others present: See [Appendix A](#)

Chairman Grindberg said the committee will focus much of its discussion at this meeting on certified technology parks. He said members of the committee have been invited to attend a workforce summit in Fargo after the conclusion of this meeting. He said the committee will meet on December 1, 2009, and likely will address science and technology initiatives, as well as other aspects of its study directive. Because the centers of excellence activities will end at the conclusion of the biennium, he said, it is the responsibility of this committee, the Department of Commerce, and the North Dakota Economic Development Foundation to evaluate the results of the centers of excellence and develop recommendations for the future. He said a centers of excellence summit may be helpful in reviewing the centers and looking at the big picture.

Chairman Grindberg called on Dr. John Richman, President, State College of Science, for comments ([Appendix B](#)).

In response to a question from Senator Nething, Dr. Richman said the six core functions and fundamental purposes of community colleges addressed in his presentation are not necessarily in priority order. Although the community colleges are able to provide the first two years of a baccalaureate education, he said, not all of the classes are the same as those classes taken by technical education students. He said the technical education students generally do not continue education at a four-year school. In many other states, he said, most students enter community colleges before attending the four-year schools.

In response to a question from Senator Robinson, Dr. Richman said the State College of Science makes an effort to keep costs down for students. He said over 90 percent of the students at the school receive some type of financial aid. There are several methods

to obtain financial aid, he said, including through corporate sponsor programs.

In response to a question from Senator Taylor, Dr. Richman said there are two initiatives being undertaken to retain in-state students. He said there is a two-year college awareness campaign to inform students and parents of high-paying, high-demand careers in the state. In addition, he said, the school has earmarked money for marketing. He said the education available and careers offered through the school are things of which to be proud.

In response to a question from Representative Kaldor, Dr. Richman said the number of students employed off campus is likely similar to other two-year colleges in rural areas. He said corporate programs may shift students from the campus to places of employment every eight weeks. He said there appears to be a trend of increased part-time work and an increase in the number of older students enrolling. There is also an increase in the number of students who are taking classes but are still enrolled in high school. He said the school has programs that are geared toward working adults, and representatives of the school have attended national forums directed at adult programming. He said it is important to address student needs rather than administration needs. However, he said, adjusting to those needs may be costly.

In response to a question from Senator Nething, Dr. Richman said high school counselors need training on campuses to see what is offered at the two-year schools. He said many of the counselors likely have never been on a two-year campus.

In response to a question from Representative Nathe, Dr. Richman said resources are needed, including money and people, to help promote the programs at the two-year schools. He said the State College of Science has worked closely with partners and used existing resources to guide those efforts, but additional partnerships and resources are needed to help students.

In response to a question from Senator Robinson, Dr. Richman said other states used the model of the State College of Science for years. However, he said, the school has not marketed or advertised very well. He said money has been earmarked to provide for marketing now. He said the percentage of students at the school from Minnesota increased last year. However, he said, the marketing is generally geared toward North Dakota students. He said the school

has a full-time recruiter in St. Paul, Minnesota, among its four recruiters that cover North Dakota, Minnesota, Wisconsin, Montana, and South Dakota.

Senator Holmberg said the Higher Education Committee discussed remedial education at a meeting last year and the role that two-year colleges should play. He said the discussion included the process in the system for mathematics placement and the need for one system for mathematics placement throughout the North Dakota University System.

Chairman Grindberg said a future agenda topic for the committee could be to address the issue of remedial education and the role of two-year colleges.

Chairman Grindberg called on Mr. Dan Hodgson, Southern Valley Innovation Center, for comments regarding the Southern Valley Innovation Center. He presented PowerPoint slides ([Appendix C](#)).

In response to a question from Senator Schneider, Mr. Hodgson said the angel investor and seed capital tax credits are available only to North Dakota taxpayers. Therefore, he said, the investors are generally from the local communities. He said some private equity funds are being built and there are efforts to expand those funds to be available for venture capitalists.

In response to a question from Representative Nathe, Mr. Hodgson said it may be feasible to expand the programs or tax credits to attract out-of-state investments.

In response to a question from Representative Glasheim, Mr. Hodgson said it has been difficult to communicate to people the opportunities available for investment in the state. He said it is important to have people available to provide information regarding research available to help bring innovations to market.

Chairman Grindberg called on Mr. Gregory W. Deason, President, Association of University Research Parks, and Director, Purdue Research Park, for comments regarding certified technology research parks ([Appendix D](#)).

Chairman Grindberg called on Mr. Ryan Asberry, Assistant Vice President, Indiana Economic Development Corporation, for comments regarding the certified technology parks program. He said Purdue University has been the most active partner in the Indiana certified technology park program. He said the Indiana Department of Commerce was replaced in 2005 with the Indiana Economic Development Corporation, which is a quasi-governmental entity. He said the corporation performs government functions, but its employees are not state employees. He said the quasi-governmental structure provides additional flexibility to interact with companies and allows the corporation to focus exclusively on economic development. During the late 1990s and early 2000s, he said, Indiana did not have the growth that other states had been experiencing and needed to advance its economy beyond heavy manufacturing and heavy industries. He said several initiatives were commenced to diversify the state's economy. He said the

21st century research and technology fund was established in 1999. He said there was a major focus on diversification during the 2002 legislative session to help the state move toward a technology-based economy. He said an inventory tax was phased out and the corporate income tax was reformed to address only adjusted income rather than include a sales tax. He said the certified technology parks program created regional clusters of technology-based economic development through which companies were launched as a result of university-based research. He said the success of the Purdue certified technology park has been a model to replicate across the state. However, he said, some of the challenges in succeeding in other areas of the state were underestimated. He said Indiana has 19 certified technology parks, which is a high number compared to other states. The certified technology park designation, he said, does not automatically attract business. He said 16 of the certified technology parks were certified between 2003 and 2004 and only 3 additional parks have been certified since that time. He said the Indiana Economic Development Corporation established clear parameters for certification after 2004. Because the level of university involvement has varied among the technology parks, he said, it is important to be clear on the role of the institutions of higher education as a partner. He said many of the technology parks are not succeeding to the extent hoped, in part due to the lack of participation of higher education institutions.

Mr. Asberry said an entity applying to be certified is an entity of local government but often is not the entity responsible for the administration of the technology park. He said there is a disconnect that may weaken accountability and leadership in those instances. He said the funds associated with the program flow through a redevelopment commission, which can also lead to a disconnect between what is the best use of funds between the city and the administrator of the technology park. He said it is important to consider the involvement of the applying entity when establishing a program.

Mr. Asberry said Indiana law requires a commitment by at least one technology-based company to locate in a facility and to create a significant number of jobs. However, he said, the law contains no specific number of jobs to be required. He said the role of businesses locating in the technology park is especially critical, and a state may consider establishing a specific number of jobs required or a specific capital investment. In an application from an entity to become certified, he said, a community indicates that a business is willing to locate in the technology park. However, he said, the level of commitment is varied and some businesses have not followed through on the commitment to locate in the technology park. He said the process should require a demonstration of at least one business willing to locate in the technology park.

Mr. Asberry said a recertification process was implemented in 2007 and was designed to provide as much information as possible with respect to accountability. He said the recertification process has mandated a reporting mechanism so that an analysis can be done to determine whether the technology park is successful. That process, he said, also allows for providing direction to the technology park for going forward.

In response to a question from Senator Schneider, Mr. Asberry said the recertification process judges the number and quality of jobs created and located in the technology park. He said it is important to require businesses to be located or contractually obligated to locate in the technology park before certification and to identify the specific role for the institution of higher education. He said technology parks will be required to go through recertification every four years which will allow time to gain momentum toward success and provide a window for review. In addition, he said, annual reports are required with respect to the number of businesses located in the park, partnerships implemented with universities or research entities, aggregate payroll, and major capital infusions. Because the Indiana Economic Development Corporation is a quasi-governmental entity, he said, the entity or the corporation can collect information and protect the confidentiality of the information to a greater degree than a governmental entity.

Mr. Deason said it is important to find better methods to translate discoveries into the market to help promote competitiveness.

Chairman Grindberg called on Dr. Phillip Boudjouk, Vice President for Research, North Dakota State University, for comments regarding the Experimental Program to Stimulate Competitive Research (EPSCoR) and research activities at institutions of higher education. He said EPSCoR arose after an inquiry at a National Science Foundation hearing in 1978. By 1980, he said, five of the seven states that applied were funded at relatively low levels. He said North Dakota and South Dakota did not receive funding. He said states were allowed to reapply after a five-year waiting period and the Legislative Assembly supported the state match for research funds in 1985. He said research directors were put in place at North Dakota State University and the University of North Dakota. Although 27 states are now involved with EPSCoR, he said, North Dakota is the only state that has had continuous funding since 1985. He said all proposals are competitive and are evaluated when the funding decisions are made. He said the program has produced terrific results.

Dr. Boudjouk said North Dakota was 50th in its ability to compete for research funds from the National Science Foundation in 1990. However, he said, the state is rising quickly and now ranks 27th. He said the growth is largely responsible to the state match for the federal programs. Through the years, he said, the program has impacted thousands of young people

through undergraduate research programs during the academic year and during the summer. He said the program impacts the workforce in the state and provides hands-on experience to improve job readiness.

Dr. Boudjouk said the students in the technology transfer and research program work closely with tribal colleges and research programs on Indian reservations in the state. He said the current EPSCoR program is completing the first year of a five-year, \$5 million National Science Foundation grant. He said 17 other states received grants, and fewer than one-third of the states were fully funded. He said the grant application illustrated the state's support for the programs and the state priorities had clear compatibility with the federal goals. He said the state ranks in the top five states for research grant funding and is at the top or very near the top with respect to the United States Department of Energy funding, Environmental Protection Agency funding, and the United States Department of Agriculture funding for grants. Because of the important link between economic development and research, he said, the state ranks in the top three in the percentage increase in research and development. He said current programs include a flexible electronics program at North Dakota State University and a renewable resources program at the University of North Dakota with parallel research at North Dakota State University. He said both programs are enormously successful and the seed funding from EPSCoR and the state match is attracting outside funding that will be part of the next round for EPSCoR.

Chairman Grindberg called on Dr. Phyllis Johnson, Vice President for Research and Economic Development, University of North Dakota, for comments regarding EPSCoR and research activities at institutions of higher education. She said she has been in her position at the University of North Dakota for only two months but is happy to be back in North Dakota. She said she is impressed with what she has seen at the university and in the state. Through the EPSCoR program and the ability to leverage funds at a 7-to-1 ratio, she said, money is being provided for faculty seed money grants. She said the National Science Foundation helps through EPSCoR to provide recruiting packages for researchers. She said approximately \$200,000 to \$300,000 is needed in equipment costs to equip a new laboratory when hiring a researcher.

Dr. Johnson said she worked for the United States Department of Agriculture for many years and worked on technology transfer and entrepreneurship-type activities in her job. Although academics have valued traditional research, she said, a challenge is to help scientists commercialize the products and find private sector partners. She said the University of North Dakota and North Dakota State University have tremendous resources in technology parks. She said the universities need to coordinate activities and faculty to optimize research efforts. She said there

are great opportunities available for research efforts and the Grand Forks Region Economic Development Corporation office has provided some funding to assist in research activities. She said the state is positioned to move forward to the next level to create jobs to keep young people in the state and bring people back to the state.

In response to a question from Senator Nething, Dr. Boudjouk said there is a long-standing culture among the science community to not boast about the work being done. Therefore, he said, it is difficult to provide specific information regarding the impact of the research programs. However, he said, there is significant anecdotal evidence that research has helped local private companies grow. He said he can try and provide the committee with additional information regarding research successes to aid legislators in making future funding decisions for research in the state.

In response to a question from Representative Svedjan, Dr. Johnson said there is a good degree of collaboration between the University of North Dakota and North Dakota State University and other institutions in the state, as well as tribal colleges. She said there is a desire to further collaborative efforts because the nature of research requires teamwork and collaboration.

Dr. Boudjouk said there has been a significant amount of collaboration with the private sector. He said assistance in targeting research and knowing the market can have an impact through the collaboration with private sector businesses.

Representative Kaldor said his business made use of the EPSCoR program and received assistance in developing software that was crucial to his business. He said the students involved in the work were impacted by the research and have become very successful.

Mr. Dennis Anderson, Associate Vice President of Business Development and Industrial Relations, North Dakota State University, said a significant number of companies have had similar experiences with the EPSCoR program. He said students participating in the program leave the universities with practical experience that will help them earn more in the private sector. He said the programs receive consistent positive feedback from research partners.

In response to a question from Senator Nething, Dr. Johnson said the universities need to better market the fact that the knowledge base is present in the state and to put that knowledge to use.

Chairman Grindberg called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, for comments ([Appendix E](#)) regarding the Department of Commerce.

Mr. Goettle said the Department of Commerce recently received a report on a performance audit of the department. He said the goal of a performance audit is to review objectively an agency to provide recommendations for improvement. He said employees of the department cooperated with the

State Auditor to assist in the review of the department. He said he is pleased overall with the results of the audit and agrees with almost all of the recommendations contained in the audit. He said the department had done or was in the process of doing many of the things identified in the audit. He said many of the other items identified in the audit are very easily corrected. He said one area of special interest is the survey of employees of the department. Of the employees surveyed, he said, 87 percent stated that they agree or strongly agree that senior management communicates well with employees. In addition, he said, 72 percent agreed or strongly agreed that they could take issue or disagree with senior management without fear of consequences.

Mr. Goettle said the audit contained 15 recommendations relating to the centers of excellence. He said the department has implemented a comprehensive application process and put in place monitoring to provide accurate accountability. He submitted written information ([Appendix F](#)) relating to the centers of excellence programs and processes. He said some of the concerns from the audit have been addressed through the evaluation of the program. He said the audit indicated that no formalized agreements have been entered between the Centers of Excellence Commission and approved applicants. However, he said, agreements are in place but may not all be two-party agreements. He said the centers of excellence application has an affirmation form within the application. In addition, he said, the department works with the Attorney General's office with respect to compliance agreements. He said the department requires annual audits and prohibits subgrants. He said private sector partners contribute to the centers of excellence and do not receive funding from the program.

Mr. Goettle said during the first two years of the centers of excellence program there was no monitoring of the program. After the Department of Commerce took over the program, he said, monitoring was implemented. He said the department was not given the opportunity to provide background and context to address all of the recommendations in the audit.

In response to a question from Representative Kaldor, Mr. Goettle said the department withdrew funding for two projects that were given over one year to comply with matching funding requirements. He said the program requires some degree of flexibility to allow the Centers of Excellence Commission to make decisions on a case-by-case basis, particularly considering current economic issues.

In response to a question from Representative Glassheim, Mr. Goettle said the department is receiving 2009 annual reports and will be conducting site visits to validate the reports. After that process is completed, he said, an impact study will be conducted and reports with results will be completed early in 2010.

Representative Glassheim said it appears that the investment in the centers of excellence program has proven to be successful. With tightened accountability, he said, lawmakers should be able to depend on the program successfully going forward.

In response to a question from Representative Nathe, Mr. Goettle said the issue in the audit relating to a project at Dickinson State University was due in part to leadership changes at the university and the lack of familiarity with the original application. He said those issues have been clarified and no further action with respect to that program appears necessary. He said a compliance agreement was done in conjunction with the Attorney General's office and is an enforceable contract. He said if the contract were to be breached, a decision would need to be made whether it is necessary to pursue further action.

In response to a question from Senator Taylor, Mr. Goettle said the project that would increase canola yields would have an economic impact on farmers which may not translate directly into new jobs.

Senator Nething said his impression is that audits are for addressing compliance issues not micromanaging an agency.

Mr. Goettle said some of the recommendations in the audit will help the agency to move forward. However, he said, some of the recommendations may not be entirely necessary. Nonetheless, he said, the department can implement the recommendations.

Senator Nething said lawmakers and other government officials may lose confidence in auditors if there appears to be micromanaging of agencies.

Senator Grindberg said an audit should be a tool to improve the operations of an agency not an opportunity for subjectivity.

Representative Kaldor said it is important that the auditors review an agency to check for compliance. He said issues relating to compliance with legislative intent concern him.

Mr. Goettle said he disagrees with the recommendation in the audit report relating to the Agricultural Products Utilization Commission. He said he believes it is up to the commission to determine how best to use a full-time equivalent position included within an appropriation. He said the position was not filled until it was determined that the model to be implemented was a better approach. He said the department has the authority to reclassify positions and the Attorney General agreed that the authority is available under law for the department.

There being no further business, Chairman Grindberg adjourned the meeting at 3:05 p.m.

John Bjornson
Committee Counsel

ATTACH:6