

**HOUSE BILL NO. 1165**

Introduced by

Representatives Toman, Rick C. Becker, Jones, K. Koppelman, Louser, Olson, Schatz,  
Simons

Senators Casper, Poolman

1 A BILL for an Act to create and enact a new subsection to section 54-60.1-07 of the North  
2 Dakota Century Code, relating to transparency of state grants; and to amend and reenact  
3 sections section 54-60.1-01 and, subdivision g of subsection 3 of section 54-60.1-03, and  
4 section 54-60.1-05 of the North Dakota Century Code, relating to transparency of state grants;  
5 and to declare an emergency.

6 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

7 **SECTION 1. AMENDMENT.** Section 54-60.1-01 of the North Dakota Century Code is  
8 amended and reenacted as follows:

9 **54-60.1-01. Definitions.**

10 As used in this chapter, unless the context otherwise requires:

- 11 1. "Benefit date" means the date on which the recipient receives the business incentive.  
12 If the business incentive involves the purchase, lease, or donation of physical  
13 equipment, the benefit date is the date when the recipient puts the equipment into  
14 service. If the business incentive is for improvements to property, the benefit date is  
15 the earlier of either when the improvements are finished for the entire project or when  
16 a business occupies the property. If a business occupies the property and the  
17 business incentive grantor expects that other businesses will also occupy the same  
18 property, the grantor may assign a separate benefit date for each subsequent  
19 business when that subsequent business first occupies the property.
- 20 2. "Business incentive" means a state or political subdivision direct cash transfer, loan, or  
21 equity investment; contribution of property or infrastructure; reduction or deferral of  
22 any tax or any fee; guarantee of any payment under any loan, lease, or other  
23 obligation; or preferential use of government facilities given to a business. To be

1 considered a business incentive, the total assistance in all forms must be valued at  
2 twenty-five thousand dollars or more committed within a year. Unless specifically  
3 provided otherwise, the term does not include:

- 4 a. Assistance that is generally available to all businesses or to a general class of  
5 similar businesses, such as a line of business, size, or similar criteria.
- 6 b. Incentives resulting from Bank of North Dakota programs unless the incentive is  
7 a direct interest rate buydown or is an investment made pursuant to the North  
8 Dakota alternative and venture capital investments and early-stage capital funds  
9 program.
- 10 c. Public improvements to buildings or lands owned by the state or political  
11 subdivision which serve a public purpose and do not principally benefit a single  
12 business or defined group of businesses at the time the improvements are made.
- 13 d. Assistance provided for the sole purpose of renovating old or decaying building  
14 stock or bringing such building stock up to code and assistance provided for  
15 designated historic preservation districts, provided that the assistance does not  
16 exceed seventy-five percent of the total cost.
- 17 e. Assistance to provide job-readiness and training services if the sole purpose of  
18 the assistance is to provide those services.
- 19 f. Assistance for housing.
- 20 g. Assistance for pollution control or abatement.
- 21 h. Assistance for energy conservation.
- 22 i. Tax reductions resulting from conformity with federal tax law.
- 23 j. Benefits derived from regulation.
- 24 k. Indirect benefits derived from assistance to educational institutions.
- 25 l. Assistance for a collaboration between a North Dakota institution of higher  
26 education and a business.
- 27 m. Redevelopment if the recipient's investment in the purchase of the site and in site  
28 preparation is seventy percent or more of the assessor's current year's estimated  
29 market value.
- 30 n. General changes in tax increment financing law and other general tax law  
31 changes of a principally technical nature.

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- 1           o. Federal assistance provided through the state or a political subdivision until the  
2           assistance has been repaid to, and reinvested by, the state or political  
3           subdivision.
- 4           p. Federal or state assistance for the lignite research, development, and marketing  
5           program under chapter 54-17.5.
- 6           q. Federal or state assistance for the oil and gas research, development, and  
7           marketing program under chapter 54-17.6.
- 8           r. Federal or state assistance for the renewable energy program under chapter  
9           54-63.
- 10          3. "Compensation" means the value of an employee's:
- 11           a. Earnings, including wages, salary, bonus, and commissions; and
- 12           b. Benefits, including:
- 13               (1) Health, disability, life, and retirement benefits or insurance premium paid by  
14               the employer;
- 15               (2) An employee's share of payroll taxes paid by the employer; and
- 16               (3) Other fringe benefits such as housing allowance and transportation  
17               expenses.
- 18          4. "Department" means the department of commerce.
- 19          5. "Grant" means a business incentive payment obligation awarded by the state and  
20          which is funded directly by state revenues.
- 21          6. "Grantor" means the state or any political subdivision that directly or indirectly grants a  
22          business incentive to a recipient.
- 23          6-7. "Political subdivision" means a unit of local government in this state which has direct  
24          or indirect authority to grant a business incentive. The term includes any authority,  
25          agency, special district, or entity created by, authorized by, under the jurisdiction of, or  
26          contracting with a political subdivision.
- 27          7-8. "Public purpose" includes assisting community development, increasing the tax base,  
28          directly creating employment opportunities, or indirectly creating employment  
29          opportunities through increased economic activity. Job retention is only a public  
30          purpose in cases in which job loss is specific and demonstrable.
- 31          8-9. "Recipient" means any individual or business entity that receives a business incentive.

1     ~~9.10.~~ "State" means any North Dakota state government agency that has the authority to  
2             directly or indirectly award business incentives.

3             **SECTION 2. AMENDMENT.** Subdivision g of subsection 3 of section 54-60.1-03 of the  
4 North Dakota Century Code is amended and reenacted as follows:

5             g. A list of all financial assistance by all grantors for the project. A business incentive  
6             agreement for a grant must include a list of financial assistance provided by  
7             federal government sources, state government sources, local government  
8             sources, and any matching funds.

9             **SECTION 3. AMENDMENT.** Section 54-60.1-05 of the North Dakota Century Code is  
10 amended and reenacted as follows:

11             **54-60.1-05. State grantor recipient reports.**

12             1. The department shall create state grantor recipient report forms that include:

13             a. The name and, address, and website uniform resource locator, and tax  
14             identification number of the recipient;

15             b. The date the fiscal year of the recipient begins;

16             ~~c. A classification of the amount of funding received by the recipient from:~~

17             ~~(1) Federal government sources;~~

18             ~~(2) State government sources;~~

19             ~~(3) Local government sources; and~~

20             ~~(4) Any other source.~~

21             ~~d.~~ The type, public purpose, and value of the business incentive;

22             ~~c.e.~~ The number of new jobs to be created or retained in association with the  
23             business incentive;

24             ~~d.f.~~ The average compensation of all jobs to be created or retained in association  
25             with the business incentive, including identification of the average benefits and  
26             the average earnings provided by the employer on all jobs created or retained in  
27             association with the business incentive;

28             ~~e.g.~~ The date the job and average compensation goals are expected to be reached;

29             ~~f.h.~~ A statement of goals identified in the business incentive agreement and an  
30             update on achievement of these goals, including the actual number of jobs  
31             created or retained and the average compensation of jobs created or retained at

1 that point, including identification of the average benefits actually provided and  
2 the average earnings actually provided by the employer on all jobs created or  
3 retained;

4 ~~g.~~ The location of the recipient prior to receiving the business incentive;

5 ~~h.~~ The name and address of the parent corporation of the recipient, if any;

6 ~~i.~~ A list of business incentives by all grantors for the project; ~~and~~

7 ~~j.~~ For grants, an updated list of financial assistance provided by federal government  
8 sources, state government sources, local government sources, and any matching  
9 funds; and

10 k. Other information the department and grantor may request.

11 2. Each state grantor shall use recipient report forms created by the department to  
12 monitor the progress by each state grantor recipient in achieving business incentive  
13 agreement goals. At a minimum, each of these recipients shall provide the state  
14 grantor with an annual recipient report for two years following the benefit date or until  
15 the goals are met, whichever is later. ~~The report must include the outcomes achieved~~  
16 ~~by the grant program since the date the grant was awarded or the date the previous~~  
17 ~~report was filed by the recipient, an assessment of the costs incurred to achieve the~~  
18 ~~outcomes of the grant program since the date the grant was awarded or the date the~~  
19 ~~previous report was filed by the recipient, and a table of expenditures made with grant~~  
20 ~~funds by the recipient since the date the grant was awarded or the date the previous~~  
21 ~~report was filed by the recipient. The table of expenditures must include expenditures~~  
22 ~~for:~~

23 ~~a. Personnel;~~

24 ~~b. Contractual services;~~

25 ~~c. Office supplies and materials;~~

26 ~~d. Travel;~~

27 ~~e. Communications and postage;~~

28 ~~f. Utilities;~~

29 ~~g. Printing;~~

30 ~~h. Repairs and maintenance;~~

31 ~~i. Meeting expenses;~~

- 1 ~~j. Employee training expenses;~~
- 2 ~~k. Advertising;~~
- 3 ~~l. Space, furniture, vehicle, and equipment rentals;~~
- 4 ~~m. Subscriptions;~~
- 5 ~~n. Insurance;~~
- 6 ~~o. Books and reference materials;~~
- 7 ~~p. Mortgage principal, interest, and bank fees;~~
- 8 ~~q. Buildings and improvements;~~
- 9 ~~r. Other services;~~
- 10 ~~s. Stipends, scholarships, and bonuses;~~
- 11 ~~t. Food; and~~
- 12 ~~u. Other expenses.~~

13 ~~3.~~ If the business incentive agreement goals are not met, the state grantor recipient shall  
14 continue to provide recipient reports to the state grantor until the incentive is repaid. A  
15 state grantor shall file with the department a copy of each completed recipient report.

16 3. In addition to the report provided under subsection 2, grant recipients shall provide the  
17 state grantor with a table of expenditures made with grant funds by the recipient since  
18 the date the grant was awarded or the date the previous report was filed by the  
19 recipient.

20 ~~3.4.~~ Before sixty days after the anniversary of the benefit date, a state grantor recipient  
21 shall file with the state grantor the recipient report for the previous twelve months. If a  
22 state grantor recipient fails to file a recipient report before the sixtieth day after the  
23 anniversary of the benefit date, the state grantor shall mail the recipient a warning  
24 letter. If a noncompliant state grantor recipient fails to file the recipient report within  
25 fourteen days of the postmarked date of the warning letter, the recipient shall pay to  
26 the state grantor a penalty of one hundred dollars for each subsequent day until the  
27 report is filed. The maximum penalty under this section may not exceed one thousand  
28 dollars. ~~The name of the noncompliant recipient must be placed on a publicly available~~  
29 ~~noncompliance list included on the website of the department. If a recipient remains on~~  
30 ~~the list for more than sixty days, the recipient is not eligible to receive additional grant~~  
31 ~~funds until the recipient becomes compliant.~~

1 ~~5. The department shall establish and maintain a website known as the state~~  
2 ~~transparency and accountability portal. The website must contain publicly accessible~~  
3 ~~information regarding the requirements of this section.~~

4 ~~6. Each recipient shall complete a form required by subsection 1 for each grant received~~  
5 ~~by the recipient. The recipient shall submit a copy of the form to the department within~~  
6 ~~thirty days after the first disbursement of funds under the grant.~~

7 ~~**SECTION 4. EMERGENCY.** This Act is declared to be an emergency measure.~~

8 **SECTION 4.** A new subsection to section 54-60.1-07 of the North Dakota Century Code is  
9 created and enacted as follows:

10 The department shall provide information regarding state grantor reports on its  
11 website, including the compilation and summary, the state grantor recipient report on  
12 grant expenditures, and a report listing noncompliant state grantor recipients.