

Sixty-sixth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1333

Introduced by

Representatives Nathe, Howe, Lefor, Mock, Sanford

Senators Bekkedahl, Cook

1 A BILL for an Act to create and enact a new chapter to title 6 of the North Dakota Century Code,
2 relating to the creation of an innovation loan fund to support technology advancement
3 committee and loan program; to provide an exemption; to provide a continuing appropriation;
4 and to provide for a transfer.

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

6 **SECTION 1.** A new chapter to title 6 of the North Dakota Century Code is created and
7 enacted as follows:

8 **Definitions.**

9 In this chapter, unless the context otherwise requires:

10 1. "Committee" means the innovation loan fund to support technology advancement
11 committee.

12 2. "Diversification sectors" means the following industries:

13 a. Advanced computing and data management;

14 b. Agriculture technology;

15 c. Autonomous and unmanned vehicles and related technologies;

16 d. Energy;

17 e. Health care;

18 f. Value-added agriculture;

19 g. Value-added energy; and

20 h. Any industry or area specifically identified by the committee as an industry that
21 will contribute to the diversification of the state's economy.

22 **Innovation loan fund to support technology advancement committee - Membership -**

23 **Meetings.**

24 1. The innovation loan fund to support technology advancement committee consists of:

- 1 a. The president of the Bank of North Dakota or the president's designee who shall
2 serve as the chairperson of the committee and is a nonvoting member of the
3 committee;
- 4 b. Three members representing active venture capital firms, private entities, or
5 angel capital funds, who must be appointed by the president of the Bank of North
6 Dakota;
- 7 c. One member with finance-related experience, knowledge, or education, who
8 must be appointed by the president of the Bank of North Dakota; and
- 9 d. Three members from the private sector with expertise in the diversification
10 sectors, who must be appointed by the commissioner of the department of
11 commerce.
- 12 2. The term of office of the appointed members of the committee is four years, and the
13 terms must be staggered so that no more than one of the members' terms appointed
14 by the president of the Bank of North Dakota and one of the members' terms
15 appointed by the commissioner of the department of commerce expire each year.
16 Each term of office commences on the first day of July. Members serve at the pleasure
17 of the appointing entity and may be reappointed for additional terms. Members of the
18 committee may not invest or otherwise participate in applied research,
19 experimentation, or operational testing associated with a loan awarded under this
20 chapter. The committee shall select a vice chairperson. If a committee member ceases
21 to qualify as a member of the appointing entity, that individual's membership on the
22 committee ceases immediately and the appointing entity shall appoint a new member
23 to the committee for the remainder of the term.
- 24 3. A committee member representing the private sector is eligible to receive
25 compensation in an amount not exceeding one hundred thirty-five dollars per day and
26 travel and expense reimbursement as provided by law for state officers for attending
27 meetings of the committee.
- 28 4. The committee shall meet as necessary to make loan recommendations and provide
29 ongoing review of research, development, and commercialization activities.

1 **Innovation loan fund to support technology advancement - Innovation technology**
2 **loan program.**

3 The Bank of North Dakota shall administer the innovation technology loan program to
4 provide loans for activities identified in this chapter. The Bank shall provide administrative
5 support for the program, including the drafting of application forms, receiving applications,
6 reviewing applications for completeness and compliance with committee policy, and forwarding
7 complete applications to the committee in accordance with the guidelines established by the
8 committee.

9 **Innovation technology loans - Eligibility.**

- 10 1. The committee shall establish guidelines for entities to qualify for an innovation
11 technology loan under this section. The committee shall consider and process
12 applications in a timely manner that does not jeopardize an applicant's opportunity to
13 leverage other funds.
- 14 2. In determining whether to recommend approval of an application, the committee shall
15 consider the extent to which the proposal will:
- 16 a. Deliver applied research, experimentation, or operational testing in one or more
17 of the diversification sectors to create information or data to enhance North
18 Dakota companies or industries or companies making investments in North
19 Dakota;
- 20 b. Lead to the commercialization or patent of an innovation technology solution; or
21 c. Result in the development of a new company or expansion of an existing
22 company that will diversify the state's economy through new products,
23 investment, or skilled jobs.
- 24 3. The Bank of North Dakota shall review all applications recommended for approval by
25 the committee for final loan approval. The terms of the loan must include:
- 26 a. Zero percent interest for the first three years of the loan;
27 b. Two percent interest for the next two years of the loan; and
28 c. An interest rate equal to a standard Bank of North Dakota loan for all subsequent
29 years.

1 **Innovation loan fund to support technology advancement - Continuing appropriation.**

2 The innovation loan fund to support technology advancement is a special fund in the state
3 treasury and must be administered by the Bank of North Dakota. All moneys in the fund are
4 appropriated to the Bank on a continuing basis for the purpose of providing innovation
5 technology loans and for administrative expenses. The Bank shall deposit in the innovation loan
6 fund to support technology advancement all principal and interest paid on loans made from the
7 fund. Interest earned on moneys in the fund must be credited to the fund.

8 **Use of loan funds.**

9 Loan recipients shall use innovation technology loan funds to enhance capacity and, to the
10 extent possible, leverage state, federal, and private sources of funding. An entity receiving a
11 loan under this chapter may not use the funds for capital or building investments or for research
12 or other activities not identified in this chapter. The funds may not be used for academic or
13 instructive programming, workforce training, administrative costs, or to supplant funding for
14 regular operations of institutions of higher education. Unless otherwise approved by the
15 committee, loan recipients may use funding only to conduct applied research, experimentation,
16 or operational testing within the state. If an entity awarded a loan no longer conducts its
17 activities in the state, the interest rate of the loan shall default to the rate of a standard Bank of
18 North Dakota loan.

19 **Innovation loan fund to support technology advancement - Postaward monitoring -**
20 **Exemption.**

- 21 1. Upon completion of work performed from funding provided by a loan, the Bank of
22 North Dakota shall provide an independent review of the results. Evaluation criteria
23 may include:
- 24 a. How the work performed has contributed to the development of a company or the
25 expansion of an existing company, has enhanced the ability of a company to
26 make investments in the state, or otherwise enticed a company to invest or move
27 to the state.
 - 28 b. How the work performed has led to additional economic investment of capital
29 from public and private sector entities within and outside North Dakota.
 - 30 c. How the work performed has led to or may lead to a patent or research that is
31 commercially viable.

1 2. As a condition for receiving a loan under this chapter, each entity shall agree to
2 provide the Bank of North Dakota with its annual audit.

3 **SECTION 2. TRANSFER - BANK OF NORTH DAKOTA - INNOVATION LOAN FUND TO**
4 **SUPPORT TECHNOLOGY ADVANCEMENT.** The Bank of North Dakota shall transfer the sum
5 of \$3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings
6 and undivided profits to the innovation loan fund to support technology advancement for the
7 purpose of providing innovation technology loans during the biennium beginning July 1, 2019,
8 and ending June 30, 2021.