

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 **leangrant** fund to support technology advancement
3 committee and **leangrant** program; to provide an exemption; to provide a continuing
4 appropriation; 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 **leangrant** 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.

1 Innovation ~~loan~~grant fund to support technology advancement committee -

2 Membership - Meetings.

3 1. The innovation ~~loan~~grant fund to support technology advancement committee consists
4 of:

5 a. The president of the Bank of North Dakota or the president's designee, and the
6 commissioner of the department of commerce or the commissioner's designee,
7 who shall serve as ~~the chairperson~~co-chairpersons of the committee and ~~is a~~are
8 nonvoting ~~member~~members of the committee;

9 b. Three members representing active venture capital firms, private entities, or
10 angel capital funds, ~~who must be appointed by the president of the Bank of North~~
11 Dakota;

12 c. One member with finance-related experience, knowledge, or education, ~~who~~
13 must be appointed by the president of the Bank of North Dakota; and

14 d. Three members from the private sector with expertise in the diversification
15 sectors, ~~who must be appointed by the commissioner of the department of~~
16 commerce.

17 2. The members of the committee must be appointed by the president of the Bank of
18 North Dakota and the commissioner of the department of commerce. The term of
19 office of the appointed members of the committee is four years, and the terms must be
20 staggered so that no more than one of the members' terms appointed ~~by the president~~
21 of the Bank of North Dakota and one of the members' terms appointed by the
22 commissioner of the department of commerce under subdivisions b and c of
23 subsection 1 expire each year, and so that no more than one of the member's terms
24 appointed under subdivision d of subsection 1 expire each year. Each term of office
25 commences on the first day of July. Members serve at the pleasure of the ~~appointing~~
26 entity, ~~president of the Bank of North Dakota and commissioner of the department of~~
27 commerce and may be reappointed for additional terms. Members of the committee
28 may not invest or otherwise participate in applied research, experimentation, or
29 operational testing associated with a ~~loan~~grant awarded under this chapter. ~~The~~
30 committee shall select a vice chairperson. If a committee member ~~appointed under~~
31 subdivision b of subsection 1 ceases to ~~qualify as a member of the appointing~~

1 entity represent an active venture capital firm, private entity, or angel capital fund, that
2 individual's membership on the committee ceases immediately and the appointing-
3 entity president of the Bank of North Dakota and the commissioner of the department
4 of commerce shall appoint a new member to the committee for the remainder of the
5 term.

6 3. A committee member representing the private sector is eligible to receive
7 compensation in an amount not exceeding one hundred thirty-five dollars per day and
8 travel and expense reimbursement as provided by law for state officers for attending
9 meetings of the committee.

10 4. The committee shall meet as necessary to make loangrant recommendations and
11 provide ongoing review of research, development, and commercialization activities.

12 **Innovation loangrant fund to support technology advancement - Innovation**
13 **technology loangrant program.**

14 The Bank of North Dakota shall administer the innovation technology loangrant program to
15 provide loansgrants for activities identified in this chapter. The Bank shall provide administrative
16 support for the program, including the drafting of application forms, receiving applications,
17 reviewing applications for completeness and compliance with committee policy, and forwarding
18 complete applications to the committee in accordance with the guidelines established by the
19 committee. Program guidelines relating to ownership of intellectual property, inventions, and
20 discoveries must address activities and issues unique to technologies, patents, and companies
21 created as a result of a legacy innovation technology grant.

22 **Innovation technology loansgrants - Eligibility.**

- 23 1. The committee shall establish guidelines for entities to qualify for an innovation
24 technology loangrant under this section. The committee shall consider and process
25 applications in a timely manner that does not jeopardize an applicant's opportunity to
26 leverage other funds.
- 27 2. In determining whether to recommend approval of an application, the committee shall
28 consider the extent to which the proposal will:
- 29 a. Deliver applied research, experimentation, or operational testing in one or more
30 of the diversification sectors to create information or data to enhance North

1 Dakota companies or industries or companies making investments in North

2 Dakota;

3 b. Lead to the commercialization or patent of an innovation technology solution; or

4 c. Result in the development of a new company or expansion of an existing

5 company that will diversify the state's economy through new products,

6 investment, or skilled jobs.

7 ~~3. The Bank of North Dakota shall review all applications recommended for approval by~~
8 ~~the committee for final loan approval. The terms of the loan must include:~~

9 ~~a. Zero percent interest for the first three years of the loan;~~

10 ~~b. Two percent interest for the next two years of the loan; and~~

11 ~~c. An interest rate equal to a standard Bank of North Dakota loan for all subsequent~~
12 ~~years.~~

13 **Innovation ~~loan~~grant fund to support technology advancement - Continuing**
14 **appropriation.**

15 The innovation ~~loan~~grant fund to support technology advancement is a special fund in the

16 state treasury and must be administered by the Bank of North Dakota. All moneys in the fund

17 are appropriated to the Bank on a continuing basis for the purpose of providing innovation

18 technology ~~loans~~grants and for administrative expenses. ~~The Bank shall deposit in the~~

19 innovation loan fund to support technology advancement all principal and interest paid on loans

20 made from the fund. Interest earned on moneys in the fund must be credited to the fund.

21 **Use of ~~loan~~grant funds.**

22 ~~Loan~~Grant recipients shall use innovation technology ~~loan~~grant funds to enhance capacity

23 and, to the extent possible, leverage state, federal, and private sources of funding. An entity

24 receiving a ~~loan~~grant under this chapter may not use the funds for capital or building

25 investments or for research or other activities not identified in this chapter. The funds may not

26 be used for academic or instructive programming, workforce training, administrative costs, or to

27 supplant funding for regular operations of institutions of higher education. Unless otherwise

28 approved by the committee, ~~loan~~grant recipients may use funding only to conduct applied

29 research, experimentation, or operational testing within the state. If an entity awarded a ~~loan no~~

30 longer conducts its activities in the state, the interest rate of the loan shall default to the rate of a

1 ~~standard Bank of North Dakota loan~~grant discontinues its activities in the state within three
2 years of receiving the grant, the grant recipients shall return all funding received.

3 **Innovation ~~loan~~grant fund to support technology advancement - Postaward**
4 **monitoring - Exemption.**

5 1. Upon completion of work performed from funding provided by a ~~loan~~grant, the Bank of
6 North Dakota shall provide an independent review of the results. Evaluation criteria
7 may include:

8 a. How the work performed has contributed to the development of a company or the
9 expansion of an existing company, has enhanced the ability of a company to
10 make investments in the state, or otherwise enticed a company to invest or move
11 to the state.

12 b. How the work performed has led to additional economic investment of capital
13 from public and private sector entities within and outside North Dakota.

14 c. How the work performed has led to or may lead to a patent or research that is
15 commercially viable.

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

18 **SECTION 2. TRANSFER - BANK OF NORTH DAKOTA - INNOVATION ~~LOAN~~GRANT**

19 **FUND TO SUPPORT TECHNOLOGY ADVANCEMENT.** The Bank of North Dakota shall
20 transfer the sum of \$3,000,000, or so much of the sum as may be necessary, from the Bank's
21 current earnings and undivided profits to the innovation ~~loan~~grant fund to support technology
22 advancement for the purpose of providing innovation technology ~~loans~~grants during the
23 biennium beginning July 1, 2019, and ending June 30, 2021.