

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. "Commissioner" means the commissioner of the department of commerce.

11 2. "Committee" means the innovation loan fund to support technology advancement
12 committee.

13 ~~2.3.~~ "Diversification sectors" means the following industries:

14 a. Advanced computing and data management;

15 b. Agriculture technology;

16 c. Autonomous and unmanned vehicles and related technologies;

17 d. Energy;

18 e. Health care;

19 f. Value-added agriculture;

20 g. Value-added energy; and

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

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

2 **Meetings.**

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

4 a. The ~~president of the Bank of North Dakota~~ commissioner or the

5 ~~president's~~ commissioner's designee who shall serve as the chairperson of the
6 committee and is a nonvoting member of the committee;

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

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

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

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

1 appointing entity commissioner, in consultation with the president of the Bank of North
2 Dakota, shall appoint a new member to the committee for the remainder of the term.

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

7 4. The committee shall meet as necessary to make loan recommendations and provide
8 ongoing review of research, development, and commercialization activities.

9 **Innovation loan fund to support technology advancement - Innovation technology**
10 **loan program.**

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

20 **Innovation technology loans - Eligibility.**

21 1. The committee shall establish guidelines for entities to qualify for an innovation
22 technology loan under this section. The committee shall consider and process
23 applications in a timely manner that does not jeopardize an applicant's opportunity to
24 leverage other funds.

25 2. In determining whether to recommend approval of an application, the committee shall
26 consider the extent to which the proposal will:

27 a. Deliver applied research, experimentation, or operational testing in one or more
28 of the diversification sectors to create information or data to enhance North
29 Dakota companies or industries or companies making investments in North
30 Dakota;

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

1 c. Result in the development of a new company or expansion of an existing
2 company that will diversify the state's economy through new products,
3 investment, or skilled jobs.

4 3. The Bank of North Dakota shall review ~~all~~the business plan, financial statements, and
5 other information necessary for the Bank to determine which applications
6 recommended for approval by the committee will be approved by the Bank for final
7 loan approval. The terms of the loan must include:

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

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

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

12 4. To be eligible for a loan under this chapter, an entity shall agree to provide the Bank of
13 North Dakota with information as requested by the Bank.

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

15 The innovation loan fund to support technology advancement is a special fund in the state
16 treasury and must be administered by the ~~Bank of North Dakota~~department of commerce. All
17 moneys in the fund are appropriated to the ~~Bank~~department of commerce on a continuing basis
18 for the purpose of providing innovation technology loans and for administrative expenses. The
19 ~~Bank~~department of commerce shall deposit in the innovation loan fund to support technology
20 advancement all principal and interest paid on loans made from the fund. Interest earned on
21 moneys in the fund must be credited to the fund.

22 **Use of loan funds.**

23 Loan recipients shall use innovation technology loan funds to enhance capacity and, to the
24 extent possible, leverage state, federal, and private sources of funding. An entity receiving a
25 loan under this chapter may not use the funds for capital or building investments or for research
26 or other activities not identified in this chapter. The funds may not be used for academic or
27 instructive programming, workforce training, administrative costs, or to supplant funding for
28 regular operations of institutions of higher education. Unless otherwise approved by the
29 committee, loan recipients may use funding only to conduct applied research, experimentation,
30 or operational testing within the state. If an entity awarded a loan no longer conducts its

1 activities in the state, the interest rate of the loan shall default to the rate of a standard Bank of
2 North Dakota loan.

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

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

8 a.1. 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 make
10 investments in the state, or otherwise enticed a company to invest or move to the
11 state.

12 b.2. How the work performed has led to additional economic investment of capital from
13 public and private sector entities within and outside North Dakota.

14 c.3. 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 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 FUND TO**
19 **SUPPORT TECHNOLOGY ADVANCEMENT.** The Bank of North Dakota shall transfer the sum
20 of ~~\$3,000,000~~\$15,000,000, or so much of the sum as may be necessary, from the Bank's
21 current earnings and undivided profits to the innovation loan fund to support technology
22 advancement for the purpose of providing innovation technology loans during the biennium
23 beginning July 1, 2019, and ending June 30, 2021.