

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

COMMERCE AND LABOR COMMITTEE

Monday and Tuesday, May 8-9, 2000
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Eliot Glassheim, Chairman, called the meeting to order at 9:10 a.m.

Members present: Representatives Eliot Glassheim, Rick Berg, Curtis E. Brekke, Byron Clark, Glen Froseth, Howard Grumbo, Nancy Johnson, George J. Keiser, Lawrence R. Klemm, Amy N. Kliniske, Dale C. Severson, Dorvan Solberg, Elwood Thorpe; Senators Karen K. Krebsbach, Deb Mathern, Duane Mutch, Harvey Sand, Harvey D. Tallackson

Members absent: Representative William E. Gorder; Senators Tony Grindberg, Vern Thompson

Others present: See attached appendix

It was moved by Senator Tallackson, seconded by Representative Froseth, and carried on a voice vote that the minutes of the February 28-29, 2000, meeting be approved as distributed.

ECONOMIC DEVELOPMENT STUDY

Privatization and Consolidation of Economic Development Services

Chairman Glassheim called on committee counsel to discuss survey responses regarding the provision of economic development services by the state. Committee counsel distributed three documents--a list of economic development functions, a packet of survey responses, and a summary of survey responses.

Committee counsel said the Legislative Council distributed an economic development functions survey, which was created by the Department of Economic Development and Finance and the National Association of State Development Agencies (NASDA). The purpose of the survey, she said, was to determine which state agencies were providing which economic development services. The summary of survey responses reflects survey responses by agencies. She said the Legislative Council did not question, edit, or confirm these responses.

Chairman Glassheim called on Mr. Randy Schwartz, Deputy Director, Department of Economic Development and Finance, for comments regarding the Manufacturing Extension Partnership Center in North Dakota. He said as part of the program, the department is conducting a market analysis of nearly 350 manufacturers in the state. He distributed a document that summarizes manufacturers' needs. A

copy of the document is on file in the Legislative Council office.

Chairman Glassheim called on Mr. Miles Friedman, Executive Officer, National Association of State Development Agencies, for comments regarding privatization and consolidation of economic development services. Mr. Friedman distributed a copy of resource materials for the committee. A copy of the materials is on file in the Legislative Council office. He also made a computer presentation, a paper copy of which is also on file in the Legislative Council office.

Mr. Friedman said the committee should consider how other states provide economic development services; however, the committee should only use this information to assist in identifying the specific model for the provision of economic development services for the state. He said the North Dakota economy is in a transition phase in part due to globalization, the technological revolution, and the trend of putting more reliance on fewer industries.

Mr. Friedman said in interviewing people from North Dakota agencies, the Department of Economic Development and Finance has received high marks across the board. He said North Dakota has a large number of economic development service providers and there appears to be mutual respect between the agencies.

Mr. Friedman said negative observations he made in performing interviews are perhaps there are too many economic development service providers within the state, and there does not appear to be a mechanism to coordinate the state economic development services. He said these things can be negative because there can be overlapping of programs and lack of accountability.

Mr. Friedman said important questions for the committee to consider include:

1. The role of the private sector in economic development;
2. The definition of economic development;
3. The state's role in providing economic development services;
4. The state's goals for the economic development system; and

- Specifically how the private sector may be involved in the provision of economic development services.

Mr. Friedman said state-of-the-art economic development in this country addresses environmental impact, technology, globalization, private/public sector relationships, accountability and return on investment, increase in diversity of economic development programs, the evolution of the role of the state in economic development, intrastate networks, and centralization versus decentralization.

In response to a question from Senator Tallackson, Mr. Friedman said the success of enterprise zones varies from state to state. He said the use of enterprise zones is one good tool for economic development but is not the only tool to use for economic development.

Senator Tallackson said it is important to recognize North Dakota is experiencing a loss of population in the rural communities and a growth of population in the larger communities. Representative Solberg said adequate consideration needs to be given to the rural areas and the need to assist in population retention as a part of economic development.

In response to a question from Representative Froseth, Mr. Friedman said the exodus of people in rural areas is a common problem in western states. He said one way to assist smaller communities is to provide leadership training for individuals in the community. Additionally, he said, the state may be able to assist smaller communities by providing capital for economic development at the local level that may include money for newsletters or for leadership training.

Ms. Joy Johnston, Economic Development Associations of North Dakota and Greater North Dakota Association, said there is an active leadership initiative program currently being provided as a joint venture with the state and private sector.

Representatives Thorpe and Glassheim stated population growth is an important consideration in economic development. Representative Glassheim said outmigration is a serious problem and economic development needs to recognize this.

Mr. Friedman said the private sector reports serious challenges in attracting and retaining workers.

Senator Mathern said this state lacks the necessary number of job opportunities and necessary salaries to satisfy workers.

Mr. Friedman said the committee should consider the median income of employees in the state, the opportunity for upward mobility, and the importance of matching workers to needs. He said consideration of the state's role in addressing these areas is important. Representative Berg said economic development is the creation of new wealth and new jobs, and increasing the average wage.

In response to a question from Senator Sand, Mr. Friedman said some things the state can do as an

incentive to induce capital investment in North Dakota include improving how the state is perceived and providing capital incentives. Representative Thorpe said the state does not have a strong enough economic development marketing program.

In response to a question from Representative Keiser, Mr. Friedman said initial public offerings process may benefit from streamlining, or it is possible that initial public offerings may never be successful outside the large financial sectors. He said some states have focused on educating and assisting entrepreneurs regarding accessing venture capital.

Representative Froseth said the agricultural economy is in trouble, and there is an increasing problem in finding farmers to farm available land. Mr. Friedman said the committee may want to consider how the state can influence the agricultural economy.

Representative Glassheim said the natural resource production business is declining in the state and value-added industry is increasing. He said the state should assist in helping make this transition. Representative Brekke said a major problem in the agricultural industry is the failure to market the product.

Senator Tallackson said education is an important element to economic development; however, the state does not pay teachers high enough wages. Mr. Friedman said another element to economic development is tourism.

In response to a question from Representative Glassheim regarding the location of economic development and privatization of services, Mr. Friedman said there are unlimited courses of action available for the state. The state's economic development program can be evaluated systematically and consideration may include increasing accountability to the legislative branch, creating incentives for cooperation between agencies and programs, and improving accessibility to private businesses. In developing an economic development services system, he said, it is important to be strategic in a way the private sector and local economic development providers will be interested in participating. He said in reorganizing the economic development system, it is important to start by taking small steps.

In response to a question from Representative Johnson, Mr. Friedman said to be successful, reorganization will require leadership and a perspective from outside the system.

In response to a question from Representative Froseth, Mr. Friedman said the benefits of privatization depend on the objective of privatization. For example, he said, one advantage of privatization might be the ability to run the program in a business-like manner.

In response to a question from Senator Sand, Mr. Friedman said more and more states are viewing

their economic development role as a provision of services to local and regional economic development efforts. He said development of regional economic development can be done in a variety of ways so it lessens competition between local economic developers, and it can be used to provide state outreach services. He said local economic development providers are often able to provide direct services to local businesses and are able to adapt to the strengths of a community.

North Dakota Demographics

Chairman Glassheim called on Mr. Richard Rathge, Director, North Dakota State University Data Center, for comments regarding the state's demographic trends in relation to economic development in the state. Mr. Rathge's presentation is available at www.sdc.ag.ndsu.nodak.edu and a paper version is on file in the Legislative Council office.

Mr. Rathge said the trend in North Dakota of loss of population in rural communities is consistent with what is happening to all the states in the Great Plains. He said the three elements relevant to population are the number of births, deaths, and migrations. One element factoring into the loss of population in the Great Plains states, he said, is that the number of acres per farm is increasing, whereas the number of farms is decreasing.

Mr. Rathge said North Dakota is at a point of change in the 21st century, just like in the 1930s. He said in the 1930s there were agricultural changes and in the 21st century there are technological changes. He said in the 1930s it was railroads that connected communities, and now in the information age, technology links communities.

Mr. Rathge said in the 1990s North Dakota became a state with more of its residents living in urban areas than in rural areas. He said the state's population has shifted to the four largest communities and this consolidation of people to the larger communities is age and gender specific. He said in North Dakota the senior citizen population now exceeds the youth population. The number of births in the state, he said, has been declining since 1982, and a growing number of counties experience fewer live births than deaths. As a result of this population change, he said, the size of the available work force is decreasing.

Mr. Rathge said a labor force analysis in the Fargo/Moorhead area provided for an analysis of migration flows, employer surveys, underemployment surveys, and provided for student surveys. He said the labor force analysis indicates although the Fargo/Moorhead area is growing, the area is still experiencing a labor shortage. In the Fargo/Moorhead area, he said, nearly one-half of the work force is commuting from outside the population centers. In response to a question from Representative Keiser, Mr. Rathge said he does not have information

regarding the degree to which commuters choose to live outside population centers.

Mr. Rathge said the studies indicate there is a false perception among North Dakota graduates that job opportunities do not exist within the community. He said statistics show if graduates were better informed, more graduates would remain in the state. Mr. Rathge said the state might want to consider employment incentives such as student loan buydowns in order to keep graduates in the state and to provide incentives for out-of-state graduates to move to the state.

In response to a question from Senator Sand, Mr. Rathge said besides higher wages, incentives to keep graduates in the state might include improved marketing of the quality of life in North Dakota and helping to link students to employers sooner than they are now being linked.

In response to a question from Senator Mathern, Mr. Rathge said the CareerLinkNorth program is surveying graduates to determine why they are leaving the state.

In response to a question from Representative Thorpe, Mr. Rathge said although wages in Cass County are increasing, incentives for higher wages need to be created.

Venture Capital

Chairman Glassheim called on Mr. Syver Vinje, Securities Commissioner, for comments regarding venture capital investment opportunities within the state. Mr. Vinje said venture capital corporations are governed by North Dakota Century Code (NDCC) Chapter 10-30.1. He said last year there were 40 to 50 intrastate offerings, which refers to companies operating in North Dakota and of which virtually all capital raised is from North Dakota. Several legislative sessions ago, he said, the state added a provision that allowed for intrastate "testing the water," and there was talk of extending this provision to interstate offerings. However, he said, the Securities Exchange Commission appears to have limitations in this area. He said these federal limitations are detrimental to small businesses raising capital.

Mr. Vinje said most venture capital available in the United States is directed at issues of \$10 million and more. He said most offerings in North Dakota are less than \$5 to \$10 million. However, he said, there are no particular barriers preventing venture capital organizations from forming in the state under NDCC Chapter 10-30.1. He said under Chapter 10-30.1 there is a \$500,000 minimum amount that a company must raise over 12 months. Additionally, he said, there are existing tax credit incentives for in-state capital investment. One problem, he said, is at this time North Dakota does not seem to have any entrepreneurs with the necessary incentives to put together a venture capital firm. He said he is not sure what

should be done to foster a better attitude and greater interest in venture capital investment.

Mr. Vinje said one thing his office can do is look at suitability issues that often block investment in the state. However, he said, it is important the state not become desperate and in effect allow scam artists to enter the state because the Securities Commissioner's office is being lenient on suitability determination.

In response to a question from Representative Klemin regarding statutory barriers to capital investment, Mr. Vinje said he is not aware of the \$500,000 requirement acting as a barrier, but he would not be opposed to decreasing this monetary requirement.

In response to a question from Representative Klemin, Mr. Harold Kocher, Chief Examiner, Securities Commissioner's office, said he is familiar with the exemption requirements for rules 9A and 9B of the securities registration requirements. He said he is not aware of any dissatisfaction with these requirements, and he does not have any suggestions for amending these requirements. However, he said, he is concerned that as these exemptions are loosened, the likelihood of abuse increases.

Representative Keiser said vehicles for investment are already in place. For example, he said, Bismarck Industries is investing in the Bismarck area. In response to a question from Representative Keiser, Mr. Vinje said according to a recent Attorney General's opinion, a job development authority may be able to foster economic development by acting as a sponsor of equity securities.

In response to a question from Representative Glasheim regarding creation and feasibility of a high-risk mutual fund (either run by the state or by a private company) for North Dakota investments, Mr. Vinje said the largest barriers would be federal regulations. However, he said, his office should take a look at the viability of such a fund.

In response to a question from Representative Froseth, Mr. Vinje said he has looked at what other states have done regarding organization of a state-wide investment group, and if North Dakota did take any action, the state would be on the cutting edge.

In response to a question from Representative Glasheim, Mr. Vinje said he believes there is more capital outside the state which is available and willing to invest in North Dakota than there is in-state capital looking to leave the state through investments. He said North Dakota has already taken the necessary measures to help people outside North Dakota invest in the state.

Chairman Glasheim called on Mr. Neil Whittey, LAS International, for comments regarding venture capital. Mr. Whittey said as part of a 1995 White House Conference on Small Business, the Security Section on Capital Formation was charged with helping small businesses get funding. He said as a result of this work, he became involved as a member

of the United States Securities Exchange Commission, Small Capital Group. This group, he said, is charged with studying issues similar to the issues being raised by the Commerce and Labor Committee.

Mr. Whittey said by definition, venture capital has a very fast turnaround and a very high rate of return. He said venture capitalists expect to get five times their investment within five years, and this means the venture capitalists exit by managerial buyout, the company going public, or by selling the company. Therefore, he said, traditional venture capital may not be what North Dakota is looking for because these exit strategies oftentimes result in a company leaving the state. An alternative to traditional venture capital, he said, is benevolent venture capital funds, which can require that investment money stay within the state.

Mr. Whittey said one of the primary problems with small business capital investment is that small companies are having problems with effectively attracting investors. He said in Missouri this issue was addressed in a joint state/business venture that created a publication. The Missouri publication, he said, profiles companies, provides consumer education, and ultimately promotes candidates for investment within the state.

Representative Glasheim said most North Dakota investors would not mind losing financial investments due to known risks but would not want to lose money because of fraud.

Representative Froseth said a benevolent capital access company sounds like a good idea. Mr. Whittey said it is important to make sure money stays in the state and a benevolent capital access company would need to provide direction and guidance. Ultimately, he said, the key is that somebody has to do it, and we need to help ourselves because nobody is going to do it for us.

In response to a request from Representative Berg, Mr. Whittey said he would provide the committee with a copy of a California law regarding capital access companies and the Missouri publication mentioned.

In response to a request from Representative Klemin, Mr. Whittey said if an individual is looking to invest in a North Dakota company, the individual can call the Securities Commissioner's office, but ultimately this process may be too cumbersome for most investors. He said creating a broker/dealer network or creating a statewide publication would assist potential investors. Mr. Vinje said his office will develop a web site that lists North Dakota offerings.

In response to a request from Representative Glasheim, Mr. Vinje said the Securities Commissioner's office performs a basic merit review of proposed offerings. Mr. Whittey said the fact that an offering has met the state's minimum merit review

could be used as a marketing tool to encourage investment.

In response to a request from Senator Tallackson, Mr. Whittey said the Myron G. Nelson Fund failed because no one was willing to invest. He said in order to be successful, a fund will need to be better defined and better controlled.

North Dakota Workforce Development Council

Chairman Glassheim called on Mr. Fraine Zeitler, Director, North Dakota Workforce Development Council, for comments regarding the status of the council's activities. Mr. Zeitler provided the members with two documents--North Dakota Workforce Development Council update and a list of resource telephone numbers relevant to work force development in North Dakota. A copy of each is on file in the Legislative Council office.

Mr. Zeitler reported that the state's work force development plan was submitted to the federal government for approval, and at this point the youth portion of the plan has been approved. He reviewed the council's four strategies:

1. Lifelong learning delivery system;
2. Kindergarten through grade 16 education responsiveness to change;
3. Recruitment and retention; and
4. Accountability and continuous improvement.

Mr. Zeitler said the council is working on the one-stop delivery system, and recently a memorandum of understanding was signed by all the one-stop participants except for the tribes. As part of the one-stop delivery system, he said, an orientation program is being implemented to familiarize all participants with programs linking with the one-stop delivery system. As part of the one-stop delivery system, he said, a web-based system--customer referral information system--is being implemented.

Mr. Zeitler said the current North Dakota Workforce Development Council membership does not include representation from the Legislative Assembly or from the tribes. However, he said, the council will invite the Senate and House majority and minority leaders and the six tribal chairman to each meeting of the council.

Local and Regional Economic Development

Chairman Glassheim called on Mr. Rod Landblom, Executive Director, Roosevelt Custer Regional Council for Development, for comments regarding the council's economic development role and activities. Mr. Landblom distributed to the committee members three documents--the minutes for the April 13, 1999, meeting of the conference committee on House Bill No. 1019 and two letters from the Theodore Roosevelt Medora Foundation to Senator Nething, Chairman of the Senate Appropriations Committee. A

copy of each document is on file in the Legislative Council office.

Mr. Landblom said as a result of the Department of Economic Development and Finance appropriation in 1999 House Bill No. 1019, the regional planning councils lost state funding. He said the regional planning councils are integral to the state and local economic development structure. Regional development councils, he said, are especially important to the smaller and less wealthy communities in the state. He said the four-mill tax levy that counties are able to levy for regional economic development councils is not always adequate to provide the necessary economic development services.

In response to a question from Senator Sand, Mr. Landblom said while House Bill No. 1019 was in a conference committee, it was decided not to fund regional development councils.

In response to a question from Representative Glassheim, Mr. Landblom said one result of the termination of funding from the state is that the regional development councils have less communication with the Department of Economic Development and Finance.

Chairman Glassheim called on Mr. Paul Lucy, President, Economic Development Association of North Dakota, for comments regarding the association's economic development role and activities. Mr. Lucy provided the committee with a document outlining the association's goals for the next five years, a copy of which is on file in the Legislative Council office.

Mr. Lucy said two of the association's five-year goals are to have 25,000 new primary sector jobs created in the state and to increase North Dakota's per capita income to at least 93 percent of the national average. He said in reaching these goals it is important to recognize the trends of globalization, technology and communications, regionalism, sustainable development and financial commitment, and work force development.

Mr. Lucy said the association recommends the state consider the following to strengthen economic development in North Dakota:

1. A North Dakota Department of Commerce, which may include the North Dakota Department of Economic Development and Finance, Tourism Department, Division of Community Services, Labor Department, and the North Dakota Workforce Development Council;
2. Economic development finance and incentive programs, which include existing programs and may also include an investment capital fund and a speculative building program;
3. Work force development, which may include existing programs as well as a possible state-supported labor recruitment program, an incentive program for college graduates to

stay and work within the state, a low-interest rate mortgage program that might attract employees back to the state, and strengthening or developing program offerings in the University System;

4. Economic development marketing, public relations, and education, which goes beyond marketing North Dakota's tourism; and
5. Technology infrastructure development.

In response to a question from Senator Sand, Mr. Lucy said since 1991 the rate of pay for hotel reservation employees has gone from \$5.50 per hour to \$9 per hour. He said a company will pay what the market will bear and if there is a high number of jobs in the community, higher paying jobs will result.

Information Technology

Chairman Glassheim called on Mr. Curtis L. Wolfe, Chief Information Officer, Information Technology Department, for comments regarding the information technology connectivity across the state. Mr. Wolfe made a computer presentation, a paper copy of which is on file in the Legislative Council office.

Mr. Wolfe said the four pillars critical to future success in the new economy are:

1. Telecommunications infrastructure;
2. Tax/public policy;
3. Building North Dakota information technology work force; and
4. Economic development and business opportunities through technology.

Mr. Wolfe said under 1999 Senate Bill No. 2043, the request for proposal requires that the state network provide voice, data, and video transmission for government purposes and for education. Under the existing network, he said, there are 66 cities and 53 county seats. Under the proposed network, he said, there will be 222 cities and 544 locations encompassed in the network. The contract under the request for proposal, he said, should begin August 7, 2000.

Mr. Wolfe said an unresolved issue in implementation of the new network is the source of funding. He said funding is necessary for hardware upgrades, the increase in reoccurring costs, video equipment, and for training and support. Possible funding sources, he said, include Internet taxation and taxation through sales tax.

Mr. Wolfe said the building of North Dakota's information work force is very important. Education from the public school system through the universities and community colleges, he said, should encourage math, science, and other appropriate information technology curricula. Additionally, he said, there are tremendous business opportunities available as a result of improved technology.

Mr. Wolfe said good tactics communities can employ to attract or foster e-business include:

1. Grants and other types of funding to startup businesses;
2. Financing for knowledge-based industries through low-interest loans and other mechanisms available to local governments;
3. Benefits ranging from free office space to support networks that address technological and marketing problems shared by many startup businesses and e-commerce conversion efforts;
4. Financial assistance directly tied to work force development; and
5. Discounted rates on electricity and telecommunication services.

Mr. Wolfe made the following recommendations:

1. Recognize the urgent nature of the challenge before us;
2. Take bold and innovative action;
3. Aggressively support what is succeeding;
4. Maintain flexibility but require accountability;
5. Ensure kindergarten through grade 12 and the higher education system produces technology-literate students;
6. Improve communications among those involved with each of the four pillars;
7. Develop comprehensive integrated programs and overall budgets to address all four pillars necessary for the new economy; and
8. The 2001 legislative session should focus on an integrated program.

In response to a question from Senator Mathern, Mr. Wolfe said although current limitations prohibit a broadband wireless statewide network, a wireless system may be an option in the future.

In response to a question from Representative Froseth, Mr. Wolfe said local government involvement is very important in reaching statewide connectivity. He said states should look for what has worked in other communities and adopt similar strategies in their own communities.

In response to a question from Representative Keiser, Mr. Wolfe said the state network will not be outmoded as a result of pursuing a land-based system. He said no other state is using a statewide wireless system and a land-based system can take advantage of existing technology and will allow us to reevaluate the system in the future.

In response to a question from Representative Solberg, Mr. Wolfe said Dakota Carrier Network is putting in eight sites across the state which will be in place by the end of summer 2000.

In response to a question from Representative Berg, Mr. Wolfe said he is not familiar with the federal program to bring broad-based connectivity to libraries.

In response to a question from Representative Keiser, Mr. Wolfe said the interim Judiciary Committee is considering a uniform law on electronic signatures.

In response to a question from Senator Mathern, Mr. Wolfe said although there is a funding formula to assist schools in purchasing technology, the state needs to reach a point at which there is a one-to-one ratio of computers per child.

In response to a question from Representative Berg, Mr. Wolfe said statewide broadband access will not be available on the Internet until there is an adequate infrastructure in place, such as T-1 lines in small communities. He said once connected, government agencies will be able to take advantage of telecommuting and teleconferencing.

Representative Berg said in terms of information technology, the state needs to be open-minded and flexible to changes in new technologies. Mr. Wolfe said the two most important issues now are bandwidth and cost. He said the state needs to commit to a land-based system today, and then two or three years down the road reevaluate the system in order to allow flexibility and change based on changes in technology.

In response to a question from Representative Glasheim, Mr. Wolfe said the government initiative to network the state is not intended to compete with private industry. He said one benefit of the network is what is called "postal pricing" which means prices for services will be the same in Watford City as they would be in Fargo.

In response to a question from Representative Severson, Mr. Wolfe said even though there will be some communities that are not part of the statewide network, these unconnected communities will be able to receive services for less cost once the technology has made it to a neighboring community. He said in communities that already have T-1 lines, the statewide network will connect into that system. He said the new network is not intended to circumvent existing technology connections.

In response to a question from Senator Sand, Mr. Wolfe said if a community does not have basic services such as education and health care, economic development will be difficult.

In response to a question from Senator Glasheim, Mr. Wolfe said the minimum connection required is a T-1 line, but there will be tiered pricing to allow upgrading if communities so choose.

HERITAGE TOURISM STUDY

Fort Abraham Lincoln Foundation

Chairman Glasheim called on Mr. Tracy Potter, Executive Director, Fort Abraham Lincoln Foundation, for comments regarding the heritage tourism study. Mr. Potter distributed to committee members a three-page written document regarding the economic impact of the Fort Abraham Lincoln Foundation, fee totals for the Fort Lincoln State Park for 1992 through 1998, and the Fort Lincoln State Park budget for the previous two bienniums. He also distributed copies of the October 1999 and December 1999 quarterly

newspapers of the Fort Abraham Lincoln Foundation. A copy of each item is on file in the Legislative Council office.

Mr. Potter described the history of the Fort Abraham Lincoln Foundation and said the foundation's philosophy and model is of a "nonprofit entrepreneur." He said this model differs from other historic sites in the state.

Mr. Potter said the foundation is proposing a pilot project under which the foundation manages the Fort Abraham Lincoln State Park. He said the foundation may be able to run the park for less money than the state does, and if any money is saved under the pilot program, that extra money can be distributed to other state park sites. Although private, nonprofit organizations are managing some other state parks in North Dakota, he said, those sites are considerably smaller than the Fort Abraham Lincoln State Park site.

In response to a question from Representative Klemin, Mr. Potter said due to the flooding in 1997 the foundation experienced a decrease in revenue, and as a result of remodeling in the park, the foundation experienced a revenue decrease in 1998 as well. He said as a result of the 1998 remodeling, the park entrance gate was moved to a more effective location, and all visitors to the foundation's programs were also required to pay an entrance fee for entering the park.

In response to a question from Representative Glasheim, Mr. Potter said the May 9, 2000, *Bismarck Tribune* article regarding the foundation and the Parks and Recreation Department is largely a result of a difference of philosophy between the two organizations. He said the foundation and the Parks and Recreation Department are working on reaching a new lease resolution.

Parks and Recreation Department

Chairman Glasheim called on Mr. Doug Prchal, Director, Parks and Recreation Department, for comments regarding heritage tourism. He said heritage tourism is only one of many services state parks offer. He said the Fort Abraham Lincoln Foundation proposal to manage the Fort Abraham Lincoln State Park has not been presented to the department. He said he is open to reviewing the proposal and discussing the proposal at a later date.

In response to a question from Representative Kliniske, Mr. Prchal said he is not certain whether existing law will allow the department to implement the pilot project proposed by Mr. Potter. He said existing law may allow for the pilot project to be implemented by the administration.

In response to a question from Senator Krebsbach, Mr. Prchal said the Fort Abraham Lincoln State Park offers a variety of services including winter recreation, picnic grounds, historic sites, nature hikes, kite flying, a museum, and camping sites.

In response to a question from Representative Klemin, Mr. Prchal said before 1998, Highway 1806

was routed through the center of the Fort Abraham Lincoln State Park; however, the highway renovations resulted in rerouting the highway around the park. Under the new arrangement, he said, there is a single entrance to the park which results in all visitors being required to pay an admission fee. He said any increase in revenues generated as a result of this relocation of the entrance are reinvested in the entire state's park system.

Representative Keiser said the current placement of the gate acts as a hindrance or a disincentive for the public to visit the historic site.

In response to a question from Representative Severson, Mr. Prchal said a portion of the Fort Abraham Lincoln State Park entrance fees is used to fund interpretive services provided by the Fort Abraham Lincoln Foundation.

In response to a question from Senator Sand, Mr. Prchal said most parks in the state are able to accommodate tour groups. He said Fort Abraham Lincoln State Park is already accommodating large tour groups. He said the department and the Fort Abraham Lincoln Foundation have some discretion to waive fees for particular events. Paying to have a person at the admission gate, he said, more than pays for itself.

In response to a question from Representative Glassheim, Mr. Prchal said the newspaper article is to some degree an exaggeration. He said the park and the foundation do have some disagreements over philosophy, and there are some concerns over how the "call center" for reservations is run.

In response to a question from Senator Mutch, Mr. Prchal said the Fort Abraham Lincoln State Park encompasses 12,000 acres.

North Dakota Lewis and Clark Bicentennial Foundation

Chairman Glassheim called on Mr. David Borlaug, Chairman, North Dakota Lewis and Clark Bicentennial Foundation, for comments regarding heritage tourism. Mr. Borlaug distributed a Lewis and Clark Interpretive Center brochure, a copy of which is on file in the Legislative Council office.

Mr. Borlaug said the Interpretive Center is an example of a historic tourism site owned by the state but managed by a nonprofit organization. He said the State Tourism Department has assisted the Interpretive Center through providing funding for billboards. Some activities, he said, are better provided by private, nonprofit organizations.

DISCUSSION AND DIRECTIVES

Representative Glassheim said it is a good idea to have bill drafts developed during the interim so agencies and other interested parties are given adequate opportunity to respond.

Representative Berg made the following four-part proposal:

1. Create a commerce department to act as a clearinghouse for all commerce activities;
2. Create a private, nonprofit foundation to play an advisory role;
3. Create a commerce cabinet, composed of executive directors of departments that receive economic development funding; and
4. Require that a supplemental unified economic development budget be submitted.

Representative Thorpe questioned the name change from Economic Development and Finance to Commerce Department. Representative Berg said the name change is to foster the idea that anyone with a commerce question can contact the Commerce Department.

Senator Sand said there is a need to avoid shuffling people with questions from one department to another. He said creation of a commerce department may address this problem. Senator Mathern said there is a trend to moving toward convenience and streamlining.

Senator Tallackson said a "one-stop" approach is appealing and will be the wave of the future.

Representative Keiser said creation of a commerce department is nothing more than a name change. Instead he proposed consolidating state agencies to create a seamless system. He said the system needs to give the new department authority and set goals.

Representative Berg said under the existing structure, executive directors of agencies providing economic development services are already appointed by the Governor and are part of the Governor's cabinet.

Representative Thorpe said the state needs to concentrate its efforts on marketing North Dakota outside North Dakota. He said a commerce department should include a marketing component specific to business.

Representative Berg said under his proposal the Commerce Department would be a focal point for commerce and may ultimately evolve to include other agencies, but he did not propose inclusion of other agencies initially.

Representative Keiser supported the proposal of the Economic Development Association of North Dakota. He said under the association's proposal a commerce department would be created to include the Department of Economic Development and Finance, Tourism Department, Division of Community Services, Labor Department, and the North Dakota Workforce Development Council. He said he is not in support of creating a supplemental, unified economic development budget.

Senator Mathern said she did not support placement of the Labor Department in a commerce department.

Representative Glassheim questioned whether the newly created commerce department would specify the name and organization of separate departments.

Representative Berg said the focus on the economic development strategy may evolve due to input from the economic development foundation.

Mr. Kevin Cramer, Executive Director, Department of Economic Development and Finance, said the department is willing to assist in any way possible. He said it may be helpful for the committee to focus on the functions consolidated under the Commerce Department instead of looking at which specific agencies should be consolidated.

Representative Berg said the Tourism Department could be rolled into the Commerce Department. Senator Krebsbach said the Tourism Department was previously run by the hospitality industry, and she questioned whether the Tourism Department would oppose being placed into a commerce department. Mr. Cramer said except for the quality of life issue, marketing for tourism is different from marketing for business. He said he supports having a cabinet level tourism director; however, there could be a business marketing department within the Commerce Department.

Representative Thorpe said money is needed to run a real economic development and finance department. Mr. Cramer said the Department of Economic Development and Finance is in the process of developing a budget for the next biennium. He said the department is going to use realistic figures of what is required to accomplish the needed economic development within the state.

Senator Sand said the economic development services offered by the commodity councils market North Dakota in very narrow areas.

Representative Kliniske requested that the Department of Economic Development and Finance create a list of economic development functions provided in the state and determine whether it is good policy to roll the provisions of these functions into one commerce department.

Senator Tallackson requested that the Department of Economic Development and Finance present information regarding what services are provided by commerce departments across the country.

Senator Mathern said she is opposed to rolling agencies into a commerce department because she does not want to see one giant agency and does not want to let large business gain too much control in statewide economic development services.

It was moved by Representative Berg, seconded by Representative Froseth, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft that would accomplish Representative Berg's four-part proposal that would provide for consolidation of the Tourism Department, Department of Labor,

Division of Community Services, and the North Dakota Workforce Development Council.

It was moved by Representative Klemin, seconded by Representative Berg, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft that would amend the venture capital incorporation to decrease the offering requirement to \$250,000 and to increase the investment percentage from 20 to 25 percent.

Representative Glassheim proposed that a "goal statement" for economic development be put into statute. Representative Kliniske questioned whether it is appropriate to put such a statement into statute. She said it sounds more like a strategic plan for economic development.

Representative Berg suggested the goals be realistic and suggested the Commerce Department make annual reports on steps being taken to reach these goals. Representative Glassheim said he wants to require economic development and finance to meet these goals instead of just requiring they report these goals. Senator Sand said goals are important; however, accomplishments are more important.

Representative Thorpe said setting of goals is important, but the next meeting can be used to discuss these goals in further detail.

It was moved by Senator Tallackson, seconded by Representative Thorpe, and carried on a voice vote that the Legislative Council staff be requested to prepare a bill draft that would provide for an economic development goal statement.

Representative Klemin inquired whether the Small Business Administration would be presenting information at a future meeting.

Representative Kliniske said she will work with Legislative Council staff to create a bill draft to provide tax incentives for employers to pay student loans for new graduates.

Senator Krebsbach requested additional information from the Securities Commissioner at a future meeting.

It was moved by Representative Thorpe, seconded by Representative Grumbo, and carried on a voice vote that the Fort Abraham Lincoln Foundation and the State Parks and Recreation Department report on the status of lease negotiation at the next meeting.

No further business remaining, Chairman Glassheim adjourned the meeting at 3:05 p.m.

Jennifer S. N. Clark
Committee Counsel

ATTACH:1