

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

COMMERCE AND LABOR COMMITTEE

Monday, July 12, 1999
Roughrider Room, State Capitol
Bismarck, North Dakota

Representative Eliot Glassheim, Chairman, called the meeting to order at 9:00 a.m.

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

Members absent: Representatives Curtis E. Brekke, Lawrence R. Klemin; Senators Tony Grindberg, Harvey Sand

Others present: See attached appendix

Chairman Glassheim called on Mr. John D. Olsrud, Director, Legislative Council, to review a memorandum entitled *Supplementary Rules of Operation and Procedure of the North Dakota Legislative Council*. He said the supplementary rules were revised and approved by the Legislative Council in November 1998. Although some of the committee's responsibilities are set out by statute, he said, the committee operates under the same rules of procedure as other interim committees.

Chairman Glassheim appointed Senator Karen K. Krebsbach to the position of vice chairman of the interim Commerce and Labor Committee.

ECONOMIC DEVELOPMENT STUDY

Chairman Glassheim called on committee counsel to present a memorandum entitled *Economic Development - Background Memorandum*.

Department of Economic Development and Finance

Chairman Glassheim called on Mr. Kevin Cramer, Director, Department of Economic Development and Finance, for comments regarding economic development efforts of the department and the effectiveness of these efforts, privatization of the department, and alternatives to the current location of the North Dakota Development Fund, Inc. Mr. Cramer provided the committee with written information regarding the organization of the Department of Economic Development and Finance and the department's mission and strategic plan. The three goals of the department are to develop a shared vision for economic development efforts in the state, to build the local capacity and

ability of communities to secure successful investment outcomes, and to promote the state to create awareness and to generate leads for successful investment outcomes. A copy of the information provided by Mr. Cramer is on file in the Legislative Council office.

Mr. Cramer testified that the organizational changes in the department since the creation of the department in 1991 reflect the changing needs and the changing face of economic development. Although the state is experiencing crisis in economic development, he said, the committee should remember that it was crisis that caused the creation of the Growing North Dakota economic development plan.

Mr. Cramer said the North Dakota economy is very diverse, including businesses in the areas of agriculture, service provision, energy, and manufacturing. He said the current move in the economy is towards a knowledge-based economy.

Chairman Glassheim called on Mr. Randy Schwartz, Deputy Director, Department of Economic Development and Finance, for comments regarding the department's division of State and Local Development. Mr. Schwartz said one result of the decrease in the amount of the legislative appropriation for the department has been a decrease in the services offered by the State and Local Development Division.

Mr. Schwartz explained the Center of Excellence in Rural America (CERA) program. He said the program is a five-year, multistate, multisite project sponsored by the Western Governors Association. He said there are two towns in this state which will act as pilot project sites during a five-year period. Mr. Schwartz provided a written executive summary of the program, a copy of which is on file in the Legislative Council office.

Chairman Glassheim called on Mr. Steve Egeland, Business and Work Force Development Coordinator, Department of Economic Development and Finance, for comments regarding the department's Business and Work Force Development Division. Mr. Egeland said the division performs business visitations to identify needs of particular companies and retains a data base of company needs. He said the attempt is to identify trends within communities, identify labor and

work force development issues, and to identify competition issues.

Mr. Schwartz said one economic development need in the state is the need for true venture capital for marketing and economic development. He said the department will continue to work on strengthening the department's relationship with other parties involved in economic development, including local developers. One focus of the department, he said, is to focus on the retention and survival of businesses in the state.

Chairman Glassheim called on Mr. Dean Reese, Chief Executive Officer, Development - Rural Fund, Department of Economic Development and Finance, for comments regarding the North Dakota Development Fund, Inc. Since the inception of the fund, he said, there have been 180 accounts with the fund.

In response to a question from Senator Tallackson, Mr. Cramer said the funding for regional planning councils was cut by the 1999 Legislative Assembly. He said this cut was in response to questions legislators had regarding the necessity of having regional planning councils.

In response to a question from Representative Keiser regarding the Research and Intelligence Division of the department, Mr. Schwartz said although the University System is important to research, it would be possible to expand the department's use of the University System and related resources.

In response to a question from Senator Thompson, Mr. Cramer said the department will be gathering information regarding retention and job creation. He said the department will report this information to the committee within a year.

University System

Chairman Glassheim called on Mr. Larry A. Isaak, Chancellor, North Dakota University System, for comments regarding the system's role in economic development and the effectiveness of the system in economic development. Mr. Isaak said the system is involved in economic development in a variety of ways, including the Work Force Training Task Force, research, and the customized training network. He said it is fundamental that all the parties involved in economic development work together in developing a consensus of expectations. Mr. Isaak provided written testimony, a copy of which is on file in the Legislative Council office.

In response to a question from Senator Krebsbach, Mr. Isaak said the University System does a good job of providing general education; however, up to this point the system has not been viewed as a research arm for economic development.

Bank of North Dakota

Chairman Glassheim called on Mr. John Hoeven, President, Bank of North Dakota, for comments regarding the feasibility of transferring the North

Dakota Development Fund, Inc., to the Bank of North Dakota.

In response to a question from Representative Glassheim, Mr. Hoeven said if the North Dakota Development Fund, Inc., were located within the Bank of North Dakota, it would result in the Industrial Commission overseeing the fund. He said the North Dakota Development Fund, Inc., is used as a risk tool for economic development, whereas other tools are available for incentive financing. The existing structure for economic development and location of the North Dakota Development Fund, Inc., is successful under its current organization, he said, and there is no need to change this organizational structure.

In response to a question from Senator Tallackson, Mr. Hoeven said the Bank of North Dakota has a good working relationship with the Department of Economic Development and Finance.

In response to a question from Representative Berg, Mr. Hoeven said the Bank of North Dakota plays an important role in the financing of economic development; however, the Department of Economic Development and Finance's role goes beyond financing.

In response to a question from Representative Keiser, Mr. Hoeven said it is not realistic to have "one-stop" shopping for all economic development services. He said if economic development services were privatized, it would be necessary to reevaluate which organization should be in control of finances, and it is possible the Bank's role would be larger under those circumstances.

Office of Intergovernmental Assistance

Chairman Glassheim called on Ms. Dina Butcher, Director, Office of Intergovernmental Assistance, for comments regarding economic development efforts of the office and the effectiveness of these efforts. Ms. Butcher said the Office of Intergovernmental Assistance is involved in economic development through community block grant funds. She said these funds help people be self-sufficient and are typically used for high-risk recipients. Because of this high risk, she said, there is a 38 percent default rate. She said the office works closely with regional planning councils.

In response to a question from Representative Glassheim, Ms. Butcher said under some programs administered by the office, employers are required to hire low-income employees.

In response to a question from Representative Froseth, Ms. Butcher said the Office of Intergovernmental Assistance works closely with the Department of Economic Development and Finance.

In response to a question from Senator Tallackson, Ms. Butcher said it is possible there would be advantages if the office were collocated with the Bank of North Dakota.

Job Service North Dakota

Chairman Glassheim called on Ms. Jennifer Gladden, Executive Director, Job Service North Dakota, for comments regarding the economic development efforts of Job Service North Dakota and the effectiveness of these efforts. Ms. Gladden said because economic development is dependent upon an available and qualified work force, work force development is a critical element for economic development.

Ms. Gladden said economic development efforts of Job Service North Dakota include the public employment service, which is the single largest single source of available workers for North Dakota businesses; the labor market information section, which is the single largest source of labor market information; and Job Service North Dakota, which is responsible for administering federal and state work force training programs. The success North Dakota has had with new job creation, she said, speaks to the effectiveness of the cooperation and collaboration among all the partners in economic development. Ms. Gladden provided written testimony, a copy of which is on file in the Legislative Council office.

Indian Affairs Commission

Chairman Glassheim called on Ms. Cynthia Mala, Executive Director, Indian Affairs Commission, for comments regarding the commission's involvement in economic development. She said the Indian tribes are interested in economic development and should be a part of discussions regarding economic development.

Committee Discussion and Directives

Senator Krebsbach requested information regarding the different state, federal, and local funding sources for economic development and the legislative history regarding the former State Board of Immigration.

Representative Froseth requested additional information regarding the interrelation of economic development programs and the impact of these programs.

Representative Solberg requested the Department of Agriculture be invited to testify at the next meeting regarding the department's role in economic development.

Representative Glassheim requested demographic information relating to immigration and outmigration.

Representative Berg requested information regarding how the success of job training programs within the state is measured; a chart that indicates at least 10 years of information regarding the state population, the number of nonagricultural jobs, the gross state product, and the total amount of corporate income taxes; and a chart that indicates the top 20 population centers within the state, and the number of nonagricultural employers in each of those population centers. He also requested information regarding whether this state offers "one-stop"

shopping services for entrepreneurs interested in starting a business within this state.

WORK FORCE DEVELOPMENT PROGRAM INVENTORY

Chairman Glassheim called on Ms. Jana Zinser, Policy Principal, National Conference of State Legislatures, for comments regarding the state's participation in a comprehensive inventory of all work force development programs. Ms. Zinser said the United States Department of Labor provided funding for the National Conference of State Legislatures to compile state inventories of job training programs. She said the inventory is limited to job training programs that have a work force development component and which are state funded. She said the state's legislative leaders and Governor Edward T. Schafer were instrumental in North Dakota being chosen as one of the inventory states.

Ms. Zinser said typically states that receive the inventory undertake three steps. She said the first step is the creation of the inventory, the second step is the development of a strategic plan, and the third step is the implementation of the plan. Texas, she said, is the only state she is aware of consolidating job training under one agency. Ms. Zinser reviewed the steps being taken by Texas in consolidation and provided a variety of options states typically choose from in structuring job training services. She provided a copy of written information regarding the Texas work force development system and state options, a copy of which is on file in the Legislative Council office.

In response to a question from Representative Berg, Ms. Zinser said the higher education system is an interesting piece in work force development. She said community colleges are typically stronger in work force training than the four-year colleges.

In response to a question from Senator Tallackson, Ms. Zinser said states that have received inventories tend to respond by either moving to consolidate work force training efforts or to tighten up the work force training system. She said some states are making an effort to move work force training funding to local levels. There is not one universal job training program that would fit every state's needs, she said, because the needs of each state are unique.

In response to a question from Representative Kliniske, Ms. Zinser said the inventory should be completed within two months.

Chairman Glassheim called on Mr. Fraine Zietler, Director, North Dakota Workforce Development Council, for comments regarding job training. Mr. Zietler said the purpose of the council is to advise the Governor on the vision, mission, strategies, and tactics for the state's work force development system. He provided written testimony, a copy of which is on file in the Legislative Council office.

JOB SERVICE NORTH DAKOTA STUDY

Chairman Glasheim called on Ms. Gladden for comments regarding the efforts of Job Service North Dakota to provide incentives to decrease the length of time claimants receive unemployment benefits and to encourage negative employers to become positive employers. Ms. Gladden delivered a presentation reviewing 1999 legislation, the background of Job Service North Dakota, and steps Job Service North Dakota is undertaking to improve effectiveness. A copy of the presentation is on file in the Legislative Council office.

In response to a question from Representative Froseth, Ms. Gladden said that although legislative changes during the 1999 legislative session may have a negative impact on negative balance employers, there is a cost-containment measure built into the new rate structure which puts a ceiling on the amount an employer's premium may increase.

Representative Keiser requested Job Service North Dakota to consider job attachment incentive programs.

HERITAGE TOURISM STUDY

Chairman Glasheim called on committee counsel to present a memorandum entitled *Heritage Tourism - Background Memorandum*.

State Tourism Department

Chairman Glasheim called on Mr. Bob Martinson, Director, Tourism Department, for comments regarding the department's role in heritage tourism.

Mr. Martinson said in reviewing the legislative history of House Concurrent Resolution No. 3028, he was unable to determine what the driving force was behind the study of heritage tourism. The Tourism Department, he said, is essentially the state advertising agency for tourism.

In response to a question from Representative Glasheim, Mr. Martinson said state agencies work closely together in promoting tourism. He said using the Internet as a tourism resource is where the future is.

In response to a question from Representative Keiser, Mr. Martinson said the appropriations made during the 1999 legislative session which are designated for the Lewis and Clark Bicentennial are especially helpful. He said, however, that North Dakota is the least visited state and is also the least funded state for tourism.

In response to a question from Representative Kliniske, Mr. Martinson said North Dakota tourism commercials are played in North Dakota, Minnesota, and Wisconsin. He said 50 percent of our state's tourism comes from within the state, 35 percent comes from Minnesota, and then from Wisconsin and then South Dakota.

In response to a question from Representative Glasheim, Mr. Martinson said the fact that

50 percent of the tourism originates within the state is not necessarily a bad thing because that indicates residents are spending their money inside the state instead of leaving the state.

In response to a question from Representative Severson, Mr. Martinson said he did not support the idea of combining the Tourism Department, Parks and Recreation Department, and the Indian Affairs Commission under one agency.

State Historical Society

Chairman Glasheim called on Mr. Samuel Wegner, Director, State Historical Society, for comments regarding the society's role in heritage tourism. Mr. Wegner said the society completed a 10-year strategic plan in April 1999. He provided background information on the State Historical Society and the activities of the State Historical Society within the state.

Mr. Wegner said in the grand scheme of heritage tourism, the State Historical Society provides the product and the Tourism Department promotes the product. He said needs in the area of heritage tourism include increased financial resources, including operating funds; legislative support of heritage; and a grant system for local historical organizations.

In response to a question from Representative Glasheim, Mr. Wegner said the State Historical Society has relationships with a variety of nonprofit organizations. The nonprofit organizations, he said, provide assistance with staffing sites, securing funding, and increasing public awareness of various historical sites.

Indian Affairs Commission

Chairman Glasheim called on Ms. Mala for comments regarding the Indian Affairs Commission's role in heritage tourism. Ms. Mala said her role is to serve as a liaison between state government and tribal governments and organizations, and another role is to educate the public to end negative stereotypes of American Indians.

Ms. Mala said the Indian tribes are intimately related to heritage, and heritage tourism is one of the largest untapped business resources for the tribes. She said the level of sophistication regarding heritage tourism varies from tribe to tribe.

Senator Thompson said the committee should keep the state's tribes involved in the heritage tourism study and should invite tribal leaders to discuss heritage tourism at an upcoming meeting.

Parks and Recreation Department

Chairman Glasheim called on Mr. Doug Prchal, Director, Parks and Recreation Department, regarding the department's role in heritage tourism. Mr. Prchal said land is a heritage resource. Several groups work in concert with the Parks and Recreation Department,

he said, which is a relationship that works to complement each of the parties involved.

Economic Development and Finance

Chairman Glassheim called on Mr. Cramer for comments regarding the Department of Economic Development and Finance's role in heritage tourism. Mr. Cramer said because tourism is a primary business, the department is interested in promoting tourism. He said the department looks to enhance private sector investments surrounding heritage tourism, but he did not suggest creating a comprehensive agency to oversee tourism.

In response to a question from Senator Thompson, Mr. Cramer said he and the department's communications director are involved in promoting tourism within the Department of Economic Development and Finance.

Interested Persons

Chairman Glassheim called on Mr. David Borlaug, Chairman, North Dakota Lewis and Clark Bicentennial Foundation, for comments regarding the foundation's interest in heritage tourism. He said the Lewis and Clark Interpretive Center in Washburn is managed and funded by a nonprofit organization and is owned by the state through the Parks and Recreation Department. The relationship between the foundation and the state, he said, is a classic example of public-private partnerships that work for the betterment of our state.

Mr. Borlaug said the foundation relies heavily on the Tourism Department to market Lewis and Clark, and the State Historical Society has been active in the foundation's interpretive efforts.

Mr. Borlaug said the Department of Transportation is the source of funding for the Lewis and Clark Interpretive Center through highway enhancement dollars, and funding through the Parks and Recreation Department helps provide matching funds for this project. Mr. Borlaug provided written testimony, a copy of which is on file in the Legislative Council office.

In response to a question from Representative Glassheim, Mr. Borlaug said it would not make sense to have the state take over the foundation's Lewis and Clark Interpretive Center.

In response to a question from Representative Keiser, Mr. Borlaug said the Legislative Assembly

missed an opportunity for increased tourism when the Legislative Assembly failed to fully fund the Tourism Department's efforts in the area of Lewis and Clark.

Chairman Glassheim called on Mr. Tracy Potter, Executive Director, Fort Abraham Lincoln Foundation, for comments regarding the foundation's interest in heritage tourism. Mr. Potter said there is a long history between the Custer House, Fort Abraham Lincoln, and the Indian Village. Although the Custer House was built with private funds, he said the house is on state land. Through an agreement with the state park's director and the executive director of the foundation, he said, the state leases the Custer House to the foundation for \$1 per year and allows the foundation to conduct living history tours.

Mr. Potter said the foundation can afford to operate its programs at the park because as a nonprofit group they have access to grants, membership dues, donations, and charitable gaming funds. He provided written testimony, a copy of which is on file in the Legislative Council office.

Mr. Potter invited the committee to hold a future meeting at Fort Lincoln State Park.

Committee Discussion and Directives

Representative Kliniske requested information regarding the number of tourism jobs within the state and statistics regarding how many of these jobs are above minimum wage.

Representative Keiser requested private tour organizations address the committee at a future meeting.

Representative Thorpe requested information from the hospitality industry regarding heritage tourism and job training.

Senator Krebsbach requested information regarding the portion of the state budget that can be attributed to heritage tourism.

There being no further business, Chairman Glassheim adjourned the meeting at 4:50 p.m.

Jennifer S. N. Clark
Counsel

ATTACH:1