

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

COMMERCE COMMITTEE

Thursday, September 26, 2002
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator John M. Andrist, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators John M. Andrist, Duaine C. Espegard, Duane Mutch, Rich Wardner; Representatives Rick Berg, Mark A. Dosch, Glen Froseth, Pat Galvin, Scot Kelsh, Doug Lemieux, Bob Martinson, Dale C. Severson, Blair Thoreson, Lonny Winrich

Members absent: Senators Tony Grindberg, Joel C. Heitkamp, Karen K. Krebsbach, Deb Mathern, Carolyn Nelson; Representatives Byron Clark, Bill Pietsch

Others present: See attached appendix

It was moved by Representative Berg, seconded by Representative Severson, and carried on a voice vote that the minutes of the May 2, 2002, meeting be approved as distributed.

WORKFORCE TRAINING AND DEVELOPMENT PROGRAMS STUDY

Chairman Andrist called on Mr. Eddie Dunn, Vice Chancellor, Strategic Planning, North Dakota University System, and Executive Director, College Technical Education Council, for presentation on the status of the four workforce training regions. Mr. Dunn distributed a copy of the *Year-End Report on Implementation of Workforce Training System for FY-2002*, a copy of which is on file in the Legislative Council office.

Mr. Dunn reviewed the history of the law creating the four workforce training regions. He said in 1998 a task force of 31 state leaders reviewed the state's workforce training system and workforce training systems throughout the country. As a result of this review, he said, there was a site visit to Kirkwood Community College in Cedar Rapids, Iowa, the system that ultimately became the model for North Dakota's workforce training system.

Mr. Dunn reviewed the six key components of the workforce training system:

1. Creation of four workforce training regions;
2. Assignment of primary responsibility for workforce training in each region to a corresponding two-year college;
3. Creation of a workforce training division within each of the four colleges;

4. Creation of a private sector local advisory board in each of the four regions;
5. Creation of a funding mechanism consisting of fees from training, state funds, and institution in-kind support; and
6. Formation of partnerships with state and local agencies involved in workforce training, public and private education institutions, and private sector training providers.

Mr. Dunn reviewed the workforce training results and performance on accountability measures for workforce training included in the *Year-End Report on Implementation of Workforce Training System for FY-2002*.

In response to a question from Representative Froseth, Mr. Dunn said because the workforce training region program is designed to train existing employees of a business, the program is not tracking retention of employees. However, he said, he would be willing to research this issue in order to determine whether this is an important piece of data in evaluating the program.

In response to a question from Senator Andrist, Mr. Dunn said the growth of the program will continue to increase. He said this program has become a core component of the community colleges and there is such a high demand for program services it is not anticipated that participation will level off in the near future.

Chairman Andrist called on Mr. Dale O. Anderson, Greater North Dakota Association, for comments regarding the four workforce training regions. Mr. Anderson said he participated as a task force member and participated in the site visit to Kirkwood Community College. Mr. Anderson distributed written testimony from Mr. Jim Melland, President, Economic Development Association of North Dakota, copies of which are on file in the Legislative Council office.

Chairman Andrist called on Mr. Gary Johnsen, Amerada Hess Corporation, Newburg, for comments regarding his experience with the workforce training region program. Mr. Johnsen said Amerada Hess Corporation used the program to implement a safety passport system under which contractors carry a document that reflects the safety training the contractor has received. He said the program allowed Amerada Hess Corporation to focus on centralized

training and minimize the time involved in providing safety training for contractors. He said it was important that Amerada Hess Corporation was able to meet the contractors at the contractors' doorsteps. Additionally, he said, the services Amerada Hess Corporation received under the program were very affordable.

Mr. Johnsen said Amerada Hess plans on continuing to use the program and future use may include using the program to help fill the training gap between experienced workforce and new, less experienced workforce.

In response to a question from Senator Andrist, Mr. Johnsen said he is not certain whether there is any action at the state level that would specifically help businesses in workforce training and development; however, he said he supports the state continuation of being a good partner with business.

In response to a question from Senator Wardner, Mr. Johnsen said had it not been for the state workforce training region program, the needs of his business may not have been met and ultimately may have resulted in having to outsource some of the services being provided in the state. He said as far as savings, the company has recognized through the program, because safety programs do not have upfront savings, it is more useful to look at the intangible savings such as lessening the liabilities of Amerado Hess Corporation through lessening the number of workplace accidents.

Chairman Andrist called on Mr. Mike Schneider, Kadrmas Lee & Jackson, Bismarck, for comments regarding his experiences with the workforce training region program. Mr. Schneider said through the program Kadrmas Lee & Jackson has been able to provide lifelong learning that has been cost-effective and very accommodating. The onsite training, he said, has included professional trainings in presentation, speaking, and writing. He said alternatives to the four workforce training region programs would be more costly and less flexible. Overall, he said, the program has been wonderful and has been very effective.

Chairman Andrist called on Ms. Shawn Erickson, Case New Holland, Fargo, for comments regarding her experiences with the workforce training region program. Ms. Erickson said the program has helped Case New Holland excel and please customers. She said the program has assisted in making employees more effective as well as assisting the company in attracting and retaining high-quality employees that actively participate in the community.

Ms. Erickson said in 2001 Case New Holland hired 100 new employees and through the workforce training region program will save over \$395,000 in training costs over 10 years. She said this is only one example of how Case New Holland has used the program for training.

In response to a question from Representative Winrich, Ms. Erickson said Case New Holland

productivity rates have been good; however, there were some setbacks related to the events of September 11.

Chairman Andrist called on Mr. Lee Lindquist, Altru Health System, Grand Forks, for comments regarding his experience with the workforce training region program. Mr. Lindquist addressed the committee telephonically.

Mr. Lindquist said Altru Health System has participated in the workforce training program for management training. He said the training has been especially valuable because it is customized and it is flexible. Through the program, he said, 95 supervisors, 65 department managers, and 10 administrative staff members have received management training.

Mr. Lindquist said Altru Health System continues to modify the use of the program in order to meet the growing needs of the company. He said they are just now beginning to work with workforce enhancement through the program.

Chairman Andrist called on Ms. Sharon L. Etemad, President, Lake Region State College, for comments regarding the workforce training region program. Ms. Etemad distributed written testimony from Ms. Donna S. Thigpen, President, Bismarck State College; Mr. Ken Grosz, Dean, Minot State University - Bottineau; Ms. Sharon Y. Hart, President, North Dakota State College of Science; and Mr. Joe McCann, President, Williston State College, copies of which are on file in the Legislative Council office.

Ms. Etemad said the workforce training region program has been very successful, in part because the program is outer-driven. She said workforce training is part of the economic development package and is included as part of the economic development efforts. The program, she said, helps to establish trust upfront that workforce training will be available to meet the needs of prospective businesses.

Ms. Etemad said there is tribal representation in each of the four regions. These tribal representatives, she said, seek increased workforce training services. Additionally, she said, the presidents of the four institutions of higher education assigned primary responsibilities for workforce training would like to see legislation introduced repealing Sections 6 and 7 of Chapter 45 of the 2001 Session Laws. She said these sections require that effective July 1, 2003, to be eligible to receive state funding for the second fiscal year of each biennium, each institution of higher education assigned primary responsibility for workforce training must certify that at least 50 percent of the regional funds included in the approved business plan for the biennium have been received or are pledged to be received before the end of the biennium.

Ms. Etemad said overall the timeframe in which the workforce training region program has been created and implemented has been surprisingly short and the presidents of the institutions of higher

education assigned primary responsibility for workforce training are very pleased.

In response to a question from Representative Winrich, Ms. Etemad said distance learning and the workforce training region program are a natural marriage. She said the individuals in these areas are looking for ways to increase sharing of information and recognize ways in which they can improve effectiveness and efficiency.

Chairman Andrist called on Mr. Guy Moos, Chairman, Task Force for Improving Workforce Development and Training, for comments regarding the workforce training region program. Mr. Moos provided written testimony, a copy of which is on file in the Legislative Council office.

Representative Berg said the role of the committee is to get a feel for how workforce training is developing. He said workforce training begins in primary and secondary education and continues with the University System. He said he is concerned the University System is graduating students who do not meet the regions' workforce needs. There is a critical need in the state for primary sector jobs, he said, and workforce training should focus on this primary sector.

Mr. Moos said the workforce training region program is very connected with primary sector business and primary sector businesses are represented on the board in each of these four regions.

Mr. Dunn said because each of the four regions utilize the private sector for providing training services, the program is not competing with private sector workforce training. He said the University System is working closely with the New Economy Initiative and the Department of Commerce to better identify workforce needs of the state.

Chairman Andrist called on Mr. Jim Hirsch, Director, Division of Workforce Development, Department of Commerce, for comments regarding the workforce training region program. Mr. Hirsch said the state-funded workforce programs fill the gaps that exist in federal workforce programs. He said the four workforce training regions are important pieces to the state's entire workforce training system.

Chairman Andrist called on committee counsel to present a bill draft [30180.0100] relating to the ability of the Department of Commerce to retain fees for on-line workforce services. Committee counsel said the bill draft would create a new section of law that would provide that the Department of Commerce would retain any money received as subscriptions, commissions, or fees from the department's career guidance and job opportunities Internet web site. She said the funds would be appropriated on a continuing basis to fund this Internet web site.

In response to a question from Representative Winrich, committee counsel said the Department of Commerce has general discretion under existing law to host an Internet web site for job opportunities and career guidance.

Chairman Andrist called on Mr. Hirsch for comments regarding the retention of fees for on-line workforce services bill draft and regarding the status of workforce development in the state. Mr. Hirsch provided written testimony, a copy of which is on file in the Legislative Council office.

Mr. Hirsch said the Department of Commerce has an on-line web page at www.northdakotahasjobs.com. He said this web page provides a single site from which jobseekers can look for jobs in the state, whereas prior to this web site jobseekers were faced with various community web sites that were not linked together. He said the on-line program is funded through employer subscription fees; however, the service is free for jobseekers to use. He said the goal of the department is to have the site be self-funded.

In response to a question from Senator Andrist, Mr. Hirsch said the web site has statewide and regional listings.

In response to a question from Representative Severson, Mr. Hirsch said a job applicant would be able to place an on-line resume on the web page and would be able to apply for jobs on-line.

In response to a question from Representative Winrich, Mr. Hirsch said the Department of Commerce is looking at including a link to the Job Service North Dakota web page and to housing resource links. He said the department web page is not intended or designed to compete with other systems.

In response to a question from Senator Andrist, Mr. Hirsch said a major use of any funds collected from the subscriptions would be the salary of a full-time administrator of the site.

It was moved by Representative Severson and seconded by Senator Espgaard that the bill draft relating to fees for Department of Commerce career guidance and job opportunities Internet web site be approved and recommended to the Legislative Council.

In response to a question from Representative Winrich, Mr. Hirsch said by the end of three years the goal is to have \$100,000 in annual subscription fees for the on-line service.

In response to a question from Representative Dosch, Mr. Hirsch said the web page is not intended to compete with Job Service North Dakota. He said the goal is to include a link on the department's web page to take people to the Job Service North Dakota job page.

After this discussion, **the motion carried on a roll call vote.** Senators Andrist and Espgaard and Representatives Dosch, Froseth, Galvin, Kelsh, Lemieux, Severson, Thoreson, and Winrich voted "aye." Representative Martinson voted "nay."

In response to a question from Senator Andrist, Mr. Hirsch said although there is a natural link between distance learning and the workforce training

region program, such as providing nurses training, it may be difficult to make this same link with truck driving training because of the costs associated with the truck driving training over a 10-week period. He said the distance learning for the licensed practical nurses has given the state a successful model to use in other areas of worker shortage.

Senator Andrist said the cost issues associated with the truck driving training need to be addressed by the workforce training program.

In response to a question from Representative Lemieux regarding the failure to adequately provide vocational training in grades 9 through 12, Mr. Hirsch said it is necessary to begin vocational training even before grade 9. He said the Career Development Council is currently addressing the issue of career guidance and the need to inform young people of job opportunities in the state. He said there is a need to have vocational education programs and a need to better inform students of the vocational job opportunities. National statistics, he said, indicate that only 30 percent of jobs require a four-year degree, which underscores the need for vocational training.

In response to a question from Senator Wardner, Mr. Hirsch said schools need to start providing young students the necessary fundamentals of technology.

OCCUPATIONAL AND PROFESSIONAL BOARDS STUDY

Chairman Andrist called on Ms. Jo Zschomler, Director, Division of Risk Management, Office of Management and Budget, for comments regarding participation by the smaller occupational and professional boards in the risk management fund. Ms. Zschomler provided written testimony, a copy of which is on file in the Legislative Council office.

Ms. Zschomler said each state agency, board, and commission is required to participate in the risk management fund by contributing its appropriate share of the funds' costs as determined by the director of the Office of Management and Budget. She said in the initial creation of the fund, contributions were based on the number of employees of each agency and the number of vehicles owned by the state. Beginning with the 2001-03 biennium, she said, the actuarial review factored each agency's fund loss history in determining the level of required contribution. She said the contribution rate for boards and commissions was set at \$750 per year plus \$115.60 for each full-time employee. She said contribution is waived for any board or commission that has an annual budget of less than \$10,000 and no full-time employee.

Ms. Zschomler said the balance in the fund as of August 31, 2002, was \$1,264,964. The 2002 actuarial review of the fund estimated a potential deficit balance on June 30, 2003, of \$1,693,559.

In response to a question from Senator Andrist, Ms. Zschomler said the anticipated deficit has partially

been addressed through the provision of funds from the North Dakota Insurance Reserve Fund. She said there were problems associated with the federal government claiming a portion of the funding from the North Dakota Insurance Reserve Fund; however, negotiations have resulted in an agreement under which the federal government will not take any of these funds. She said she does not anticipate any changes in the contribution rates for small boards and commissions.

Chairman Andrist called on committee counsel to present a bill draft [30183.0100] regarding regulation of podiatrists by the State Board of Medical Examiners. Committee counsel said under the bill draft, the law creates the Board of Podiatric Medicine and regulating podiatrists would be repealed and licensure of podiatrists would be performed by the State Board of Medical Examiners. She said the State Board of Medical Examiners would adopt rules relating to licensure of podiatrists. Membership of the State Board of Medical Examiners, she said, would change to include a podiatrist member who would have limited participation. Under the bill draft, she said, any outstanding receivables, obligations, and funds of the Board of Podiatric Medicine would be transferred to the State Board of Medical Examiners and the license fees paid by podiatrists would be used to retire any of the Board of Podiatric Medicine's outstanding balance of any obligations transferred to the State Board of Medical Examiners.

In response to a question from Senator Andrist, committee counsel said existing laws and rules relating to the licensure of podiatrists would cease being effective as of the effective date of the bill.

In response to a question from Representative Winrich, committee counsel said it would be possible to add some type of transition language relating to licensure of podiatrists to ensure there is no gap in licensure requirements.

Chairman Andrist called on Dr. Cherian Mathew, President, Board of Podiatric Medicine, for comments regarding the committee bill draft regarding licensure of podiatrists. Dr. Mathew said the Board of Podiatric Medicine recognizes there have been problems in the past and is actively addressing these problems. He said there has been a significant change in board membership and abolishing the Board of Podiatric Medicine is premature.

Dr. Mathew said the financial problems of the Board of Podiatric Medicine are being resolved and the disciplined podiatrist is responsible for repayment to the board.

In response to a question from Senator Andrist, Dr. Mathew said under the committee bill draft there would be inadequate board representation by podiatrists. Additionally, he said, he anticipates there would be scope of practice issues for podiatrists as well as transition problems resulting from abolishment of the Board of Podiatric Medicine.

In response to a question from Senator Wardner, Dr. Mathew said problems relating to the past disciplinary actions taken by the board have been addressed by the current board.

In response to a question from Representative Froseth, Dr. Mathew said although it is possible the financial liability of podiatrists may decrease under the State Board of Medical Examiners, the drawback would be lack of representation on the State Board of Medical Examiners. He said the current podiatrist licensure fee is \$500. He said he is hopeful this fee will decrease once the board meets its current financial obligations.

In response to a question from Representative Galvin, Dr. Mathew said one reason for maintaining separate boards for physicians and podiatrists is that a podiatrist undergoes training different from a physician.

Chairman Andrist called on Ms. Kelly Schmidt, layperson, Board of Podiatric Medicine, for comments regarding the committee bill draft. Ms. Schmidt said she believes the Board of Podiatric Medicine is moving in the right direction and asks that the committee allow the board to get back on its feet. She said she distinguishes physicians from podiatrists and this justifies keeping separate boards.

In response to a question from Representative Berg, Ms. Schmidt said she agrees the board took appropriate action in disciplining its member and the board has been responsible in paying debts it incurred. She said although 2001 legislation gave the Board of Podiatric Medicine the authority to borrow money to meet its debts, the board has not borrowed money. However, she said, she is not aware of an easy answer to the question of how to spread risk for disciplinary actions for the small boards.

In response to a question from Senator Wardner regarding the feasibility of the risk management fund charging a surcharge that would be kept as a separate fund to help small boards, Ms. Zschomler said with appropriate legislative changes she does not know of a reason her office would be prevented from taking this action.

Chairman Andrist said although it appears the committee is not interested in taking action at this time, Senator Wardner may wish to pursue this on his own.

Senator Wardner said he would pursue the idea of creating a separate fund in the risk management fund.

Chairman Andrist called on Mr. Gary Thune, legal counsel, Board of Podiatric Medicine, for comments regarding the committee's study of occupational and professional licensing boards of less than 100 licensees. Mr. Thune said if the Board of Podiatric Medicine is faced with a large debt in the future, a fund such as that discussed by Senator Wardner would be helpful as well as the 2001 Legislative Assembly enacted legislation that allows the board to suspend the license of a podiatrist until the podiatrist pays the

board for disciplinary action costs and that allows the board to borrow money from the Bank of North Dakota.

Mr. Thune said the committee would be sending the wrong message to occupational and professional licensing boards if it abolished the Board of Podiatric Medicine. In effect, he said, the committee would be retaliating against the board for doing its job.

Senator Andrist said the committee is not retaliating against the Board of Podiatric Medicine for doing its job, but it is instead looking at the feasibility and desirability of consolidating small occupational and professional boards.

Chairman Andrist called on Dr. Brian Gale, podiatrist, Bismarck, for comments regarding the study of occupational and professional licensing boards that license fewer than 100 licensees. Dr. Gale said he is in support of the current Board of Podiatric Medicine. On the current board, he said, only one board member remains from the board that took disciplinary action against him.

Dr. Gale said small boards are inherently vulnerable to large disciplinary debts and to the problems associated with lack of turnover of board members. He said he supports combining administrative functions of occupational and professional boards in an attempt to lessen possible turf protection by occupational and professional boards.

Chairman Andrist called on Mr. John Olson, State Board of Medical Examiners, for comments regarding the committee's bill draft on licensure of podiatrists. Mr. Olson said he opposes the bill draft. He said there are curriculum, licensure, and disciplinary issues that would arise with consolidation of the Board of Podiatric Medicine and the State Board of Medical Examiners.

Mr. Olson said increasing the size of the State Board of Medical Examiners is expensive and he foresees problems with limiting the activities of the podiatry member to podiatry matters addressed by the State Board of Medical Examiners.

In response to a question from Representative Dosch, Dr. Mathew said the Board of Podiatric Medicine pays the risk management fund \$750 per year. He said because the Board of Podiatric Medicine does not have any employees, the budget of the board is essentially the cost of running the board.

In response to a question from Representative Dosch, Ms. Zschomler said small boards have full coverage under the risk management fund regardless of the amount of contribution. She said it was an administrative decision to exempt the smallest boards from paying into the fund.

Representative Dosch said if small boards do not have the necessary funds to pay into the risk management fund, perhaps the small boards should not exist.

Ms. Zschomler said the risk management fund pays for defenses of money damage claims and

because small boards have less exposure to liability, they pay less to the fund.

Ms. Schmidt said that although the Board of Podiatric Medicine has paid into the risk management fund, the risk management fund has not provided the board with any defense during the board's litigation.

REPORTS

Chairman Andrist called on Ms. Karen Tyler, Securities Commissioner, to present the findings and recommendations resulting from the review of policies and procedures relating to access to capital for North Dakota companies. Ms. Tyler provided written testimony, a copy of which is on file in the Legislative Council office.

Ms. Tyler said her primary charge is to protect the North Dakota investor through four functional areas:

1. Investor education and financial literacy initiatives;
2. Investigation and enforcement;
3. Registration of securities industry firms and professionals; and
4. Regulation of the capital formation process.

Ms. Tyler reviewed amendments made to the North Dakota Securities Act of 1951 over the last three legislative sessions. She said during the 2003 legislative session the Securities Commissioner will introduce a bill to expand an exemption from the registration requirements to allow companies to offer and sell securities to any government or political subdivision or instrumentality and to small business investment corporations.

Ms. Tyler said her office web site has copies of forms that are used in the securities registration or application for an exemption from registration as well as guidelines for creating and offering circular as well as sample subscription agreements. She said it is standard procedure for issuer filings to be reviewed by the chief examiner and receive comment within three to five business days of the receipt of filing and a one-day turnaround time can be accommodated upon request if the issuer is facing time constraints. Additionally, Ms. Tyler provided a summary of the filing activities addressed by her office for the first half of the current biennium, a copy of which is on file in the Legislative Council office.

Chairman Andrist called on Mr. Lawrence King, Vice President of Legal Services, Workers Compensation Bureau, for presentation of the safety audit of Roughrider Industries work programs and the performance audit of the modified workers' compensation coverage program. Mr. King provided written testimony as well as a copy of the risk management program annual review of Roughrider Industries and the report of the internal audit of the modified workers' compensation program, copies of which are on file in the Legislative Council office.

Mr. King said the modified workers' compensation program was established to allow Roughrider

Industries to continue receiving federal funding through the prison industry enhancement certification program. He said as a result of a June 2002 safety audit of Roughrider Industries, Roughrider Industries was found to be in compliance with all components of the workers' compensation risk management program. Additionally, he said, the inspection showed that Roughrider Industries has incorporated modern safety devices at the manufacturing plant to provide the greatest protection to workers when utilized properly. The internal audit, he said, indicated that although Roughrider Industries has not been providing the Workers Compensation Bureau with documentation of reinsurance coverage, procedures have been established to ensure receipt of this documentation.

Chairman Andrist called on Mr. Richard Gray, Renaissance Zone Manager, Division of Community Services, Department of Commerce, for presentation of the annual report on renaissance zone progress. Mr. Gray provided a written document summarizing renaissance zone activity, a copy of which is on file in the Legislative Council office.

In response to a question from Senator Andrist, Mr. Gray said the estimated total income tax given away through the renaissance zone program over the next six years is \$4.7 million.

INTERNATIONAL MARKETING STUDY

Chairman Andrist called on Mr. Lee Peterson, Commissioner, Department of Commerce, for a presentation of a unified strategic plan for international marketing. Mr. Peterson provided written testimony, a copy of which is on file in the Legislative Council office. He said the department needs to work more effectively in how services are provided to clients either to begin the exporting of products or to expand existing export business.

Mr. Peterson said Ms. Amanda Mack of the District Export Council has provided significant assistance in helping his office compile an inventory of export service providers available to North Dakota businesses. However, he said, he apologizes that in creating this list he did not meet with the Agriculture Commissioner to discuss how the Department of Commerce and the Agriculture Commissioner could work more closely together. He said he understands commerce and agriculture can work together in value-added agriculture, food processing, and farm equipment.

Mr. Peterson reviewed three international projects that have recently taken place or will be taking place in North Dakota:

1. Governor's International Trade Conference.
2. Data collection through the Department of Commerce annual primary sector business survey. The information from the survey will be available on a web site that will allow

Internet users to see and query North Dakota export companies.

3. Creation of a survey and web site to identify and present international service companies within North Dakota.

Mr. Peterson said the Department of Commerce export plan is:

1. Coordinate and cooperate with all current international program service providers within North Dakota.
2. Act as a liaison to companies wanting information on international business and the provider(s) of those services.
3. Work closely with the United States Department of Commerce and provide knowledge of programs and assistance.
4. Be capable of providing hands-on assistance to private businesses to get them "export-ready."
5. Work closely with the North Dakota Export Council to find prospective companies that need export assistance.
6. Work with other Department of Commerce programs (like Agricultural Products Utilization Commission and Manufacturing Extension Partnership) to provide education on international markets and products.
7. As needed, work with all entities to provide educational opportunities for companies that choose to consider the possibility of exporting.
8. One community in North Dakota has, for several years, worked in the international arena. We need to provide a person to work with them on international business investment.
9. Before our businesses export internationally, they must determine if they are ready for the associated growth. Our person would work closely with other entities such as higher ed, Manufacturing Extension Partnership, United States Department of Commerce, District Export Council, and others, to:
 - a. Determine international customers' wants and needs.
 - b. Gather competitor intelligence.
 - c. Identify new markets.
 - d. Assist with customer-driven product development.
 - e. Select the most effective distribution channels.
10. Market the Export-Import Bank of the United States programs to North Dakota exporters.

Mr. Peterson said a person with international experience must provide the leadership and focus necessary for moving North Dakota exports forward. A breakdown of the estimated costs for hiring a global business and marketing director and one full-time employee to provide support services is included in

Mr. Peterson's written testimony. With an annual director's salary at \$45,000 and an annual administrative support salary of \$25,824, Mr. Peterson said the total cost for the biennium would be \$336,997.

In response to a question from Senator Andrist, Mr. Peterson said he recognizes that export is a sleeping giant and he would like the Department of Commerce to have an international business and marketing director with one full-time employee for support.

BUSINESS PROGRAMS STUDY

Chairman Andrist called on Mr. Bob Morland, Dakota Partners Champion Community - Bowman and Hettinger, for comments regarding the Champion/REAP Alliance.

Mr. Morland said the Champion/REAP Alliance is a combined effort of volunteer leaders from the south-western, southeastern, northern border, and Native American regions of North Dakota. The alliance assists its membership with community and economic development projects, provides a source for regional communication, and helps each area meet obligations as a designated United States Department of Agriculture Champion Community or REAP zone. He said the primary goal of the alliance is to address outmigration.

Chairman Andrist called on Mr. Jeff Hoffmann, Project Coordinator, Champion/REAP Alliance, for comments regarding the program. Mr. Hoffmann gave a computer presentation. A copy of the slides is on file in the Legislative Council office.

Mr. Hoffmann provided statistics regarding the impact on rural communities of the activities of the Champion/REAP Alliance during the previous two bienniums. He said during the past five years Champion communities have leveraged financial resources totaling \$4.2 million and during the last eight years REAP zones have leveraged financial resources totaling \$136.8 million. He said he has arranged to have representatives from some of the Champion/REAP Alliance success stories present their success stories to the committee.

Chairman Andrist called on Mr. Gary Saturn, Distance Education Nursing, Rugby, for comments regarding the Champion/REAP Alliance. Mr. Saturn explained the need for nurses in his community and that through the services of the alliance, a distance education nursing program has allowed graduates to work in three local rural communities.

In response to a question from Senator Wardner, Mr. Saturn said the distance education nursing program has helped to ease the nursing shortage. He said there have been 19 graduates from the program and there are additional students waiting for training. The program, he said, drew students from a 16-mile radius.

Chairman Andrist called on Mr. Bob Kudrna, Killdeer Mountain Manufacturing Community Computer

Lab, Hettinger, for comments regarding the Champion/REAP Alliance. He said Killdeer Mountain Manufacturing has eight employees and anticipates hiring additional employees. In addition to Killdeer Mountain Manufacturing, he said, the community computer lab has trained over 250 individuals and there is a licensed practical nurse class in progress at the lab through distance learning at Dickinson State University.

Chairman Andrist called on Ms. Laura Every, Maddock Business and Technology Center, for comments regarding the Champion/REAP Alliance. Ms. Every explained how she has been able to use the technology center as a distance employee at Microsoft Great Plains.

Chairman Andrist called on Mr. Art Wanner, The Wurst Shop, Dickinson, for comments regarding the Champion/REAP Alliance. Mr. Wanner said with the assistance he has received through the Champion/REAP Alliance, he has been able to employ three full-time employees and one part-time employee at the sausage store as well as four full-time employees in a spinoff business. He said it is imperative that people learn about the tools and resources available through the Champion REAP/Alliance.

In response to a question from Representative Froseth, Mr. Wanner said although he has contacted the University System for assistance in marketing, his primary marketing is done on his own and he relies on word of mouth. He said although his general marketing efforts have been local, approximately 40 percent of his sales are outside the region.

Mr. Hoffmann reviewed state appropriations to the Champion/REAP Alliance in 1999 and 2001. In 1999

the Legislative Assembly provided \$50,000 in matching funds and in 2001 the Legislative Assembly provided \$75,000 in matching funds.

In response to a question from Senator Mutch, Mr. Wanner said the Champion/REAP Alliance files reports with the Department of Commerce to account for use of state-appropriated funds, as well as reports with the United States Department of Agriculture. He said board members of the alliance are volunteers and are not paid for their time.

Chairman Andrist called on Mr. Orlin Hanson, Renville County Champion Community, for comments regarding the Champion/REAP Alliance. Mr. Hanson said the use of state and federal expertise through the Champion/REAP Alliance helps local communities do better economic development.

It was moved by Senator Wardner, seconded by Representative Thoreson, and carried on a voice vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill draft recommended by the committee and to present the report and recommended bill draft to the Legislative Council.

It was moved by Senator Espegard, seconded by Representative Winrich, and carried on a voice vote that the meeting be adjourned sine die. Chairman Andrist adjourned the meeting sine die.

Jennifer S. N. Clark
Committee Counsel

ATTACH:1