

1999 SENATE INDUSTRY, BUSINESS AND LABOR  
SB 2242


1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2242

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 2, 1999

Tape Number	Side A	Side B	Meter #
1		x	2230-end
Committee Clerk Signature 			

Minutes:

Senator Mutch opened the hearing on SB2242. All senators were present.

Senator Holmberg introduced and testified in support of SB2242. His testimony is included.

Eric Hardmeyer, Bank of North Dakota, testified in a neutral position on the bill. Senator Klein asked if the 4.3% was SBA nationally or just ND. Mr. Hardmeyer said that it was in just North Dakota. She then asked him if he felt that there could be a way to dovetail the two entities. He told her that they have a program at the bank of North Dakota already. Senator Krebsbach asked if the STEP program was available to the age group that they are talking about in the bill. Mr. Hardmeyer told her that it applied to all ages.

Senator Mutch closed the hearing on SB2242.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number (Untitled)

Hearing Date February 2, 1999

Senator Klein motioned for a do pass recommendation on SB2242. Senator Krebsbach seconded

his motion. The motion carried with a 7-0-0 vote.

Senator Krebsbach will carry the bill.

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: \_\_\_\_\_ Amendment to: SB 2242

Requested by Legislative Council \_\_\_\_\_ Date of Request: 3-22-99

- 1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

Based on the amended version of SB 2242 the fiscal impact to the Bank of North Dakota is estimated to be \$150,000 for the biennium. The \$150,000 is comprised of guaranty reserve and administration expenses. The fiscal impact will not effect the General Fund directly but will impact BND earning to that extent.

- 2. **State** fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures:

- 3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: \_\_\_\_\_
- b. For the 1999-2001 biennium: \_\_\_\_\_
- c. For the 2001-03 biennium: \_\_\_\_\_

- 4. **County, City, and School District** fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Eric Hardmeyer

Date Prepared: March 23, 1999

Department Bank of North Dakota

Phone Number 328-5674

FISCAL NOTE

(Return original and 10 copies)

Bill/Resolution No.: SB 2242 Amendment to: \_\_\_\_\_

Requested by Legislative Council Date of Request: 1-18-99

1. Please estimate the fiscal impact (in dollar amounts) of the above measure for state general or special funds, counties, cities, and school districts.

**Narrative:**

2. State fiscal effect in dollar amounts:

1997-99 Biennium		1999-2001 Biennium		2001-03 Biennium	
General Fund	Special Funds	General Fund	Special Funds	General Fund	Special Funds

Revenues:

Expenditures: \$50,000

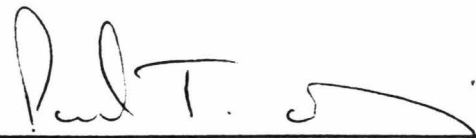
3. What, if any, is the effect of this measure on the appropriation for your agency or department:

- a. For rest of 1997-99 biennium: \$0
- b. For the 1999-2001 biennium: \$0
- c. For the 2001-03 biennium: \$0

4. County, City, and School District fiscal effect in dollar amounts:

1997-99 Biennium			1999-2001 Biennium			2001-03 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

If additional space is needed, attach a supplemental sheet.

Signed 

Typed Name Paul Govig

Date Prepared: 1-27-99

Department Loans

Phone Number 328-5687

Date: 2/12  
Roll Call Vote #: 2242

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO.

Senate INDUSTRY, BUSINESS AND LABOR COMMITTEE Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken 2242 DO PASS & REFERRED TO APPROPRIATIONS

Motion Made By KLEIN Seconded By KREBSBACH

Senators	Yes	No	Senators	Yes	No
Senator Mutch	X				
Senator Sand	X				
Senator Klein	X				
Senator Krebsbach	X				
Senator Heitkamp	X				
Senator Mathern	X				
Senator Thompson	X				

Total (Yes) 7 No 0

Absent 0

Floor Assignment KREBSBACH

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**SB 2242: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2242 was rereferred to the Appropriations Committee.**

**1999 SENATE APPROPRIATIONS**

**SB 2242**



1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2242

Senate Appropriations Committee

Conference Committee

Hearing Date <sup>February</sup> ~~January~~ 8, 1999

Tape Number	Side A	Side B	Meter #
1	X		240-1944
Committee Clerk Signature <i>Kathy C. Kottelerock</i>			

Minutes:

**SENATOR NETHING:** Opened the hearing on SB2242; A BILL FOR AN ACT TO PROVIDE FOR A BEGINNING ENTREPRENEUR LOAN GUARANTEE PROGRAM; AND TO PROVIDE AN APPROPRIATION.

**RAY HOLMBERG:** State Senator, District 17 to testify in support of SB2242 (testimony attached) (tape 240-610).

**BRIAN TROFTGRUBEN:** Owner of Brian's Lawn Service to testify in support of SB2242 (testimony attached) (tape 654-906).

**BRUCE GJOVIG:** UND Center of Innovation Technology Incubator to testify in support of SB2242 (testimony attached) (tape 988-1285).

**SENATOR KRAUTER:** Inquired about accessing the Development Fund.

**BRUCE GJOVIG:** Where do they get their collateral for the Development Fund. Parents or family members come through. Chances are easier if you have the family wherewithal.

**SENATOR KRAUTER:** If the Development Fund is high risk, what the difference between these?

**BRUCE GJOVIG:** This has no collateral required.

**SENATOR BOWMAN:** Is this like a revolving loan?

**BRUCE GJOVIG:** Yes, just like a beginning farm loan program. It becomes revolving.

**SENATOR GRINDBERG:** Development Fund, isn't it primary sector?

**BRUCE GJOVIG:** Yes, Primary sector; Manufacturing, Processing, Exported Services.

Brian's company is not primary sector, it's service sector.

**SENATOR TOMAC:** Shared his concern regarding, banks participating in the program.

**BRUCE GJOVIG:** Has to be done through the local bank. The Bank of North Dakota acts as the guarantor. The local bank would have a 15% exposure and the Bank of North Dakota; 85% exposure.

**ERIC HARDMEYER:** Senior Vice President of Lending at the Bank of North Dakota. We are neutral on this bill. If it is your desire to pass this bill, we will do whatever we can to make that work. We've done calculations and looking at SBA's experience, their default rate is 4.3%. We figure to double the default rate. That is how we derived a \$600,000 maximum loan pool with an 8% guarantee, figuring an average project at \$35,000. Only concern is there may be some duplication with SBA and Small Business Administration. We do have a low-DOC program that was put in place and we have a program at the Bank of North Dakota called a Startup Entrepreneur Program. This is a participation loan program where we participate with another bank. We hoped to work with SBA to get a low-DOC guarantee in place on that program. Our challenge with this bill is to find a niche for the profile you're looking for.

**SENATOR NETHING:** Called for the motion on SB2242 (tape 1850-1944).

**SENATOR HOLMBERG:** Moved a Do Pass on SB2242.

**SENATOR BOWMAN:** Seconded the motion.

**ROLL CALL: 14 YEAS; 0 NAY; 0 ABSENT & NOT VOTING.**

**SENATOR NETHING:** Closed the hearing on S2242.

Date: 2-8-99  
Roll Call Vote #: 1

1999 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 2242

Senate APPROPRIATIONS Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DO PASS

Motion Made By SENATOR HOLMBERG Seconded By SENATOR BOWMAN

Senators	Yes	No	Senators	Yes	No
Senator Nething, Chairman	✓				
Senator Naaden, Vice Chairman	✓				
Senator Solberg	✓				
Senator Lindaas	✓				
Senator Tallackson	✓				
Senator Tomac	✓				
Senator Robinson	✓				
Senator Krauter	✓				
Senator St. Aubyn	✓				
Senator Grindberg	✓				
Senator Holmberg	✓				
Senator Kringstad	✓				
Senator Bowman	✓				
Senator Andrist	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment SENATOR KRESBACH

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE (410)  
February 8, 1999 2:35 p.m.

Module No: SR-25-2200  
Carrier: Krebsbach  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2242: Appropriations Committee (Sen. Nething, Chairman) recommends DO PASS**  
(14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2242 was placed on the  
Eleventh order on the calendar.

1999 HOUSE INDUSTRY, BUSINESS AND LABOR

SB 2242

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2242

House Industry, Business and Labor Committee

Conference Committee

Hearing Date 3-2-99

Tape Number	Side A	Side B	Meter #
1		x	769 - 2817
3		x	1601 - 1790
Committee Clerk Signature <i>Lisa Horner</i>			

Minutes: Senator Holmberg: Introduced SB 2242 relating to provide for a beginning entrepreneur loan guarantee program. (See written testimony)

Rep. Poolman testified in support of SB 2242.

Eric Hardmeyer from the Bank of North Dakota testified in support of SB 2242.

Chairman Berg: If I desire to have this program and have it work, what would be the advantage?

Eric Hardmeyer: The Bank of ND does have an existing startup program. We call it our step program. A guaranty would be the best way to go.

Rep. Keiser: What do you anticipate the rate of interest to be?

Eric Hardmeyer: The bank does not dictate what the rates would be. I would guess that it would be 2-3% over prime. SBA allows a maximum of two and three quarters over prime in their program. I think it would be up to the bank.

Page 2

House Industry, Business and Labor Committee

Bill/Resolution Number Sb 2242

Hearing Date 3-2-99

Rep. Keiser: If you were to guaranty all of the commercial loans in the state, would this create jobs in doing that?

Eric Hardmeyer: I would hope that the banks would look at and analyze the credit. With this program we're looking at greater risk factors than the rest of the commercial portfolios.

Rep. Thorpe: If this bill is passed, would this create competition with other retailers?

Eric Hardmeyer: There is always that potential.

Rep. Stefonowicz: would you compare this bill with the beginning farmer program?

Eric Hardmeyer: The beginning farmer program requires that your resident of ND must be at least 18 years old, a first time purchase of real estate, provide at least 25-35% equity into the project and demonstrate cash flow.

Joy Johnston Executive Director of GNDA testified in support of SB 2242. We feel that this would be very beneficial to ND.

Chairman Berg closed the hearing.

**Tape 3, side B. Meter No. 1601**

**Action on SB 2242**

Rep. Froseth made a motion for a Do Pass.

Rep. Severson second to motion.

The roll call vote was 13 yea, 2 nay. The motion carries.

Rerefered to Appropriations.

Rep. Martinson will carry the bill.

Date: 3-2-99  
 Roll Call Vote #: 7

**1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. SB 2242**

House Industry, Business and Labor Committee

Subcommittee on \_\_\_\_\_  
 or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken do pass Referred to Appropriation

Motion Made By Froseth Seconded By Severson

Representatives	Yes	No	Representatives	Yes	No
Chairman Berg	/		Rep. Thorpe		/
Vice Chairman Kempenich	/				
Rep. Brekke	/				
Rep. Ekstrom	/				
Rep. Froseth	/				
Rep. Glassheim	/				
Rep. Johnson	/				
Rep. Keiser		/			
Rep. Klein	/				
Rep. Koppang	/				
Rep. Lemieux	/				
Rep. Martinson	/				
Rep. Severson	/				
Rep. Stefonowicz	/				

Total (Yes) 13 No 2

Absent \_\_\_\_\_

Floor Assignment Martinson

If the vote is on an amendment, briefly indicate intent:



REPORT OF STANDING COMMITTEE (410)  
March 2, 1999 4:58 p.m.

Module No: HR-37-3895  
Carrier: Martinson  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

**SB 2242: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (13 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2242 was rereferred to the Appropriations Committee.**

**1999 HOUSE APPROPRIATIONS**

**SB 2242**

1999 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. 2242

House Appropriations Committee

Conference Committee

Hearing Date March 8, 1999

Tape Number	Side A	Side B	Meter #
1		x	25.0-end
Committee Clerk Signature <i>Paulette Cassiano</i>			

Minutes:

A Bill for an Act to provide for a beginning entrepreneur loan guarantee program; and to provide an appropriation.

**25.0 Chairman Dalrymple** opened committee hearing on SB 2242. All members present.

**25.7 Senator Holmberg** presented the Bill to the committee.

**30.4 Rep. Aarsvold** asked if there would be any education required to get a loan. Senator Holmberg states that would be discrimination to people who dropped out of school.

**32.7 Chairman Dalrymple** asked if the interest rates would be a bidown. Senator Holmberg states that the interest rate would be the same as a regular loan.

**35.0 Rep. Poolman** testified in support of the bill.

**39.2 Eric Hardmeya** (Band of ND) was available for any questions.

**44.8 Rep. Svedjan** asked if there was a age limitation to borrow money. Mr. Hardmeya states that there is because if their are under 18, they can sign a document when they term 18 and they are not responsible to the loan.

**54.1 Joy Johnston** (Executive Director of the Manufacturers and Processors Division of the Greater ND Ass.) testified in support of SB 2242. See attached testimony.

**Tape 2, A, .9 Dan Wald** (Private Vulture Capitalist) spoke in support of SB 2242.

**3.8 Darriel Farland** testified in support of SB 2242.

## General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 16, 1999			
Tape Number	Side A	B Side	Meter #
1		x	20.7-34.3
Committee Clerk Signature		<i>Roxanne Kohl</i>	

Minutes:

Chairman Dalrymple opened the discussion on Senate Bill 2242.

**1B: 21.5 Rep. Carlisle** asked Rep. Poolman about non-college requirement. Rep. Poolman replied to be eligible for program you need to have graduated from High School.

**1B: 22.2 Rep. Carlson** asked what the maximum exposure would be for the Bank of North Dakota. Rep. Dalrymple replied it would only be limited by the number of loans that fall in this category. Rep. Poolman replied that has to be participation first with a commercial bank. That will restrict some of the numbers of loans you are talking about. Rep. Dalrymple commented on page 1, line 20-21 it appears the language says the guarantee could go up to a 100%. Rep. Poolman replied the bank commented they would use 85% as a target with 15% from the commercial bank. Rep. Dalrymple commented on a \$50,000 appropriation. Rep. Poolman replied the money was a loan loss reserve.

**1B: 25.9 Rep. Wentz** commented the testimony stated the \$50,000 appropriation would be used to guarantee the loans in this act.

**1B: 26.7 Rep. Delzer** commented it might be better to take the appropriation out and put a top limit on what they can guarantee. Rep. Poolman replied he would have no problem if the appropriation was taken out of the bill. It is more important to put the frame work together. If the committee wants to strip out the appropriation and pass the program, that is fine with me. The bank can internally manage it, any bank losses can be taken out of the banks profit.

**1B: 28.5 Rep. Huether** commented the bank testified the loss would be about 10%. The national rate is 60 to 70%.

**1B: 29.1 Rep. Hoffner** commented he would like to change the High School requirement to include receiving a GED to also be eligible for the loan. Rep. Poolman replied he would be fine with that motion.

**1B: 32.7 Chairman Dalrymple** appointed Rep. Poolman, Rep. Gulleeson, and Rep. Hoffner to put together an amendment regarding clarification of bill.

### General Discussion

- Committee on Committees
- Rules Committee
- Confirmation Hearings
- Delayed Bills Committee
- House Appropriations
- Senate Appropriations
- Other

Date March 18, 1999			
Tape Number	Side A	B Side	Meter #
1	x		28.6-34.9
Committee Clerk Signature <i>Casey Davis</i>			

Minutes:

**SB 2242**

**CHAIRMAN DALRYMPLE** opened discussion on SB 2242.

**1A: 28.6 REP. POOLMAN** presented the GO subcommittee's recommendation for a Do Pass, along with the proposed amendments 0102. He made a motion to adopt the amendments. The motion was seconded by Rep. Monson. A voice vote was taken and the motion carried.

**1A: 32.1 REP. CARLISLE** made a motion for a Do Pass as amended. The motion was seconded by Rep. Poolman. A roll call vote was taken and the motion carried with 12 yeas, 7 nays, and 1 absent and not voting. Rep. Poolman will carry the bill.

VRE  
3/18/99

House AMENDMENTS TO SENATE BILL NO. 2242

App 3-19-99

Page 1, line 1, remove "; and to"

Page 1, line 2, remove "provide an appropriation"

Page 1, line 7, after "school" insert "or has received a general equivalency certificate"

Page 1, line 20, replace "one" with "eighty-five"

Page 1, line 21, remove "hundred"

App 3-19-99

Page 2, line 21, after the second period insert "The Bank may not guarantee more than one million five hundred thousand dollars in loans under the beginning entrepreneur loan guarantee program."

Page 2, line 27, replace "The" with "Notwithstanding any provision of this chapter, the"

App 3-19-99

Page 3, remove lines 1 through 5

Renumber accordingly

~~1000~~

Date: 3-18-99  
Roll Call Vote #: 1

1999 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 2242

House Appropriations Committee

Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number 0102

Action Taken DP as am.

Motion Made By Carlisle Seconded By Poolman

Representatives	Yes	No	Representatives	Yes	No
Chairman Dalrymple	✓		Nichols		✓
Vice-Chairman Byerly		✓	Poolman	✓	
Aarsvold	✓		Svedjan	✓	
Bernstein			Timm	✓	
Boehm	✓		Tollefson	✓	
Carlson		✓	Wentz		✓
Carlisle	✓				
Delzer		✓			
Gulleson		✓			
Hoffner	✓				
Huether	✓				
Kerzman	✓				
Lloyd		✓			
Monson	✓				

Total (Yes) 12 No 7

Absent 1

Floor Assignment Poolman

If the vote is on an amendment, briefly indicate intent:



**REPORT OF STANDING COMMITTEE**

**SB 2242: Appropriations Committee (Rep. Dalrymple, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 7 NAYS, 1 ABSENT AND NOT VOTING). SB 2242 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "; and to"

Page 1, line 2, remove "provide an appropriation"

Page 1, line 7, after "school" insert "or has received a general equivalency certificate"

Page 1, line 20, replace "one" with "eighty-five"

Page 1, line 21, remove "hundred"

Page 2, line 21, after the second period insert "The Bank may not guarantee more than one million five hundred thousand dollars in loans under the beginning entrepreneur loan guarantee program."

Page 2, line 27, replace "The" with "Notwithstanding any provision of this chapter, the"

Page 3, remove lines 1 through 5

Renumber accordingly

1999 SENATE INDUSTRY, BUSINESS AND LABOR

SB. 2242

CONFERENCE COMMITTEE


1999 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2242

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date April 8, 1999

Tape Number	Side A	Side B	Meter #
1	x		0-880
Committee Clerk Signature 			

Minutes:

Senator Krebsbach opened the conference committee hearing on SB2242. The committee consisted of Senator Krebsbach, Senator Sand, Senator Heitkamp, Representative Byerly, Representative Carlson, Representative Huether. All were present.

Senator Krebsbach passed out some amendments to the bill.

Rep. Byerly noted that most of the House amendments.

Senator Krebsbach said that what this would amount to would be that the House recede from the House amendments and then they could adopt the new amendments.

Rep. Byerly said that the House would go along with the amendments if the cap was put at \$500,000 instead of \$600,000.

Senator Krebsbach said that she would find that rather difficult because the House put a cap of \$1.5 million.

Rep. Byerly said that was before they viewed the fiscal note from the bank. He they had originally put a cap on the bill, but they then talked to the Bank of North Dakota. He said that these are extremely high risk loans. \$500,000 still gives them a ton of money to work with.

Senator Heitkamp said that he too found that real difficult. He said that the fiscal note came to them larger from the house. Senator Heitkamp said that he would like to go back to the sponsor on this one.

Rep. Byerly said that would be fine. He said that this is not the most popular bill on the house side. He think that the vote are there with that number.

Senator Heitkamp asked to make a motion on the five pending approval after they talk to the sponsor.

Senator Krebsbach said that she would accept that motion.

Rep. Carlson said that he and Rep. Byerly were not big proponents of this bill in the first place. He did say that if there was some merit in the bill, then they could support it.

The motion carried with a 6-0-0 vote.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2242

That the House recede from its amendments as printed on pages 816 and 817 of the Senate Journal and page 900 of the House Journal and that Senate Bill No. 2242 be amended as follows:

Page 1, line 1, remove "; and to"

Page 1, line 2, remove "provide an appropriation"

Page 1, line 7, after "school" insert "or has received a general equivalency certificate"

Page 1, line 20, replace "one" with "eighty-five"

Page 1, line 21, remove "hundred"

Page 2, line 21, after the second period insert "The Bank may not guarantee more than six hundred thousand dollars in loans under the beginning entrepreneur loan guarantee program."

Page 2, line 27, replace "The" with "Notwithstanding any provision of this chapter, the"

Page 3, remove lines 1 through 5

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE  
(ACCEDE/RECEDE) - 420

07398

SR1607036

(Bill Number) 2242 (, as (re)engrossed):

Your Conference Committee

**For the Senate:**

	PRESENT	YES	NO
KREBSBACH	X	X	
SAND	X	X	
HEITKAMP	X	X	

**For the House:**

	PRESENT	YES	NO
BYRUM	X	X	
CARLSON	X	X	
HUENNER	X	X	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)  
723/724      725/726      S724/H726      S723/H725  
 the (Senate/House) amendments on (SJ/HJ) page(s) \_\_\_\_\_ - \_\_\_\_\_

and place \_\_\_\_\_ on the Seventh order.  
727

, adopt (further) amendments as follows, and place 90449.01B  
 \_\_\_\_\_ on the Seventh order:  
FROM 600 THOUSAND  
TO 500 THOUSAND

having been unable to agree, recommends that the committee be discharged and a new committee be appointed.  
690/515

((Re)Engrossed) \_\_\_\_\_ was placed on the Seventh order of business on the calendar.

DATE: \_\_\_\_/\_\_\_\_/\_\_\_\_

CARRIER: \_\_\_\_\_

LC NO. \_\_\_\_\_ . \_\_\_\_\_ of amendment

LC NO. \_\_\_\_\_ . \_\_\_\_\_ of engrossment

Emergency clause added or deleted \_\_\_\_\_

Statement of purpose of amendment \_\_\_\_\_

(1) LC (2) LC (3) DESK (4) COMM.

**REPORT OF CONFERENCE COMMITTEE**

**SB 2242:** Your conference committee (Sens. Krebsbach, Sand, Heitkamp and Reps. Byerly, Carlson, Huether) recommends that the **HOUSE RECEDE** from the House amendments on SJ pages 816-817, adopt amendments as follows, and place SB 2242 on the Seventh order:

That the House recede from its amendments as printed on pages 816 and 817 of the Senate Journal and page 900 of the House Journal and that Senate Bill No. 2242 be amended as follows:

Page 1, line 1, remove "; and to"

Page 1, line 2, remove "provide an appropriation"

Page 1, line 7, after "school" insert "or has received a general equivalency certificate"

Page 1, line 20, replace "one" with "eighty-five"

Page 1, line 21, remove "hundred"

Page 2, line 21, after the second period insert "The Bank may not guarantee more than five hundred thousand dollars in loans under the beginning entrepreneur loan guarantee program."

Page 2, line 27, replace "The" with "Notwithstanding any provision of this chapter, the"

Page 3, remove lines 1 through 5

Renumber accordingly

SB 2242 was placed on the Seventh order of business on the calendar.

1999 TESTIMONY

SB 2242



Ray Holmberg

## **SB 2242    Beginning Entrepreneur Loan Program**

The Beginning Entrepreneur Loan Program, is a visionary approach to keep young people in North Dakota by helping them start their own companies. The goal of the program is to keep young people in North Dakota as a part of our economic future. The program would assist young North Dakotans in creating their own jobs in North Dakota by providing creative financing to start their own business. The program would be based out of the Bank of North Dakota (BND) and would be for North Dakota residents who are recent graduates of two or four year college programs. High school graduates would also qualify for the program.

This would be a unique program that fills a funding gap.

There are **NO** existing state or federal programs which fill the needs of these young people who have a sound business plan and good credit.

What is unique is this bill does not require the usual collateral required by banks and demanded by bank auditors. The \$50,000 appropriated in this bill would be used to guarantee the loans issued under this act. This would provide more than \$250,000 of loans to young people in our state.

The bill establishes a loan pool as a tool for job creation, and to stimulate entrepreneurship among our graduates who can create a job for themselves and others in North Dakota. This bill sends a strong signal to young people that their future (and thus our future) is worth the investment. It is modeled after SBA 2311 which passed the senate last session but was defeated in the house, 44-49.

**Loan Limits:** Maximum loan without collateral is \$25,000, with collateral or loan guarantee it would be \$75,000. BND may pre approve up to \$5,000 for legal, accounting business planning or advisory and consulting services to prepare the borrower for the loan. An entrepreneur loan may be used in conjunction with other state and federal financing programs. The program would dovetail with the

page(s) missing

From: GSchjel@GSchjel on 01/22/99 10:03 PM

To: Ray E. Holmberg/NDLC/NoDak@NoDak

cc:

Subject: SB2242

As a former North Dakotan and recipient of the ND Entrepreneur award in 1988 (with posthumous awards to Patrick Haggerty and C. Earl Branick), I feel the proposed bill for a loan guarantee program for beginning entrepreneurs would be a very fruitful way of accelerating the development of business ventures in the state. Enterprising young entrepreneurs need encouragement from a variety of sources from the education system through the local banker. The state government providing a guarantee on their loans could be a big factor in their success.

Getting a start -- getting a foot in the door -- could be the most critical part of the equation; at least I found it so. Over the years of my career I have developed a considerable cadre of supporters, starting with the local bank. Much of my early encouragement came from craftsmen in my hometown of Northwood (I was born in Esmond and also spent a couple of years in Mott before moving to the Red River Valley).

North Dakota is a great state and a good environment for raising families. Anything that encourages the growth of industry is of benefit to all its citizens. New enterprises create jobs in both rural and urban areas, resulting in more North Dakotans continuing to make their homes in the state. The proliferation of farm machinery manufacturing in the state is evidence of this.

I urge you to support this important bill.

Sincerely,

Gilmore T. Schjeldahl  
7201 York Avenue South, #1213  
Edina, MN 55435

From: RBrown4359@RBrown4359 on 01/23/99 10:21 AM

To: Ray E. Holmberg/NDLC/NoDak@NoDak

cc:

Subject: SB 2242

Senate Industry, Business & Labor Committee:

I am writing in support of SB 2242 which as I understand it, is meant to provide financing for new entrepreneurs to start their new ventures in ND. Stimulating entrepreneurship is, in my opinion, a vital link in the chain that supports the economic thrust of ND. Creating jobs, retaining our young people, encouraging entrepreneurship are all tremendously important if ND is to turn the tide on the outflow of business talent.

It would seem that ND stands on a threshold that has two openings, 1)the continued

flow of talented people moving out to more exciting business friendly atmospheres where opportunity to succeed abounds at the present time or, 2)Through some very dynamic and far reaching and yes perhaps gutsy moves by the leaders of the state to embrace entrepreneurship to its fullest, recognizing what the impact of that type of movement could mean to the state.

Leadership should fully encourage and support the younger generations who want to become entrepreneurs. Encourage them to stay in the state and exercise their talents to the fullest, educate themselves in the state and then create jobs and solid economic gain all within the borders of ND.

To do this takes more than words and SB 2242 is certainly one thrust at saying to young North Dakotans, "we'll help you help North Dakota, we want you to become a part of the economic 'backbone' that leads this state into a prosperous and wonderful place to live in the 21st century."

In fact, I would like to suggest that SB 2242 needs a companion bill or addition that takes this incentive to the next level. "Be successful with this first phase, and we will help take you to the next level in your quest to become a successful entrepreneur!" Spending money to make money has always been the axiom needed to be followed, and that applies to State Funds. Lets get some strong entrepreneurship going within the congressional halls of North Dakota, that puts a real electrical charge to a dire need: Keeping talent in ND, educating talent in ND, assisting and encouraging talent in ND, and LEADING that talent to great heights of achievement with North Dakota as the home base of these new and exciting businesses.

Russ Brown  
Chairman, Center of Innovation Advisory Board  
Past President and CEO of AGSCO, Inc.

:From: GSchjel@aol.com  
Return-path: <GSchjel@aol.com>  
To: rholmber@state.nd.us  
Subject: SB2242  
Date: Fri, 22 Jan 1999 23:03:32 EST

As a former North Dakotan and recipient of the ND Entrepreneur award in 1988 (with posthumous awards to Patrick Haggerty and C. Earl Branick), I feel the proposed bill for a loan guarantee program for beginning entrepreneurs would be a very fruitful way of accelerating the development of business ventures in the state. Enterprising young entrepreneurs need encouragement from a variety of sources from the education system through the local banker. The state government providing a guarantee on their loans could be a big factor in their success.

Getting a start -- getting a foot in the door -- could be the most critical part of the equation; at least I found it so. Over the years of my career I have developed a considerable cadre of supporters, starting with the local bank. Much of my early encouragement came from craftsmen in my hometown of Northwood (I was born in Esmond and also spent a couple of years in Mott before moving to the Red River Valley).

North Dakota is a great state and a good environment for raising families. Anything that encourages the growth of industry is of benefit to all its citizens. New enterprises create jobs in both rural and urban areas, resulting in more North Dakotans continuing to make their homes in the state. The proliferation of farm machinery manufacturing in the state is evidence of this.

I urge you to support this important bill.

Sincerely,

Gilmore T. Schjeldahl  
7201 York Avenue South, #1213  
Edina, MN 55435  
612-893-1852

*Shelly Schjedahl is the founder of five companies in the Minneapolis area including the Sheldahl company of Northfield, one of Minnesota's largest and most prestigious high tech companies. Schjeldahl an entrepreneur and engineering genius who holds 16 patents in the areas of plastics, packaging, space communications, coronary catheters and electronic materials. He launched the Echo Balloon in 1960 marking the first time the U.S. beat the Russians in space. He has honorary degrees from UND and NDSU. His wife Charlene is a native of Christine, ND.*

From: Rbrown4359@aol.com  
To: rholmber@state.nd.us  
Subject: SB 2242  
Date: Sat, 23 Jan 1999 11:21:48 EST

Senate Industry, Business & Labor Committee:

I am writing in support of SB 2242 which as I understand it, is meant to provide financing for new entrepreneurs to start their new ventures in ND. Stimulating entrepreneurship is, in my opinion, a vital link in the chain that supports the economic thrust of ND. Creating jobs, retaining our young people, encouraging entrepreneurship are all tremendously important if ND is to turn the tide on the outflow of business talent.

It would seem that ND stands on a threshold that has two openings, 1)the continued flow of talented people moving out to more exciting business friendly atmospheres where opportunity to succeed abounds at the present time or, 2)Through some very dynamic and far reaching, and yes perhaps gutsy, moves by the leaders of the state to embrace entrepreneurship to its fullest, recognizing what the impact of that type of movement could mean to the state.

Leadership should fully encourage and support the younger generations who want to become entrepreneurs. Encourage them to stay in the state and exercise their talents to the fullest, educate themselves in the state and then create jobs and solid economic gain all within the borders of ND.

To do this takes more than words, and SB 2242 is certainly one thrust at saying to young North Dakotans, "we'll help you help North Dakota, we want you to become a part of the economic 'backbone' that leads this state into a prosperous and wonderful place to live in the 21st century."

In fact, I would like to suggest that SB 2242 needs a companion bill or addition that takes this incentive to the next level. "Be successful with this first phase, and we will help take you to the next level in your quest to become a successful entrepreneur!" Spending money to make money has always been the axiom needed to be followed, and that applies to State Funds. Lets get some strong entrepreneurship going within the congressional halls of North Dakota, that puts a real electrical charge to a dire need: Keeping talent in ND, educating talent in ND, assisting and encouraging talent in ND, and LEADING that talent to great heights of achievement with North Dakota as the home base of these new and exciting businesses.

Russ Brown  
Chairman, Center of Innovation Advisory Board  
Past President and CEO of AGSCO, Inc.  
Grand Forks, ND & Phoenix, AZ

*Russ Brown was named President and CEO in 1978 of AGSCO, North Dakota's only farm chemical manufacturer. Under his leadership, AGSCO grew multiple times over, and earned the reputation as a pioneer and innovator of ag products, chemicals, and environmental containers. AGSCO has 4,500 accounts in 4 states and two provinces. He retired as President in 1997.*

# DIFFERENT KID & COMPANY™

Garth Jacob R.  
Different Kid & Company  
4300 Dartmouth Dr.  
Grand Forks, N.D. 58202

January 25, 1999

Dear Senator Holmberg,

As a recent graduate from the University of North Dakota and a struggling N.D. Entrepreneur working with the finest assistance this state has to offer (Center for Innovation /RTC, SBDC, SBA, & ED&F), I see SB 2242 as the answer to my prayers.

It is refreshing to hear that there are warm bodies going to bat for the priceless resources that North Dakota is constantly struggling to retain. There is one word for the depletion of our economy and that word is OPPORTUNITY. SB 2242 is the most economical first step to slowing the disastrous repercussions of this inexcusable brain drain.

Our State has traditionally had difficulty in this area, and as tradition would have it, it seems as though the powers that be are neglecting the finest aspects of our traditions. We consistently produced the finest members of the American work force. 'We hit home runs' on work force development yet we never seem to collect the points. SB 2242 will enable us to 'run the bases' to fill the void in our opportunities, so we may compete.

I urge North Dakota to rally for the brilliant and dependable youth of this state. I strongly support this bill. Special thanks to the sponsors of this bill for their trust and faith in our future:

Sen. Ray Holmberg  
Sen. Tony Grindberg  
Sen. Rod St. Aubyn  
Rep. Jim Poolman  
Rep. Stacey Mikkelson

Sincerely,



Garth Jacob R.  
Entrepreneur  
Native of the Magic City



# Center for Innovation

P.O. Box 8372 • Grand Forks, North Dakota 58202-8372 • (701) 777-3132 • FAX (701) 777-2339

## In support of: SB 2242 Beginning Entrepreneur Loan Guarantee Program 1/26/99

Testimony by: Bruce Gjovig, UND Center for Innovation, Technology Incubator

North Dakota's economy needs entrepreneurs to grow its economy. Entrepreneur companies have created all the net new jobs in the economy since 1982 - creating over 75 million new jobs - as corporations downsize, right size, merge or vanish (Dun & Bradstreet). Our brain drain is severe, losing thousands of educated youth each year to other states where they seek and find great employment. Only 41% of our high school seniors believe they are likely to work in North Dakota (1997 survey). We need a way to keep our best and brightest. SB 2242 is a great start.

Young people are drawn to entrepreneur activities. A *Wall Street Journal* survey in 1997 reports 9.7% of 24-34 year olds are actively engaged in entrepreneurial endeavors. "Generation Xers" started nearly half, 47%, of all new businesses in 1996. A 1998 SBA report indicates that 30% of the more than 1 million new business starts are launched by entrepreneurs under 30 years of age. North Dakota needs to participate in the entrepreneurial economy. SB2242 is an opportunity for North Dakota to become **the first state in the nation** to offer loans to young entrepreneurs to help them start up their own companies, create their own jobs and hire their peers. The risk is not large as North Dakota graduates have the **lowest student loan default rate** in the nation (1.6%). North Dakota students meet their commitments to pay loans back. This is their character.

As North Dakota led the nation in offering student loans 40 years ago, we should be first to offer a Beginning Entrepreneur Loan Guarantee Program. This sends a strong message to our high school and college students that if you can't find a job in North Dakota, we will help you create your own. SB 2242 is well thought out and the Bank of North Dakota does a terrific job with student loans and business guarantees. This is an investment in creative youth worth making. Make it happen.

### Entrepreneur Facts:

70% of high school students want to start their own business someday (1994 Gallup Poll)

3% to 4% of the adult population start their own business annually (1998, SBA)

Entrepreneurship is the #1 choice of men, #3 choice of women college graduates (1996 GMAC/Gallup Survey)

10% of MBA graduates start their own companies nationwide (1995 Northwestern Study)

44% of 282 UND students ranked the probability of owning their own business in the future as 7, 8 or 9 on a scale from 1 to 9 (1998 UND Survey)

Entrepreneurship is fastest growing area in business studies. In 1971, just 16 universities offered entrepreneur classes, today more than 800 universities offer entrepreneur classes. More than 300 universities offer a entrepreneur major.

In 1975, 80% of the people on the FORBES' wealthiest list inherited their wealth, by 1995 80% of the people on the list made their wealth as entrepreneurs. 1980s & 90s are decades of the entrepreneur.

Every community will lose 8-10% of their jobs each year from retirements, death, acquisitions, bankruptcies, or other causes. 55% of all new jobs are from expansions of existing firms, and nearly 45% of all net new jobs are created by startup companies. Less than 1% of net new jobs occur as a result of relocations. (Dr. David Birch, Cognetics & MIT)

From: Kristi Pfliger@ndcaa on 02/03/99 02:58 PM  
To: Ray E. Holmberg/NDLC/NoDak@NoDak  
cc:  
Subject: SB 2242

Dear Senator Holmberg:

The North Dakota Community Action Association (NDCAA) is a non-profit organization dedicated to empowering low-income individuals and families to become self reliant. There are seven Community Action Agencies that provide programming and services to every region in the state..

Currently, a few of our agencies are conducting an entrepreneur education course. In the light of welfare reform and a declining rural economy, entrepreneurship education is a feasible avenue for some. Our entrepreneur education course includes all steps to business start-up and survival. The agencies utilize local business owners and industry leaders as classroom instructors. The program has proved to be very successful and inspiring.

We strongly support SB 2242 and encourage you not only to focus on "keeping young people in state" but also providing a resource for the working class poor. Many of our clients are educated and working full time, yet they still struggle to meet basic needs because of numerous barriers. The major barriers include lack of transportation and childcare, agricultural crisis and low wages. Entrepreneurship aids in eliminating some of those barriers.

May I ask who is the driving force behind this bill? We would be very interested in a collaborative effort.

I attended the introduction hearing of the bill on Tuesday and did not provide testimony because I did not have a clear perception of the bill. However, after listening to your mission and plan of action - we are in full support. If there is anything NDCAA can do to assist and provide support for this initiative - I am more than happy to assist.

Sincerely,

Krsiti Pfliger  
Administrator, NDCAA



## SB 2242    **Beginning Entrepreneur Loan Program**

The Beginning Entrepreneur Loan Program, is a visionary approach to keep young people in North Dakota by helping them start their own companies. The goal of the program is to keep young people in North Dakota as a part of our economic future. The program would assist young North Dakotans in creating their own jobs in North Dakota by providing creative financing to start their own business. The program would be based out of the Bank of North Dakota (BND) and would be for North Dakota residents who are recent graduates of two or four year college programs. High school graduates would also qualify for the program.

This would be a unique program that fills a funding gap.

There are **NO** existing state or federal programs which fill the needs of these young people who have a sound business plan and good credit.

What is unique is this bill does not require the usual collateral required by banks and demanded by bank auditors. The \$50,000 appropriated in this bill would be used to guarantee the loans issued under this act. This would provide more than \$600,000 of loans to young people in our state.

The bill establishes a loan pool as a tool for job creation, and to stimulate entrepreneurship among our graduates who can create a job for themselves and others in North Dakota. This bill sends a strong signal to young people that their future (and thus our future) is worth the investment. It is modeled after SB 2311 which passed the senate last session but was defeated in the house, 44-49.

**Loan Limits:** Maximum loan without collateral is \$25,000, with collateral or loan guarantee it would be \$75,000. BND may pre approve up to \$5,000 for legal, accounting business planning or advisory and consulting services to prepare the borrower for the loan. An entrepreneur loan may be used in conjunction with other state and federal financing programs. The program would dovetail with the Startup

Entrepreneurial Program (STEP) of the Bank of North Dakota along with certain Small Business Administration program.

**Collateral:** Because young people rarely have assets or collateral, the first \$25,000 of the loan does not require collateral, although a personal guarantee may be required. The loan is to be based on "creditworthiness" and character. This is expected to be a high risk loan fund. Bad credit history may be used to deny a loan, but absence of credit can not be used. This is the innovative nature of this program. NOTE: North Dakota has among the lowest, if not the lowest, student loan default rate in nation at 1.6%.

**Application Process:** Application is made through lead lender to the Bank of North Dakota, who can take up to 100% of loan. Beginning entrepreneur submits a business plan to lead lender.

**Use of Proceeds:** Loan funds may be used to establish a new business, purchase an existing business, or become a partner in a business; to provide working capital, to purchase inventory, or to finance other usual business activities.

**Repayment Terms:** The term of a loan guarantee may not exceed five years.

**Appropriation:** \$50,000. Funds would be used to guarantee the loans issued under this act.

**Rules:** BND would adopt rules to implement the chapter. Rules would allow the program to fill the gaps in current programs.

If we are not creative in this legislature, and willing to invest in our youth, we will lose them and their creative energies to other states. Years from now the legislature will appropriate millions of dollars to economic development. What will be their goal? To entice people who grew up here to bring themselves and the jobs they have created elsewhere back home to North Dakota.



# Center for Innovation

P.O. Box 8372 • Grand Forks, North Dakota 58202-8372 • (701) 777-3132 • FAX (701) 777-2339

## In support of: SB 2242 Beginning Entrepreneur Loan Guarantee Program 2/8/99

Testimony by: Bruce Gjovig, UND Center for Innovation, Technology Incubator

North Dakota's economy needs entrepreneurs to grow its economy. Entrepreneur companies have created all the *net new* jobs in the economy since 1982 - creating more than 75 million new jobs - as corporations downsize, right size, merge or vanish (Dun & Bradstreet). Our brain drain is severe, losing thousands of educated youth each year to other states where they seek and find good if not great employment. Just 41% of our high school seniors believe they are likely to work in North Dakota (1997 survey). We need a way to keep our best and brightest. SB 2242 is a great start.

Young people are drawn to entrepreneur activities. A 1997 *Wall Street Journal* survey reports 9.7% of 24-34 year olds are actively engaged in entrepreneurial endeavors. "Generation Xers" started nearly half, 47%, of all new businesses in 1996. According to a 1998 SBA report, 30% of the more than one million new business starts are launched by entrepreneurs under age 30. North Dakota needs to participate in the entrepreneurial economy. SB2242 is an opportunity for North Dakota to become the **first state in the nation** to offer loans to young entrepreneurs to help them start up their own companies, create their own jobs and hire their peers. The risk is not large as North Dakota graduates have the **lowest student loan default rate** in the nation (1.6%). North Dakota students meet their commitments to pay loans back. This is their character and their track record.

As North Dakota led the nation in offering student loans 40 years ago, we should seize the opportunity to be first to offer a Beginning Entrepreneur Loan Guarantee Program. This sends a strong message to our high school and college students that if you can't find a job in North Dakota, we will help you create your own. SB 2242 is well thought out and the Bank of North Dakota does a terrific job with student loans and business guarantees. This is a modest investment in creative youth worth making. \$25,000/year creates \$300,000 of entrepreneur loans. Please make it happen.

### Entrepreneur Facts:

70% of high school students want to start their own business someday (1994 Gallup Poll)

3% to 4% of the adult population start their own business annually (1998, SBA)

Entrepreneurship is the #1 choice of men, #3 choice of women college graduates (1996 GMAC/Gallup Survey)

10% of MBA graduates start their own companies nationwide (1995 Northwestern Study)

44% of 282 UND students ranked the probability of owning their own business in the future as 7, 8 or 9 on a scale from 1 to 9 (1998 UND Survey)

Entrepreneurship is fastest growing area in business studies. In 1971, just 16 universities offered entrepreneur classes, today more than 800 universities offer entrepreneur classes. More than 300 universities offer an entrepreneur major.

In 1975, 80% of the people on the FORBES' wealthiest list inherited their wealth; by 1995 80% of the people on the list made their wealth as entrepreneurs. 1980s & 1990s are decades of the entrepreneur. Note Gary Tharaldson, Doug Burgum

Communities lose 8-10% of their jobs each year from retirements, death, acquisitions, bankruptcies, or other causes. 55% of all new jobs are from expansions of existing firms, and nearly 45% of all net new jobs are created by startup companies. Less than 1% of net new jobs occur as a result of relocations. (Dr. David Birch, Cognetics & MIT)

## **SB 2242    Beginning Entrepreneur Loan Program**

The Beginning Entrepreneur Loan Program, is a visionary approach to keep young people in North Dakota by helping them start their own companies. The goal of the program is to keep young people in North Dakota as a part of our economic future. The program would assist young North Dakotans in creating their own jobs in North Dakota by providing creative financing to start their own business. The program would be based out of the Bank of North Dakota (BND) and would be for North Dakota residents who are recent graduates of two or four year college programs. High school graduates would also qualify for the program.

This would be a unique program that fills a funding gap.

There are **NO** existing state or federal programs which fill the needs of these young people who have a sound business plan and good credit.

What is unique is this bill does not require the usual collateral required by banks and demanded by bank auditors. The \$50,000 appropriated in this bill would be used to guarantee the loans issued under this act. This would provide more than \$600,000 of loans to young people in our state.

The bill establishes a loan pool as a tool for job creation, and to stimulate entrepreneurship among our graduates who can create a job for themselves and others in North Dakota. This bill sends a strong signal to young people that their future (and thus our future) is worth the investment. It is modeled after SB 2311 which passed the senate last session but was defeated in the house, 44-49.

**Loan Limits:** Maximum loan without collateral is \$25,000, with collateral or loan guarantee it would be \$75,000. BND may pre approve up to \$5,000 for legal, accounting business planning or advisory and consulting services to prepare the borrower for the loan. An entrepreneur loan may be used in conjunction with other state and federal financing programs. The program would dovetail with the

Startup Entrepreneurial Program (STEP) of the Bank of North Dakota along with certain Small Business Administration program.

**Collateral:** Because young people rarely have assets or collateral, the first \$25,000 of the loan does not require collateral, although a personal guarantee may be required. The loan is to be based on “creditworthiness” and character. This is expected to be a high risk loan fund. Bad credit history may be used to deny a loan, but absence of credit can not be used. This is the innovative nature of this program. NOTE: North Dakota has among the lowest, if not the lowest, student loan default rate in nation at 1.6%.

**Application Process:** Application is made through lead lender to the Bank of North Dakota, who can take up to 100% of loan. Beginning entrepreneur submits a business plan to lead lender.

**Use of Proceeds:** Loan funds may be used to establish a new business, purchase an existing business, or become a partner in a business; to provide working capital, to purchase inventory, or to finance other usual business activities.

**Repayment Terms:** The term of a loan guarantee may not exceed five years.

**Appropriation:** \$50,000. Funds would be used to guarantee the loans issued under this act.

**Rules:** BND would adopt rules to implement the chapter. Rules would allow the program to fill the gaps in current programs.

If we are not creative in this legislature, and willing to invest in our youth, we will lose them and their creative energies to other states. Years from now the legislature will appropriate millions of dollars to economic development. What will be their goal? To entice people who grew up here to bring themselves and the jobs they have created elsewhere back home to North Dakota.

# BUSINESS

Forks Herald, Thursday, November 20, 1997

## Keep the students or lose the game

■ Economist urges North Dakota to reverse brain drain

**By Matt Cory**  
Herald Staff Writer

FARGO — In 1986, economic consultant David Birch said North Dakota needed to grow new crops. He didn't mean any new varieties of wheat, however. He meant jobs.

North Dakota needed a new job market, one not so dependent on agriculture and a few large employers. The problem facing the state was no new jobs, he said.

A little more than 10 years later, the state has done so well solving that problem, it's created another — not enough workers. That's the message Birch told more than 160 people attending the North Dakota Business Conference here Wednesday.

"You've created 40,000 jobs in the last few years, but only had 4,000 new workers," Birch said. "You have sucked up the available labor force and then some."

Birch is president of Cognetics Inc., a Cambridge, Mass.-based economic consulting firm that also tracks more than 10 million businesses in the United States. He's followed North Dakota's progress with interest since speaking here in 1986, he said.

North Dakota has done remarkable work in turning around its economic fortunes in the last 10 years, Birch said, noting that the state's economy is growing faster than the national average. But he noted that students are leaving the state.

Birch's presentation in 1986 helped state officials form a new strategic plan for the growth of the state, said Roger Reiersen of Fargo, board chairman of the Greater North Dakota Association, which is sponsoring the two-day conference.

"It helped us greatly to form the Vision 2000 process, and out of

that, the Growing North Dakota program," Reiersen said. "A lot of the information he provided then served as a basis for the Vision 2000 committee."

### New companies, small companies

Birch has three definitions for businesses, he said. Elephants are the large-employee, publicly traded companies that flourished in the past and show no new growth. Mice are new companies that start, but never grow. They make the highest percentage of companies in the country, with about 8.7 million companies.

The third and most important group are the gazelles, he said. These are companies that start small and show definite signs of growth. Nationwide, there are about 276,000 such companies, Birch said.

Since 1986, North Dakota has done a better job in creating new businesses, ranking 22 in gazelles, Birch said. As an entrepreneurial hot spot, North Dakota ranked next to last in 1986, and now is ranked 36th. However, North Dakota ranks 48th in the number of people working for gazelles.

### Attracting workers, retaining youth

The challenge facing North Dakota today is finding enough workers to fill those jobs, he said. The outmigration of university students from the state has to be eased or no new growth can happen, he said.

"It's now an economy based on knowledge rather than physical labor," he said. "Your people are your greatest resource. The net flow of people coming into the state is a great concern."

North Dakota has one of the highest rates of high school students that attend college. Yet Birch said, North Dakota ranked 36th in the percentage of its workforce that has a college education.

"That only means one thing — you're exporting them out," he said. "The raw material in the next economy is people with brains."

North Dakota's economic future is dependent on solving the problem, Birch said. On a 10-year growth index, North Dakota is ranked 47 out of 50, he said.

"You have to deal with that issue of keeping those students," he said. "You have this tremendous investment in your education of students all of whom leave the state. And labor force growth is only going to get worse in the future. Not only in North Dakota, but the country as a whole."

Larry Isaak, chancellor of the North Dakota university system, said solving the outmigration of students is a key component of the system's six-year plan.

"Those are the facts and that's the message that's been here for years.

The thing I liked about it (Birch's presentation) was that he emphasized the great importance of education on the economy."

Isaak said university system officials are working to set up meetings between business and industry leaders and university faculty members throughout the state to address the outmigration problem and build better partnerships between the university and business community.

The two-day conference concludes today. North Dakota Sens. Byron Dorgan and Kent Conrad are scheduled to speak, along with Thomas Donohue, U.S. Chamber of Commerce president.



# Center for Innovation

P.O. Box 8372 • Grand Forks, North Dakota 58202-8372 • (701) 777-3132 • FAX (701) 777-2339

## In Support of: SB 2311 Beginning Entrepreneur Loan Program

Testimony by: Bruce Gjovig, UND Center for Innovation

3/5/97

North Dakota's brain drain is severe, and we have lost thousands of educated youth to other states where they found employment. Only 41% of North Dakota high school seniors believe they are likely to work in North Dakota (The Brain Drain: Is North Dakota losing its best and brightest? *Grand Forks Herald*, Jan. 5, 1997) - the others believe the job opportunities are elsewhere. This situation must change if we are to grow our economy.

North Dakota needs to take a bold step to mitigate the brain drain. North Dakota has an opportunity to be the **first state in the nation** to offer non-collateralized loans to recent college graduates to help them start up their own companies, or buy into an existing one - creating their own jobs and economic future. Let's fund opportunity and offer students hope. Since North Dakota graduates have the lowest student loan default rate in the nation (1.6%), the risk is not large. 55,000 North Dakotans have more than \$300 million worth of student loans. We can invest \$600,000 - 2/10 of 1% of these loans in helping some be entrepreneurs in North Dakota. Our graduates will meet their commitment to pay the loans back. That is their character.

As we were the first state in nation to offer student loans 40 years ago, we should be the first in the nation to offer a Beginning Entrepreneur Loan Program. This sends a strong message to our high school and college students that if you can't find a job in North Dakota, we will help you create your own. SB 2311 is well thought out, and the Bank of North Dakota does a terrific job with student and business loans. This is an investment in our youth well worth making.

### Entrepreneur Background

700,000 companies are launched each year in the U.S., compared to 50,000 per year in the 1950s.

3% to 4% of the adult population start their own business annually

70% of high school students want to start their own company one day. (1994 Gallup Poll)

Entrepreneurship is the #1 choice of men and #3 choice of women of 1996 college graduates. (1996 GMAC/Gallup College Survey)

10% of MBA graduates start their own companies nationwide (1995 Northwestern Study)

In 1971 there were 16 universities with entrepreneur programs in the US, today there are more than 800 universities offering entrepreneur programs, classes and initiatives.

In 1975, 80% of the people on the FORBES' wealthiest list inherited their wealth, by 1995 80% of the people on the list made their wealth as entrepreneurs. 1980s and 1990s are decades of the entrepreneur.

Every community will lose about 10% of their jobs each year from retirements, death, acquisitions, bankruptcies, or other causes. 55% of all new jobs are from expansions of existing firms, and nearly 45% of new jobs are created by startup companies. Less than 1% of net new jobs occur as the result of relocations. (Dr. David Birch, Cognetics and MIT)

Fast growth companies that utilize university resources boast productivity rates 59% higher than peers without a university relationship, as well as 21% higher annual revenues and 23% more capital investments. Private/public collaboration provides a strategic advantage for a significant number of high growth companies. (1995 Coopers & Lybrand study)

## **SB 2242 Beginning Entrepreneur Loan Program**

Mr. Chairman and members of the appropriations committee.

My name is Brian Troftgruben. I own Brian's Lawn Service in Grand Forks. We are a full lawn service, snow removal, and landscape company specializing in English flower gardens. English gardens are a specialized form of landscaping with full color from Spring to Fall in contrast to the standard rock and shrub form. I started the company when I was fourteen years old, and by the time I was finished high school, I employed three staff. I now employ nine people of which three are full time with benefits.

This bill is very important to me. I am planning to expand my company into Fargo, and capital is needed. If this bill becomes law, it will likely solve my lending problems. Additional equipment and operating funds are required in the first year to get the Fargo market to the point that took me eight years to get to in Grand Forks. If a bill like this had passed in 1997, I would have been further along than I am in expanding the business, employing more people, serving more customers, and paying more taxes.

Numerous people my age would like to start a business here in North Dakota. When they ask about my company, and we visit about their ideas of a company, the first words that come out of their mouths are: "But I don't have the money and I can't borrow it because I am young and don't own anything."



Beginning capital is the most difficult part of starting a business. Market research and business planning are the first steps taken in starting a business. To do this effectively takes money. Without beginning capital it is very hard to even get to the first step. This is what discourages many young entrepreneurs.

Many young people that inquire about borrowing money from a bank are denied loans. There are three simple reasons: one) young people don't have a credit history; two) not enough or no collateral; and three) parents do not want to cosign a loan, or they have bad credit.

Please support this bill. It will help me access capital to expand my business and will help other young entrepreneurs start companies in North Dakota.

SB 2242 will be very popular with young business builders. This is your opportunity to send a strong signal to people my age that we are worth the investment.

**Brian Troftgruben**  
Brian's Lawn Service  
PO Box 14496  
Grand Forks, ND 58208-4496  
(701) 740-0194  
btroftgruben@hotmail.com

Mr. Chairman and members of the appropriations committee.

My name is Brian Troftgruben and own Brian's Lawn Service in Grand Forks. I am unable to attend today's hearing. We are a full lawn service, snow removal, and landscape company specializing in English flower gardens. English gardens are a specialized form of landscaping with full color from Spring to Fall in contrast to the standard rock and shrub form. I started the company when I was fourteen years old, and by the time I was finished high school, I employed three staff. I now employ nine people of which three are full time with benefits.

SB 2242 is very important to me. I am planning to expand my company into another North Dakota city, and capital is needed. If this bill becomes law, it will likely solve my lending problems. Additional equipment and operating funds are required in the first year to get the new market to the point that took me eight years to get to in Grand Forks. If a bill like this had passed in 1997, I would have been further along than I am in expanding the business, employing more people, serving more customers, and **paying more taxes.**

Numerous people my age would like to start a business here in North Dakota. When they ask about my company, and we visit about their ideas of a company, the first words that come out of their mouths are: "But I don't have the money and I can't borrow it because I am young and don't own anything."

Beginning capital is the most difficult part of starting a business. Market research and business planning are the first steps taken in starting a business. To do this effectively takes money. Without beginning capital it is very hard to even get to the first step. This is what discourages many young entrepreneurs.

Many young people that inquire about borrowing money from a bank are denied loans. There are three simple reasons: one) young people don't have a credit history; two) not enough or no collateral; and three) parents do not want to cosign a loan, or they have bad credit.

Please support this bill. It will help me access capital to expand my business and will help other young entrepreneurs start companies in North Dakota. SB 2242 will be very popular with young business builders. This is your opportunity to send a strong signal to people my age (23) that we are worth the investment.

**Brian Troftgruben**

Brian's Lawn Service

PO Box 14496

Grand Forks, ND 58208-4496

(701) 740-0194

btroftgruben@hotmail.com



Proponent Testimony for SB 2242  
House Appropriations Committee  
March 8, 1999

Mr. Chairman, members of the House Appropriations Committee

My name is Joy Johnston. I am the Executive Director of the Manufacturers and Processors Division of the Greater North Dakota Association. I am providing testimony in support of SB 2242 on behalf of GNDA, its divisions and the Economic Development Association of North Dakota.

GNDA is the North Dakota State Chamber of Commerce. It is the voice of business and the principal advocate for positive change for North Dakota.

The Economic Development Association of North Dakota, formerly known as the Industrial Development Association of North Dakota has a membership of professional developers, banks, utility companies and other organizations that promote wealth creation and economic development in North Dakota. GNDA is a member of EDND.

The beginning entrepreneur loan guarantee bill arises out of the problem of young entrepreneurs needing to secure capital for a business start-up. Fostering an entrepreneurial environment is not a new problem for North Dakota. It was one of the identified needs from the Vision 2000 study. In 1997, Dr. David Birch reiterated the need for North Dakota to seek that cultural change. North Dakota needs options to stimulate its economy and provide opportunities for young entrepreneurs wishing to stay in North Dakota.

GNDA has a long history of fostering the entrepreneurial spirit. 1999 marks the 22nd consecutive year for GNDA to offer Business Challenge -- economic education for North Dakota's high school students. North Dakota business professionals, Dickinson State University and the Department of Public Instruction all work with GNDA to create an intense weeklong immersion in the free enterprise system. Students at Business Challenge operate their own businesses using a computer management game. They write a marketing plan and present it for competition. We even have an "Entrepreneur's Day." Established entrepreneurs like Doug Burgum of Great Plains Software or Dewey Teitz of Cross Country Couriers share how they started -- how they succeeded and how they failed. Likewise we invite young entrepreneurs -- the ones that know what cash flow and highly leveraged mean -- to share their current successes and struggles. Representative Monson's son, Cordell, has been a guest presenter at Business Challenge. Students also spend an afternoon in a business learning that the business concepts we use a Business

Challenge really do work in the real world. The curriculum was developed by business professionals in conjunction with business educators.

How does this relate to SB 2242? In a sense Business Challenge and other pro-business programs are out there priming the pump. The 150 kids I see annually at Business Challenge are interested and excited about business. They have an opportunity to learn the basics. Most of them go on to college and study more about business. Armed with a dream, degree, knowledge about business and probably some student loans, experience is all they see as lacking. Unfortunately they also lack the necessary collateral to launch that business dream.

SB 2242 can fill the gap where a local lender knows the young entrepreneur has a good idea, but nothing to secure it. SB 2242 is a guarantee. The entrepreneur has to convince his or her bank that the business idea is a good one. Only then can the 85% loan guarantee be sought by the lending institution. The local bank is still on the hook for 15% of the loan.

The fiscal note attached is hefty only if all the loans go bust. Local banks won't open themselves to those kinds of loans, neither will the Bank of North Dakota.

GNDA and EDND urge the House to pass SB 2242.