

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1400

2001 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1400

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1400

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb.6, 2001

Tape Number	Side A	Side B	Meter #
1	X		0-52.2
Committee Clerk Signature <i>Heidi</i>			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Rick Berg: My primary reason for sponsoring this bill is to give incentive to rural ND. If a community (2,500 or less) raises \$75,000, the ND Rural Fund will match that amount if its toward a project. I'm concerned with the decline in rural population and I think a raise in capitol and leadership would help. Over 200 communities in ND would be applicable to this legislation. A fund is already set up so technically the fiscal note is zero. In this bill we will supply training, software, and equipment to assist a city in working with the state economic development programs.

Rep Jensen: What is the balance of the Rural Fund?

Rep Berg: There is on million in a revolving loan pool.

Rep Koppang: Why cap this at \$4 million?

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House Industry, Business and Labor Committee

Bill/Resolution Number HB 1400

Hearing Date Feb.6, 2001

Rep Berg: I would like to amend that to say 'based on availability'.

Vice-Chair Keiser: The training is seperate?

Rep Berg: Yes.

Rep Tom Trenbeath: Anything we put into small towns will ulitmatly benefit larger cities. I support this bill on those grounds.

Rep Wayne Tieman: One store is influencial on a small town. As a representative for twons on 2,500. I support this bill.

Rep Dale Severson: (17.02) Small towns have difficulty finding funds and opportunities. This will defray some of the out-migration that is so common. I support this bill.

Rep Bill Pietsch: The money for this is not triggered until a specific project in in motion. Currently there are 30 communities between 1,000 and 2,500 in population that could benefit.

Bill Schalabob: *G/NDI* We support this bill as it is an excellent source to grow ND and we need to keep essential services in mind as progressing. We also need to allow flexibility for the community to make its own decisions.

Dean Reese: (37.9) *CEO ND Dev. Fund* We support this bill. Originaily \$8.7 million was appropriated to start this revolving fund. Through that we've processed about \$18 million. The rural fund is used more often than the dev. fund so there is definatly a need for this. I do think the definition of how the bill is to be used needs to be clarified.

Vice-Chair Keiser: How is a decision make on where the money goes?

Reese: The application involves in-depth questioning and mony is given only after an overview of the business plan.

Chairman Berg: We'll close the hearing on HB 1400;

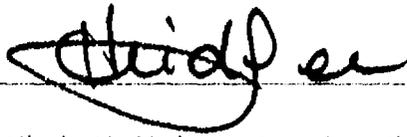
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1400(B)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb 7, 2001

Tape Number	Side A	Side B	Meter #
2	X		27-56.6
		X	7.0-15.2
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Froseth: Provided amendments to remove fiscal note.

Rep M. Klein: I move the amendment.

Rep Ekstrom: I second.

Rep Severson: I move a do pass as amendments.

Rep Lemieux: I second.

10 yea, 4 nay, 1 absent Carrier Rep Froseth

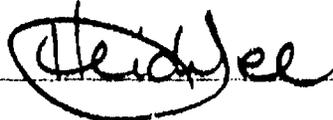
2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1400 (C)

House Industry, Business and Labor Committee

Conference Committee

Hearing Date Feb. 20, 2001

Tape Number	Side A	Side B	Meter #
1	X		0-6.0
Committee Clerk Signature 			

Minutes: Chairman R. Berg, Vice-Chair G. Keiser, Rep. M. Ekstrom, Rep. R. Froelich, Rep. G. Froseth, Rep. R. Jensen, Rep. N. Johnson, Rep. J. Kasper, Rep. M. Klein, Rep. Koppang, Rep. D. Lemieux, Rep. B. Pietsch, Rep. D. Ruby, Rep. D. Severson, Rep. E. Thorpe.

Rep Severson: Motioned to accept the new amendments.

Rep N. Johnson: I second.

Rep Severson: I move a do pass as amended.

Rep N. Johnson: I second.

15 yea, 0 nay, 0 absent

Carrier Rep Froseth

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/22/2001

**REVISION**

Bill/Resolution No.:

Amendment to:           Engrossed  
                                   HB 1400

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$3,000,000	\$0	\$3,000,000	\$0
<b>Appropriations</b>	\$0	\$0	\$3,000,000	\$0	\$3,000,000	\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$312,500	\$937,500	\$0	\$312,500	\$937,500	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The reengrossed HB 1400 would commit an unspecified portion (Section 2 ) of the amount available (in the ND Development Fund relating to regional rural development loan fund monies) as a loan to communities (under 2,500 people) who are established as a rural growth incentive city. In order to qualify for that designation (Section 1.1) the city needs to raise (from public and private sources) dollar for dollar match of the amount requested in the loan, prepare an economic development strategic plan and meet any additional program requirements that may be provided by the rule.

The city (Section 1.2) can distribute funds to qualifying new or expanded primary sector businesses in the city. A qualifying business can include a business that provides essential services to the city. There is no distinction on whether the cities distribution is in the form of loan, grants, etc. to the qualifying business.

There is also no provision should the city default on their loan to the Development Fund. Currently these monies are loaned directly by the Development Fund to a qualified (primary sector, new wealth creating) business.

The reengrossed bill also requires the Department of Economic Development & Finance to provide the rural growth incentive city with training to assist them in expanding primary sector businesses and in working with state economic development programs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenues are impossible to estimate since the positive economic benefits to the state and the communities cannot be predicted.

The bill does weaken the overall ability of the Development Fund to foster new wealth creation -- thus potentially harming new revenue development at a state level. The Development Fund is unique in its targeting new wealth creation and in helping to cover risk -- which other financial providers do not.

North Dakota currently has a \$2.5 to \$3 billion annual 'trade deficit' (we spend that much additional money on products and services brought into the state versus what we're able to sell outside the state). So continuing to build and diversify the state's new wealth creation is critical.

Channeling financial resources to finance essential services (by communities) may help stem some of the local dollars going to larger trade areas but those enterprises (i.e. community centers, grocery stores, gas stations, restaurants) likely will not be bringing new wealth into the state. They are re-circulating the dollars already here.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This bill is targeted to those communities (under 2,500 people) who may be able to raise a minimum of \$25,000 with a maximum of \$75,000 (public and private sector) to be used in helping to expand new or expanded primary sector businesses or businesses providing essential services (to the city).

There are roughly 200 communities with local development programs (only 17 in communities with over 2,500 people). It is open to debate on how many of the state's communities would seek to establish themselves as rural growth incentive cities.

We do know that cities are approaching other cities for assistance in funding projects (i.e. MAGIC fund). Therefore, local sales taxes (which raise almost 8 million each year) dedicated for economic development in a community could be utilized to assist in developing these rural growth incentive cities.

If 100 communities were successful during the biennium, it would require (at a minimum) Development Fund loans of \$2,500,000, which would need to be funded with General Funds. The current remaining balance in the revolving fund is for future projects and will not be enough to capitalize this additional community loan requirement.

To fulfill Section 1.2b will require the Department to add a community development function, which ended when BUILD (people and funding) was eliminated from the agency's budget. In preparation of this biennium's budget the agency hoped to re-introduce education and training, building community capacity and certifying communities as 'economic development' ready. The state total costs for this function would be \$500,000 a biennium and would require 2 FTE's. This is currently not in our budget proposal. However those state funds could leverage an additional \$450,000 in federal and special funds - resulting in a comprehensive capacity building effort (to assist the state's communities) of \$950,000.

If 100 communities are successful, a local public sector fiscal impact has been estimated at 50% of the \$25,000 local amount (\$12,500). Of this amount, we've estimated that counties may raise about 25% of the public sector amount (\$3,125 per community) with the remaining 75% of the public sector commitment coming from the community (\$9,375). The remaining \$12,500 (per community) would be raised from the private sector.

The city's administrative costs for the development and maintenance of the rural growth incentive funds have not been estimated; but state-wide this amount could be substantial. The costs associated with project due diligence, business credit analysis, loan management, legal, accounting, etc. have not been estimated. Easily it could amount to 5 to 10% of the total in each community's rural growth incentive fund.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

No appropriations have been provided.

The Development Fund would be directed to provide an unspecified portion of the amount available in the regional rural development revolving loan fund monies to the communities. Currently those dollars are not loaned to communities but directly to businesses, which are primary sector and/or create new wealth in the state.

The current balance remaining (2/20/01) in the Regional Rural Development Revolving Loan Fund is \$900,000 with business loan applications pending.

<b>Name:</b>	Linda Bults	<b>Agency:</b>	Economic Development & Finance
<b>Phone Number:</b>	328-5342	<b>Date Prepared:</b>	03/21/2001

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/22/2001

Bill/Resolution No.:

Amendment to:           Engrossed  
                                   HB 1400

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$3,000,000	\$0	\$3,000,000	\$0
<b>Appropriations</b>	\$0	\$0	\$3,000,000	\$0	\$3,000,000	\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$312,500	\$937,500	\$0	\$312,500	\$937,500	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The reengrossed HB 1400 with Senate amendments would commit an unspecified portion (Section 2 ) of the amount available (in the ND Development Fund relating to regional rural development loan fund monies) as a loan to communities (under 2,500 people) who are established as a rural growth incentive city. In order to qualify for that designation (Section 1.1) the city needs to raise (from public and private sources) dollar for dollar match of the amount requested in the loan, prepare an economic development strategic plan and meet any additional program requirements that may be provided by the rule.

The city (Section 1.2) can distribute funds to qualifying new or expanded primary sector businesses in the city. A qualifying business can include a business that provides essential services to the city. There is no distinction on whether the cities distribution is in the form of loan, grants, etc. to the qualifying business.

There is also no provision should the city default on their loan to the Development Fund. Currently these monies are loaned directly by the Development Fund to a qualified (primary sector, new wealth creating) business.

The reengrossed bill also requires the Department of Economic Development & Finance to provide the rural growth incentive city with training to assist them in expanding primary sector businesses and in working with state economic development programs.

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenues are impossible to estimate since the positive economic benefits to the state and the communities cannot be predicted.

The bill does weaken the overall ability of the Development Fund to foster new wealth creation - thus potentially harming new revenue development at a state level. The Development Fund is unique in its targeting new wealth creation and in helping to cover risk - which other financial providers do not.

North Dakota currently has a \$2.5 to \$3 billion annual 'trade deficit' (we spend that much additional money on products and services brought into the state versus what we're able to sell outside the state). So continuing to build and diversify the state's new wealth creation is critical.

Channeling financial resources to finance essential services (by communities) may help stem some of the local dollars going to larger trade areas but those enterprises (i.e. community centers, grocery stores, gas stations, restaurants) likely will not be bringing new wealth into the state. They are re-circulating the dollars already here.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This bill is targeted to those communities (under 2,500 people) who may be able to raise a minimum of \$25,000 with a maximum of \$75,000 (public and private sector) to be used in helping to expand new or expanded primary sector businesses or businesses providing essential services (to the city).

There are roughly 200 communities with local development programs (only 17 in communities with over 2,500 people). It is open to debate on how many of the state's communities would seek to establish themselves as rural growth incentive cities.

We do know that cities are approaching other cities for assistance in funding projects (i.e. MAGIC fund). Therefore, local sales taxes (which raise almost 8 million each year) dedicated for economic development in a community could be utilized to assist in developing these rural growth incentive cities.

If 100 communities were successful during the biennium, it would require (at a minimum) Development Fund loans of \$2,500,000, which would need to be funded with General Funds. The current remaining balance in the revolving fund is for future projects and will not be enough to capitalize this additional community loan requirement.

To fulfill Section 1.2b will require the Department to add a community development function, which ended when BUILD (people and funding) was eliminated from the agency's budget. In preparation of this biennium's budget the agency hoped to re-introduce education and training, building community capacity and certifying communities as 'economic development' ready. The state total costs for this function would be \$500,000 a biennium and would require 2 FTE's. This is currently not in our budget proposal. However

those state funds could leverage an additional \$450,000 in federal and special funds resulting in a comprehensive capacity building effort (to assist the state's communities) of \$950,000.

If 100 communities are successful, a local public sector fiscal impact has been estimated at 50% of the \$25,000 local amount (\$12,500). Of this amount, we've estimated that counties may raise about 25% of the public sector amount (\$3,125 per community) with the remaining 75% of the public sector commitment coming from the community (\$9,375). The remaining \$12,500 (per community) would be raised from the private sector.

The city's administrative costs for the development and maintenance of the rural growth incentive funds have not been estimated; but state-wide this amount could be substantial. The costs associated with project due diligence, business credit analysis, loan management, legal, accounting, etc. have not been estimated. Easily it could amount to 5 to 10% of the total in each community's rural growth incentive fund.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

No appropriations have been provided.

The Development Fund would be directed to provide an unspecified portion of the amount available in the regional rural development revolving loan fund monies to the communities. Currently those dollars are not loaned to communities but directly to businesses, which are primary sector and/or create new wealth in the state.

The current balance remaining (2/20/01) in the Regional Rural Development Revolving Loan Fund is \$900,000 with business loan applications pending.

<b>Name:</b>	Linda Butts	<b>Agency:</b>	Economic Development & Finance
<b>Phone Number:</b>	328-5342	<b>Date Prepared:</b>	03/21/2001

**FISCAL NOTE**  
 Requested by Legislative Council  
 02/19/2001

Bill/Resolution No.:

Amendment to            HB 1400

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$0	\$500,000	\$7,500,000	\$500,000	\$7,500,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$937,500	\$2,812,500	\$0	\$937,500	\$2,812,500	\$0

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The engrossed HB 1400 would seek commit an unspecified portion (Section 2) of the amount available (in the ND Development Fund relating to regional rural development loan fund moneys) as a loan to communities (under 2500 people) who are established as a rural growth incentive city. In order to qualify for that designation (Section 1.1) the city needs to raise \$75,000 in funds (from public and private sources), prepare an economic development strategic plan and meet any additional program requirements that may be provided by the rule.

The city (Section 1.2) can distribute funds to qualifying new or expanded primary sector businesses in the city. However a qualifying business can also include a business that provides essential services to the city. There is no distinction on whether the cities distribution is in the form of loans, grants, etc. to the qualifying business.

There is also no provision should the city default on their loan to the Development Fund. Currently these monies are loaned directly by the Development Fund to a qualified (primary sector, new wealth creating) business.

The engrossed bill also requires the Department of Economic Development & Finance to provide the rural growth incentive city with training to assist them in expanding primary sector businesses and in working with state economic development programs.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget*

Revenues are impossible to estimate since the positive economic benefits to the state and the communities can't be predicted.

The bill does weaken the overall ability of the Development Fund to foster new wealth creation - thus potentially harming new revenue development at a state level. The Development Fund is unique in it's targeting new wealth creation and in helping to cover risk - that other financial providers do not.

North Dakota currently has a \$2.5 to \$3 billion annual 'trade' deficit (we spend that much additional money on products and services brought into the state versus what we're able to sell outside the state). So continuing to build and diversify the state's new wealth creation is critical.

Channeling financial resources to finance essential services (by communities) may help stem some of the local dollars going to larger trade areas but those enterprises (i.e. community centers, grocery stores, gas stations, restaurants) likely will not be bringing new wealth into the state. They are re-circulating the dollars already here.

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected*

This bill is targeted to those communities (under 2,500 people) who may be able to raise a minimum of \$75,000 (public and private sector) to be used in helping to expand new or expanded primary sector businesses or businesses providing essential services (to the city).

There are roughly 200 communities with local development programs (only 17 in communities with over 2,500 people). It is open to debate on how many of the state's communities would seek to establish themselves as rural growth incentive cities.

We do know that cities are approaching other cities for assistance in funding projects (i.e. MAGIC fund) so that local sales taxes dedicated for economic development in the state's community (which raise almost 8 million each year) could be utilized to assist in developing these rural growth incentive cities.

If one hundred are successful during the biennium, it would require (at a minimum) Development Fund loans of \$7,500,000. These have been classified in the Other Funds category - although the current funds revolving in the Fund (loan repayments) will not be enough to capitalize this additional community loan requirement.

To fulfill Section 1.2b will require the Department to add a community development function which ended when BUILD (people and funding) was eliminated from the agency's budget. In this biennium's budget proposal (to Governor Schafer) the agency sought to re-introduce education and training, building community capacity and certifying communities as 'economic development' ready. The state total costs for this function were \$500,000 a biennium and would require 2 FTE's. However those state funds could

leverage an additional \$450,000 in federal and special funds - resulting in a comprehensive capacity building effort (to assist the state's communities) of \$950,000

If 100 communities are successful, a local public sector fiscal impact has been estimated at 50% of the \$75,000 local amount (\$37,500). Of this amount, we've estimated that counties may raise about 25% of the public sector amount (\$9,375 per community) with the remaining 75% of the public sector commitment coming from the community (\$28,125). The remaining \$37,500 (per community) would be raised from the private sector.

Local administrative costs (for the development/maintenance) of the rural growth incentive funds (by the cities) has not been estimated (but state-wide would be substantial). The costs associated with project due diligence, business credit analysis, loan management, legal, accounting, etc. have not been estimated. Easily it could amount to 5 to 10% of the total in each communities rural growth incentive fund.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

No appropriations have been provided.

The Development Fund would be directed to provide a portion (unspecified) of the amount available in the regional rural development revolving loan fund moneys to the communities. Currently those dollars are not loaned to communities but directly to businesses which are primary sector and/or create new wealth in the state.

The current balance remaining (2/20/01) in the Regional Rural Development Revolving Loan Fund is \$900,000 with business loan applications pending.

<b>Name:</b>	Randy Schwartz	<b>Agency:</b>	ND Dept of Economic Development & Finance
<b>Phone Number:</b>	701-328-5314	<b>Date Prepared:</b>	02/20/2001

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/24/2001

Bill/Resolution No.: HB 1400

Amendment to:

**1A. State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	1999-2001 Biennium		2001-2003 Biennium		2003-2005 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Expenditures</b>	\$0	\$0	\$0	\$8,250,000	\$0	\$7,700,000
<b>Appropriations</b>	\$0	\$0	\$0	\$0	\$0	\$0

**1B. County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

1999-2001 Biennium			2001-2003 Biennium			2003-2005 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
\$0	\$0	\$0	\$937,500	\$2,812,500	\$0	\$937,500	\$2,812,500	\$0

**2. Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

The regional rural development revolving loan fund (part of ND Development Fund) would commit it's unobligated portion to provide as (1) match to communities (under 2,500 people) who establish a rural growth incentive program (minimum amount of \$75,000) and (2) provide those communities with computer equipment, software and training/support to more effectively work with ND's various economic development programs.

(See Expenditure Explanation Below)

**3. State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

**A. Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Revenues are impossible to estimate since the positive economic benefits to the state and the communities can't be predicted (as a result of the additional funding resources available at a local level).

**B. Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

This bill is targeted to those communities (under 2,500 people) who may be able to raise a minimum of \$75,000 (public and private sector) to be used in helping to expand new or expanded primary sector businesses (or businesses providing essential services). There are roughly 200 communities with local

development programs (only 17 in communities with over 2,500 people). A review of those 200 communities would seem to indicate that potentially one hundred would likely be capable of establishing a rural growth incentive program (as provided for in HB 1400).

If one hundred are successful it would require matching funds (from the ND development fund) of \$7.5 million. An additional \$7,500 (total of \$750,000) has been budgeted for each successful community (for computer hardware, software, training/support and telecommunications/internet access), as provided for in Section 1.2b. Thus the biennium total of \$8,250,000.

Assuming the same opportunity would be available to communities (during the 03-05 biennium) an additional \$7.5 million would be required. Only \$2,000 (for computer software, training/support, telecommunications/internet access), as provided for in Section 1.2b would be needed (assuming expenditures went to only those communities who'd participated in the 01-03 biennium).

A local public sector fiscal impact has been estimated at 50% of the \$75,000 local amount (\$37,500). Of this amount, we've estimated that counties might provide as much as 25% of the public sector amount (\$9,375/community) with the remaining 75% of the public sector commitment coming from the community (\$28,125). The remaining \$37,500 (per community) would be raised from the private sector.

**C. Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

No appropriations have been provided.

The ND Development Fund would be directed to provide \$4,000,000 of the regional rural development revolving loan fund (or the unobligated balance on 7/1/01) to meet the provisions of this bill.

As of 1/30/01, this loan fund would require an additional \$1,200,000 to meet the funding commitments it currently has (as per discussion with Dean Reese, Development Fund CEO).

<b>Name:</b>	Randy Schwartz	<b>Agency:</b>	ND Dept of Economic Development & Finance
<b>Phone Number:</b>	701-328-5314	<b>Date Prepared:</b>	01/30/2001

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1400

Page 1, line 13, after "dollars" insert ", prepares an economic development strategic plan,"

Page 1, line 17, replace "The" with "Subject to the availability of funds, the"

Page 1, line 18, after the period insert "The department shall establish the amount of the interest rate for loans provided to a city under this section."

Page 2, line 1, after the period insert "The state shall distribute a loan to a rural growth incentive city once the city establishes the city has chosen a specified qualified business to receive funding."

Page 2, line 7, replace "Of" with "A portion of"

Page 2, line 8, remove ", \$4,000,000 or the unobligated balance"

Page 2, line 9, remove "on July 1, 2001,"

Page 2, line 10, remove ", must be dedicated for the purpose of providing financial assistance, research and"

Page 2, remove lines 11 and 12

Page 2, line 13, replace "kilometers] of any city with a population of more than eight thousand and" with "may be used"

Page 2, line 14, remove "These funds must be allocated for the"

Page 2, remove lines 15 and 16

Renumber accordingly

Date: 2-7-01  
Roll Call Vote #: 1

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. ~~Click here to type Bill/Resolution No.~~ H00

House Industry, Business and Labor Committee

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

Legislative Council Amendment Number ~~059000~~

Action Taken Do pass as Amended

Motion Made By Severson Seconded By Lemieux

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper		✓
Vice-Chairman George Keiser		✓	Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich			Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen		✓	Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe		✓

Total (Yes) 10 No 4

Absent 1

Floor Assignment Rep Froseth

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

**REPORT OF STANDING COMMITTEE**

**HB 1400: Industry, Business and Labor Committee (Rep. Berg, Chairman)** recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (10 YEAS, 4 NAYS, 1 ABSENT AND NOT VOTING). HB 1400 was placed on the Sixth order on the calendar.

Page 1, line 13, after "dollars" insert ", prepares an economic development strategic plan,"

Page 1, line 17, replace "The" with "Subject to the availability of funds, the"

Page 1, line 18, after the period insert "The department shall establish the amount of the interest rate for loans provided to a city under this section."

Page 2, line 1, after the period insert "The state shall distribute a loan to a rural growth incentive city once the city establishes the city has chosen a specified qualified business to receive funding."

Page 2, line 4, remove "technology hardware, software, and"

Page 2, line 5, after "in" insert "expanding primary sector businesses and"

Page 2, line 7, replace "Of" with "A portion of"

Page 2, line 8, remove ", \$4,000,000 or the unobligated balance"

Page 2, line 9, remove "on July 1, 2001,"

Page 2, line 10, remove ", must be dedicated for the purpose of providing financial assistance, research and"

Page 2, remove lines 11 and 12

Page 2, line 13, replace "kilometers] of any city with a population of more than eight thousand and" with "may be used"

Page 2, line 14, remove "These funds must be allocated for the"

Page 2, remove lines 15 and 16

Renumber accordingly

Date: Feb. 20<sup>th</sup>, 2001  
 Roll Call Vote #: 4

2001 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO.

HB 1400  
 Committee

House Industry, Business and Labor Committee

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

Action Taken Do Pass As Amended

Motion Made By Severson Seconded By Johnson, N.

Representatives	Yes	No	Representatives	Yes	No
Chairman- Rick Berg	✓		Rep. Jim Kasper	✓	
Vice-Chairman George Keiser	✓		Rep. Matthew M. Klein	✓	
Rep. Mary Ekstorm	✓		Rep. Myron Koppang	✓	
Rep. Rod Froelich	✓		Rep. Doug Lemieux	✓	
Rep. Glen Froseth	✓		Rep. Bill Pietsch	✓	
Rep. Roxanne Jensen	✓		Rep. Dan Ruby	✓	
Rep. Nancy Johnson	✓		Rep. Dale C. Severson	✓	
			Rep. Elwood Thorpe	✓	

Total (Yes) 15 No 0

Absent \_\_\_\_\_

Floor Assignment Rep. Froseth

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

**REPORT OF STANDING COMMITTEE**

HB 1400, as engrossed: Industry, Business and Labor Committee (Rep. Berg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1400 was placed on the Sixth order on the calendar.

Page 1, line 13, replace "seventy-five thousand dollars" with "a dollar for dollar match for the amount requested in the loan"

Page 1, line 18, after "than" insert "twenty-five thousand dollars and not more than"

Renumber accordingly

2001 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1400

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1400

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date March 07, 2001.

Tape Number	Side A	Side B	Meter #
1	x		4.7 to end
		x	0 to 4.2
(March 14/01) 1		x	48.1 to end
2	x		0 to 5.4
Committee Clerk Signature <i>Donna Pérez</i>			

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on HB 1400 relating to a rural growth incentive program administered by the department of economic development and finance; and to provide for allocation of the North Dakota Development Fund. **Representative Rick Berg**, District 45. This is a bill to try to bring focus and direction to rural ND. It deals specifically with cities under 2500. Of 361 incorporated cities, only 16 have population over 2500. This will help the communities by pulling its leaders together to go out and raise money on their own and, if they put in place an economic development strategic plan, the development fund will lend them up to seventy five thousand dollars at the time they get a primary sector project to invest in. Goal also is that rather than trying to be all things to these communities ED&F can show to communities groups of people to whom they can turn to. There is no fiscal note because it will be funded through the rural development fund, what used to be the Sunday fund. This will be an additional underwriting criteria under the rural development

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number HB 1400

Hearing Date March 07, 2001.

fund. I want to point out that the committee should look closely at the language in page 2, line 4, where "essential services" was added. This is a very broad term and ED&F will decide what it is.

**Senator Mutch:** This will be a dollar by dollar match?

**Rep Berg:** Yes, up to seventy five thousand. They need to have raised at least twenty five thousand and can be matched up to seventy five thousand.

**Senator Mutch:** How would this tie with BPUC?

**Rep Berg:** Real well. BPUC is initial start up seed capital, small grants, no strings attached.

Today's bill is a lending program on a rate basis. This will be an incentive to communities rather than to specific businesses.

**Senator Klein:** Will availability of funds be an issue?

**Rep Berg:** From my perspective if there is no money on the fund, that is positive, it means the money is out in rural ND. Most of these dollars are loaned out in a revolving pool, interest and money are coming back. If there is not money available today probably six months from now there will be.

**Senator Klein:** This money will allow them to go to the bank and borrow what is needed to get to the end of the project.

**Senator Mutch:** Bank will want first mortgage, then the community and fund will be at risk.

**Senator Tollefson:** How do you define "essential services"?

**Rep Berg:** I fought that. Don't know if the code defines it. I am a strong believer we should be funding primary sector. Say a community needs a dentist or health services, that may be it. I don't look at retail as "essential services", this may open a can of worms. If something prevents primary sector from accomplishing its goals then that might be considered an essential service.

**Senator Tom Trenbeath,** District 10, cosponsor. I welcome legislation such as this one, but

would change in page 1, line 24, "in the city". In a lot of small towns, primary sector projects won't necessarily be in town, maybe "in the city's trade area" will do. Broader language will help bring funds to smaller communities. Don't object to "essential services" since it will be determined by the director of the department what they are. I encourage the committee to leave this language in place and urge do pass.

**Senator Mutch:** Where is the Sunday fund money?

**S Berg:** It is managed by the development fund, kept separate but managed by the same entity.

**Connie Sprynczynatyk,** ND League of Cities. The fund already exists. One of the things that doesn't exist is the strategic planning requirement. There has been a concerted effort among different agencies and local economic development type of organizations on what strategic planning should be, what is a good process that doesn't require hiring consultants. A strategic planning process has been developed. If you want to see how one looks go to the PACE web site and go to the division of community services and there is a strategic planning process information.

**Bill Shalhoob,** EDND, in favor. We struggled with the "essential services" issue and encourage committee to keep it because it really comes down to a local decision. This issue best sorted out at the local level instead of mandating what is an essential service.

**Senator Klein:** Do we have enough money to support this program as written?

**Dean Reese,** CEO, ND Development Rural Fund. Based on the number of applications the rural fund has really taken off in the last two years. The fund started in 93' with 8.6 million dollars, we have invested 18 million. It has turned into a truly revolving fund generating interests. An additional 10 million has come from payback. There will be more demand for rural dollars. If all

the bills go through we won't have sufficient funds and would take money from the development fund. There has been a good payback averaging 2.8 million, last year it was 4.5 million. Our projections show that, based on the current appropriation, we would be short by 4 million dollars. Everyone looks at what "essential services" is, if we could define it, it will be easier for the people in my department to provide services for the communities, we don't want to get into arguments or discussions about what qualifies and what doesn't, we are here to help them.

**Senator Every:** "Essential services" is important part of the bill because there isn't a small city that isn't struggling to keep fire department, ambulance service and the like solvent.

**D Reese :** Under the century code we are only allowed to fund primary sector.

**Senator Mathern:** The fund is strapped , what are we going to do for money?

**D Reese:** Loan payback.

**Senator Klein:** What is this going to cost?

**D Reese:** Based on the demand we are going to run short. My biggest concern is the definition of "essential services".

**C Sprynczynatyk:** It is difficult to define "essential services" that may vary from one community to another. The idea of this bill is to give another option.

**Senator Mathern:** Dean, do you help people with their strategic planning?

**D Reese:** Yes and also with their business plans.

No opposing testimony. Hearing closed.

March 14/01. Tape 1-B-48.1 to 5.4

Committee reconvened. All members present. Discussion held regarding amendment submitted by Senator Tollefson.

Page 5  
Senate Industry, Business and Labor Committee  
Bill/Resolution Number HB 1400  
Hearing Date March 07, 2001.

**Senator Tollefson:** The reason for the amendment is that I think this bill should not include any type of state support for a public utility. We are having public utility issues so it doesn't seem logical to support them. Motion: adopt the amendment.

**Senator Espegard:** Second.

Roll call vote; 7 yes; 0 no. Motion carried. .

**Senator Mathern:** Concern about "in the trade area".

Discussion held

**Senator Klein:** Do pass as amended and be rereferred to Appropriations Committee.

**Senator Every:** Second

Roll call vote: 6 yes; 1 no. Motion carried. Floor assignment: **Senator Mathern.**

10359.0401  
Title.

Prepared by the Legislative Council staff for  
Senator Tollefson  
March 12, 2001

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1400

Page 2, line 1, after the period insert "For purposes of this section, a business that provides essential services does not include a public utility."

Re-number accordingly





**REPORT OF STANDING COMMITTEE (410)**  
March 15, 2001 8:20 a.m.

Module No: SR-45-5647  
Carrier: D. Mathern  
Insert LC: 10359.0401 Title: .0500

**REPORT OF STANDING COMMITTEE**

**HB 1400, as reengrossed: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (6 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Reengrossed HB 1400 was placed on the Sixth order on the calendar.**

Page 2, line 1, after the period insert "For purposes of this section, a business that provides essential services does not include a public utility."

Renumber accordingly

2001 SENATE APPROPRIATIONS

HB 1400

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1400

Senate Appropriations Committee

Conference Committee

Hearing Date March 27, 2001

Tape Number	Side A	Side B	Meter #
1	X		44.0-54.3
		X	0.0-12.0
Committee Clerk Signature <i>Debbie Howard</i>			

Minutes:

Senator Solberg opened the hearing on HB 1400.

Representative Rick Berg, District 45, Fargo, ND, testified on the bill. There is no fiscal impact on this bill. He explained the bill, 360 communities in the state, there is about 17 that are over 2500 and 230 that are below 2500 in population. In the last census about 47 counties that lost population. This bill is geared toward small cities of 2500 and less. First the community needs to raise \$25,000 to \$75,000 which will be matched by the state when that business is ready to be funded and develop an economic strategic plan. The Sunday Fund is when we went to Sunday openings there was an impact. About \$8 million was set aside for incentives for rural ND. That money is currently in the development fund. If funds are available in this Sunday fund a loan will be made to a city on a matching basis. Another issue with the fiscal note is that the department shall provide the city with training to assist the city in expanding the primary sector

business in working with the State Economic Development program. The amendment added was mainly that they cannot invest in a public utility.

Senator Bowman: When the money is raised and to be matched, what is the payback on that, what interest rate?

Representative Berg: The lending policy would be the same as the Sunday fund. Whatever interest rate they feel is appropriate.

Senator Bowman: What you are really doing is helping secure the finances necessary to get the project going?

Representative Berg: That is correct.

End Tape #1, Side A, meter 54.3; Start Tape #1, Side B, meter 0.0.

Senator Robinson: What is the procedure for qualifying and was there any consideration to be consistent with the legislation on that Sunday Fund.

Representative Berg: The 2500 was used which is a national standard for the definition between urban and rural. Below 2500 is rural and above urban. The intent is to help the smaller communities who do not have the resources to make things happen.

Senator Tomac: What is the current regulations are for the development fund; they loan money out and obviously doesn't require a match or if you are a primary sector business in a rural community you can get money from this fund, what is the difference between this program and what currently is in existence?

Representative Berg: Not a lot of difference. What we are doing currently is the community come to us with your project and if we like it we will loan money, grant money or something from the development fund, and if you are a rural community you can use some of the money

from the Sunday fund for it. The problem is that there is a lot work getting up to that point for a business to access that, and the intent here is really to help that small community.

Senator Thane: Troubled by a couple of areas; what do the small communities do to attract this money with time.

Representative Berg: This doesn't preclude any of the normal process. This is to help get a direction and a plan in small communities. Retail is not economic development. We are looking at the business for long term and to bring new families to the small communities.

Senator Thane: The really small communities don't have the resource to put together a plan, they need some help, does this bill help them developing the plan?

Representative Berg: Absolutely. Originally we had \$75,000 as a minimum and lowered it down to \$25,000. Regardless of the size of the community, first level is to raise the \$25,000 by the community then to move forward. A plan should be first.

Senator Andrist: When you say retail sector is not primary, and in a very small community it often is, what is precluded under this program?

Representative Berg: Essential services is placed in here and can be debated. Fundamental concern is where the dollars end up.

Senator Andrist: Does this preclude anything else that the department is using Sunday money for or is this just an add on alternative?

Representative Berg: It doesn't preclude anything else. It is kind of like an underwriting criteria underneath their current loan.

Senator Heitkamp: In relation to the fiscal note and the money that goes to get people up to speed on this, how do you envision this happening, League of Cities, E D & F, who is going to come to these small communities?

Page 4  
Senate Appropriations Committee  
Bill/Resolution Number HB 1400  
Hearing Date March 27, 2001

Representative Berg: This will be on the local level to create incentives. Money is there only  
was the community raises their money first. The Sunday money is always available.

Senator Thomas Trenbeath, District #10, testified in support of the bill as a sponsor.

Bill Shaloob, EDND, testified stating this is a good bill for small towns whereby 345 cities could  
be affected for funding. ED & F will be there to help train and develop from the start. Asked the  
committee for their support.

With no further testimony, the hearing was closed on HB 1400.

Tape #1, Side B, meter 12.0.

3-29-01 Full Committee Action (Tape #2, Side A, Meter # 11.7-16.0)

Senator Nething reopened the hearing on HB1400 - Rural Growth Incentive Program.

Senator Grindberg, Subcommittee Chair, presented a review of the bill, and the recommendation  
of the Subcommittee. Discussion.

Senator Grindberg moved AS AMENDED, DO PASS; seconded by Senator Heitkamp.

Discussion; followed by the call for the vote. Roll Call Vote: 14 yes; 0 no; 0 absent and not  
voting.

Senator Deb Mathern will have the floor assignment.

Date: 3-29-01

Roll Call Vote #: \_\_\_\_\_

2001 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. SB 1400

Senate Appropriations Committee

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

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

Action Taken Con Amended, All Pass

Motion Made By Senator Grady Seconded By Senator Heitkamp

Senators	Yes	No	Senators	Yes	No
Dave Nething, Chairman	✓				
Ken Solberg, Vice-Chairman	✓				
Randy A. Schobinger	✓				
Elroy N. Lindaas	✓				
Harvey Tallackson	✓				
Larry J. Robinson	✓				
Steven W. Tomac	✓				
Joel C. Heitkamp	✓				
Tony Grindberg	✓				
Russell T. Thane	✓				
Ed Kringstad	✓				
Ray Holmberg	✓				
Bill Bowman	✓				
John M. Andrist	✓				

Total Yes 14 No 0

Absent \_\_\_\_\_

Floor Assignment Senator W. Wetters

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

REPORT OF STANDING COMMITTEE (410)  
March 29, 2001 11:55 a.m.

Module No: SR-55-7119  
Carrier: D. Mathern  
Insert LC: . Title: .

**REPORT OF STANDING COMMITTEE**

HB 1400, as reengrossed and amended: Appropriations Committee (Sen. Nething, Chairman) recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1400, as amended, was placed on the Fourteenth order on the calendar.

2001 TESTIMONY

HB 1400

Page 2, line 4, remove "technology hardware, software and"

Page 2, line 5, after "in" insert "expanding primary sector jobs and"



"Schwartz, Randy A."  
<rschwartz@state.nd.us>

To: "Sumner, Audrey D." <asumner@state.nd.us>  
cc: "Reese, Dean T." <dreesee@state.nd.us>  
Subject: HB 1400 Fiscal Note

03/06/2001 08:12 PM

Audrey:

I have not gotten to writing/reporting another fiscal note on HB 1400. I have reviewed the second engrossment.

I have to participate in must do meetings tomorrow morning with business clients and am leaving for Fargo for additional work with businesses - so don't count on another fiscal note. Although you may expect, I simply don't have the time to keep doing fiscal notes every time there's minor changes to legislation.

For the most part, I would suggest that the state and local financial impacts are largely unknown - they could range from very little to as much as what I've provided in the last fiscal note - this all depends on the interest and commitment level of the communities to develop an investment pool and projects that warrant public investment.

I believe Dean Reese (from ED&F) may be attending this hearing - so he may wish to elaborate on as well.

Randy Schwartz  
701 328-5314