

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION  
SFN 2053 (2/85) 5M



ROLL NUMBER
-------------

DESCRIPTION

1403

2001 HOUSE FINANCE AND TAXATION

HB 1403

2001 HOUSE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. HB 1403

House Finance and Taxation Committee

Conference Committee

Hearing Date January 31, 2001

Tape Number	Side A	Side B	Meter #
1		x	5,890

Committee Clerk Signature *Jamie Stein*

Minutes:

**REP. AL CARLSON, CHAIRMAN** Opened the hearing and read the fiscal note.

**REP. LONNY WINRICH, DIST. 18, GRAND FORKS** Introduced the bill as the prime sponsor. See attached written testimony. Also presented amendments to the bill. The amendments take responsibility for collecting information and reporting information under this bill out of the hands of the Department of Economic Development and Finance and places it all with the Tax Commissioner. There are two reasons for doing this, one is philosophical, that ED and F's responsibility is really sort of promotional and not data gathering and analysis, etc as is the Tax Commissioner's responsibility. However, if the responsibility of reporting the information remains in the office of the State Tax Commissioner, then the Tax Commissioner can report that information in agrigate form for all of the companies, so we would get a better report. These amendments would also affect the fiscal note, because it was prepared by E D and F and they say they would need another FTE person in order to implement this particular bill. I

Page 2

House Finance and Taxation Committee

Bill/Resolution Number HB 1403

Hearing Date January 31, 2001

visited with the Tax Commissioner on Monday afternoon, and he assured me at that time, that his department would not need a new staff person to implement the bill. He did have some concerns about administrative costs and he may be able to give some information about that this morning.

My impression from my conversation with the Tax Commissioner was that the fiscal implications would be far less than what is contained in this particular fiscal note.

**REP. CARLSON** What prompted this idea on your part?

**REP. WINRICH** My association with an organization with Midwestern elected officials that has been meeting for a little over a year now. In that group, I became acquainted with several legislators from Minnesota. We talked about various issues including economic development, and I learned about the Minnesota law.

**REP. CARLSON** Do they presently have something like this implemented?

**REP. WINRICH** Yes, in fact, the last page of the testimony here, is a portion of the report under the Minnesota statute which shows what sort of information is generated.

**REP. CARLSON** One of the questions would be who is the watchdog. They have a revenue department or something in Minnesota, is that who they use?

**REP. WINRICH** There's actually a combination of the revenue department and the department of economic development, similar to our E D and F. I think their department structure is a little bit different. In conversations with the tax commissioner and others, it is my feeling that we would be better off in our state with having this responsibility in the tax department.

**REP. CLARK** Does this fall under the North Dakota open records law?

**REP. WINRICH** I believe most of the information would be available under the open records law. There is the privacy concern that I mentioned for small companies, and the tax information

Page 3

House Finance and Taxation Committee

Bill/Resolution Number HB 1403

Hearing Date January 31, 2001

that is available. The point of this bill is not to open more records, the point of this bill is to generate a consistent report in one place.

**APRIL FAIRFIELD, DIST. 29** Testified in support of the bill. Creating economic development and enhancing private sector activity is now the buzz word nearly every political discussion in North Dakota. Our strong desire for growth and our willingness to try different economic development strategies has involved into a rather piecemeal system of initiatives. We all understand that our future hinges on successful development efforts. However, we seem to have no comprehensive, coherent strategy for economic development in this state. I believe this bill would be a good place to start by collecting economic development data. This does not create a mandate. It will simply provide information for policy makers, which could be extremely useful.

**DON MORRISON, EXECUTIVE DIRECTOR OF THE NORTH DAKOTA**

**PROGRESSIVE COALITION,** Testified in support of the bill. See written testimony. He also submitted a report of Employers and Salaries from the North Dakota Income and Property Tax Exemptions Report of November, 1996. See attached copy.

**JOHN RISCH, UNITED TRANSPORTATION UNION RAILROAD WORKER'S**

**ASSOCIATION,** Testified in support of the bill. Support the bill because of the increased accountability of where our tax dollars are being spent. In recent years, we have seen an explosion of economic development efforts, not just the state levels, but the county and city level. I think this bill would provide an opportunity to at least, get an overview of what is happening out there. Are all of these efforts going in the same direction or some of them running into each other. This would be a means of better accountability and watching our tax dollars.

**STEVE EGELAND, ECONOMIC DEVELOPER'S ASSOCIATION OF NORTH**

**DAKOTA**, Testified in opposition of the bill. They had grave concerns with this bill. There are vast economic differences with Minnesota and North Dakota. One of the things we have on our legislative agenda for this year, is to create twenty five thousand new jobs between year 2000 and 2005. Also, this goal is to lift North Dakota's per capita income to at least ninety three percent of the national average. We are not even par with the national average. We are trying to get to ninety three percent of the national average. Bills like this, quite honestly, makes our job much tougher. Whether you agree or disagree, incentives are important or not important, they are a fact of life. The Bismarck/Mandan Development Association has, for about the last three years, worked very hard, nationally and also internationally, attracting companies, or trying to work with companies who are interested in coming to our city. When we go to Denver, one of the biggest competitions I have, is the country of Mexico. Bills like this, have good intent, but I don't think they recognize the competitive nature of this industry. My personal concern is, if they are comparing what they are doing in Minnesota to what we should be doing in North Dakota, there are some vast differences.

**REP. WINRICH** You said you considered this bill to be intrusive, but you also implied that much of the information is available, I believe all of this information is available under the Freedom of Information Act, is there information that is confidential now, that would be exposed by this bill in some way?

**STEVE EGELAND** I believe, when I spoke of intrusive, I was referring to how the company will give it. There are a lot of things which enter into a companies decision of whether or not they want to relocate to an area or not. Incentives are an important part of that. The other thing

is business law. It is not uncommon for companies to ask us, about how the legislature viewed primary sector businesses and the growths they have, and they want to know about those types of laws.

**REP. CARLSON** Asked Rep. Winrich to check on rules regarding confidentiality.

**RON RAUSHENBERGER, DIVISION OF COMMUNITY SERVICES,** Testified in opposition of the bill. Within the division of community services, we have several programs which would be affected. One of the programs is the community development block grant program, another one is the renaissance zone program as well as the possibility of the wind energy program. The renaissance program is available to every community in North Dakota which involves twenty contiguous blocks of businesses that can receive tax credit from the state for certain rehab and enhancement programs. We see a lot of problems with that, the numbers could grow and grow, if this program grows. With the community development block grant program, part of that economic development money could be for infrastructure, and when that is put in, it could end up touching other businesses besides, therefore, they would possibly all have to apply under this, even though they didn't directly receive that money. It would be a tremendous burden on our department, with the work that would be involved.

**RANDY SCHWARTZ, DEPARTMENT OF ECONOMIC DEVELOPMENT & FINANCE**

Testified in opposition of the bill. Stated he sees some positives in this bill, but also sees a lot of negatives. There are some possibilities but also some dangers. He stated concerns about the additional manpower which would be needed in the different programs to accomplish what was set out in the bill. He also stated, when services are withdrawn from a jurisdiction, because it

didn't comply with this bill, you will need to do a lot more than add E D & F to the legislation, because a lot of the development services and programs out there, are not provided by E D & F. A commerce department proposed by the state, would make a lot of sense, if you want to put some teeth into this. In Minnesota, they do have a commerce department. Public costs involved in development, aren't just involved with incentives. The public costs involved with development, are communities' overall commitment to development with growth. You can't measure that with just this bill. There are a lot of benefits on the private side, but what is the private sector doing to diversify the economy, to grow the economy. What is it doing to diversify the tax state, to build the demographics of the community, to help build the infrastructure, and to build business gaps within the community and the state. There is a lot of positives that have to do with private sector investments, that are beyond jobs. The reason why I put together the fiscal note the way I did, is because, I think if you consider this issue and want to take this issue to the next step, you should be taking a look at measuring these projects at a local level, and look at the positives and the negatives. We have seen the good and bad of projects, and we do take a concern whether or not those public dollars are spent wisely. He stated, the other part of the fiscal note he took issue with is the clawback provision, and what that might do to some of the regions and communities.

**REP. WINRICH** Many of your objections to the bill, are essentially in the form that it doesn't include enough. What would be the additional expense of including all of these things you talked about?



**RANDY SCHWARTZ** The kinds of tools available to assist development at a local level, we would be very willing to demonstrate what those look like and what they cost. I included what that might cost in the fiscal note.

**REP. WINRICH** You mentioned, computing a return on investments for projects, does your agency do that now?

**RANDY SCHWARTZ** We have not done that historically in the past, we are at a point now, where we can begin to do that, but not at a county or community level yet. What we could do in the future, is to build models. The answer is yes, but at a state level.

**JIM DAHLEN, DIRECTOR OF ECONOMIC DEVELOPMENT FOR DEVILS LAKE**

**AND RAMSEY COUNTY,** Testified in opposition of the bill. Related to the concerns with the clawback issues. Related to a manufacturer of agricultural products who wanted to expand, because of the downturn in agriculture, they weren't able to expand to the degree that they wanted to. The clawback provision outlined here, would substantially harm a company in that situation. That is my primary concern. I kind of like the idea of the information on the incentives and return on investments, in fact, in our community, we do that on a regular basis. We report back to our community exactly what our local investment is, and what the state, federal and local dollars are, we know the problem with that. I would like to suggest, that rather than pass this bill, it could maybe be addressed by an interim commerce and labor committee, where we could talk about how do we bring together all of those different entities, which would fit all of us. I think we can come together and figure out a better way.

**REP. CARLSON** Asked Rick Clayburgh, State Tax Commissioner the question regarding, the Tax Department was named as the department to monitor all of this information, what is your perspective regarding the workload to do this.

**RICK CLAYBURGH, STATE TAX COMMISSIONER,** Stated he was speaking in a neutral position. He also stated he had visited with Rep. Winrich regarding the changes in the proposal of having the tax department be the collection source instead of a provider of information. He felt they could handle the issues without adding an additional FTE, however, they have to weigh out some of those things. There is a substantial amount of change, as far as reporting, that they have to figure out how to do. There are some issues which focus on reprogramming, some forms will have to be designed, etc. He stated they still have concerns with the bill regarding confidentiality. It is a Class B felony for them to divulge confidential tax information. Information which is provided to E D & F, doesn't have that confidentiality issue, unless there are specific exclusions.

With no further testimony, the hearing was closed.

**COMMITTEE ACTION 2-14-01, TAPE #1, SIDE B, METER #1735**

**REP. WINRICH** Presented a draft of a study resolution which is dealing with the bill. He made a motion to adopt amendments 10336.0101 - the amendments put the entire responsibility for collecting data and reporting to the tax commissioner's office.

**REP. KROEBER** Second the motion. **MOTION CARRIED BY VOICE VOTE.**

**REP. GROSZ** Made a motion for a **DO NOT PASS AS AMENDED.**

Page 9  
House Finance and Taxation Committee  
Bill/Resolution Number HB 1403  
Hearing Date January 31, 2001

**REP. RENNERFELDT** Second the motion. **MOTION CARRIED.**

10 YES      5 NO      0 ABSENT

**REP. CLARK** Was given the floor assignment.

