

MICROFILM DIVIDER

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



ROLL NUMBER

DESCRIPTION

1018

2007 HOUSE APPROPRIATIONS

HB 1018

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018


House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/10/07

Recorder Job Number: 849

Committee Clerk Signature



Minutes:

Chairman Carlson opened the hearing on House Bill 1018.

Before the specifics of the bill were discussed the committee had to make a motion for the Community Block Grants.

A motion was made by Vice Chairman Carlisle, seconded by Representative Thoreson to approve the Community Block Grants. Motion carried.

Recorder Job number 849 begins here.

Shane Goettle, Commissioner of the Department of Commerce spoke in support of the bill.

See attached testimony 1018.1.10.06 A.

Paul Lucy, Director, the Division of Economic Development and Finance spoke in support of the bill. See attached testimony 1018.1.10.07 C.

Mr. Lucy discussed the North Dakota Development Fund, the Dakota Manufacturing Extension Partnership, The North Dakota Trade Office and the Agricultural Products Utilization Commission.

Vice Chairman Carlisle: Did you spend \$500,000 in addition to the money we put into the Centers of Excellence?

Paul Govig: That is correct. We covered the remaining costs. That was in the 03 biennium.

Representative Skarphol: I would like Legislative Council to check what was spent on Centers of Excellence in the last biennium.

Mr. Lucy continued his testimony.

Vice Chairman Carlisle: The \$1.4million is not in any other budget correct?

Shane Goettle: That is correct.

Vice Chairman Carlisle: Are there any other bills floating around that will affect this budget?

Shane Goettle: House Bill 1027 has a part in it that will establish a Business and Tourism Acceleration Commission. It would function the same as APUC.

Chairman Carlson: Last session we funded the Trade Office out of the Development Fund and what?

Vice Chairman Carlisle: Mill & Elevator.

Shane Goettle: Also Higher Ed.

Mr. Lucy continued his testimony on page 4.

Representative Skarphol: Have you done a report on the overall success of APUC?

Paul Lucy: To my knowledge the recent study did not include all projects.

Chairman Carlson: APUC is funded out of the Chemical Fund is it not? I am trying to think of the name of the fund but cannot remember.

Shane Goettle: There is a fuel tax that funds it.

Representative Skarphol: Unclaimed refunds on the gas tax.

Mr. Lucy continued testimony and summarized any major changes in their budget.

Vice Chairman Carlisle requested a written summary of the budget changes.

Jim Hersch, Director of the Workforce Development Division, spoke in support of the bill. See testimony 1018.1.10.07 D.

Representative Kroeber: Can you expand, you are requesting ten FTEs for the Division of Workforce Development that will work with the nine joint powers agreement. If this is approved when do you hire these people and where would they work and what would they do?

Jim Hersch: The nine positions that are referenced would be stationed in the joint power agreement areas. They would start not any sooner than July 1 when funds become available. We would try to get people on board and trained as quick as we could. What their primary role would be would be to try to make that connection between business and industry and the schools, to make opportunities available and to get the business and industry into the schools, talking about the careers that exist within their business, creating opportunities, to develop a work based learning activity between schools and a business, promoting internships, looking at developing academies to promote specific occupations, getting down even into the K-12 and starting to talk about career opportunities and exciting young people about opportunities that do exist in ND.

Representative Kroeber: Are these like career counselors that are going to be coming into the high schools?

Jim Hersch: They would not be career counselors; they would be career specialists, somebody who has a strong background in business and industry, and somebody that may have some HR experience. We would not be looking at this as being a career counselor or replacing the career counselor initiatives that are out there.

Representative Skarphol: To expand on what Representative Kroeber is asking if they are not going to spend their time in the K-12 system, where do you envision them doing this?

Jim Hersch: I would envision that there primary responsibility would be a liaison between the school system and the business and industry working with the school counselors, educators and getting opportunities for businesses to come into the classroom and talk about the career opportunities, getting opportunities for students to visit businesses, do class tours and those types of things.

Representative Skarphol: Most of the time their time would be dedicated to working with the primary and secondary education system?

Jim Hersch: That is correct.

Chairman Carlson: I am having trouble following the funding when I look at the overall. You have ten new employees but yet you are showing on the workforce development no major increases. Where are these numbers showing up? What is the cost associated with these ten people?

Jim Hersch: The two initiatives would be \$1.626million and that is under the ED initiatives.

Representative Skarphol: All General Funds?

Jim Hersch: That is correct.

Representative Kroeber requested a chart showing the last biennium's budget and FTE changes since the last bienniums.

Paul Govig, Director, Division of Community Services, spoke in support of the bill. See testimony 1018.1.10.07 E.

Representative Skarphol: I am curious about that Petroleum violation escrow. There is \$330,000, is there on going revenue coming into that?

Paul Govig: No there is not. It was money that the state received about 15 years ago from a court case of overcharging consumer for oil products. North Dakota received a lump sum and we have been using it for energy efficiency and renewable energy projects since.

Representative Skarphol: Is it used up?

Paul Govig: Not quite. We have maybe \$2million to go. We will get you that figure.

Representative Skarphol: Paul, you said you need more General Fund dollars for to match the federal when you are actually getting less federal dollars according to what is on the budget detail. Has there been a change in the federal match requirements?

Paul Govig: As is typical we estimate what we are going to get from the federal government so it is always somewhat of a guess on what is going to come through on that. What we are trying to do with our budget is that it is exactly the same as last biennium's except for the 4 & 4 raise.

Chairman Carlson: Do you have borrowing authority now?

Paul Govig: No, if we receive a significantly higher amount from the federal government we have to go to the emergency commission and ask for spending authority.

Representative Skarphol: You have like fifteen different federal fund sources. Can you provide a synopsis of each of those?

Paul Govig: Yes I will get that for you.

Susan Beehler from Mandan spoke regarding the Community Block Grants.

Sara Otte Coleman, Director, Division of Tourism, spoke in support of the bill. See Attachment F.

Vice Chairman Carlisle: Yesterday we heard from the Oil & Gas Department, they have a FTE request for a paleontologist. In the pitch that was made to us that they generate \$50,000 to \$80,000 for the state because people come into the state to go on these digs. The question came up regarding the tourism's involvement.

Chairman Carlson: Were you aware that they did that?

Sara Otte-Coleman: No Sir, I was not.

Chairman Carlson: It would help us if you made a phone call to Mr. Helms then because his request was almost more of a tourism request than it was a request for just another paleontologist on his staff.

Representative Skarphol: A couple of things have changed quite dramatically in your budget.

The printing and postage lines have dramatic changes in my opinion. I am just curious why?

Sara Otte- Coleman: Printing costs have gone up dramatically. Paper and the general bids have come in much higher. Also we are printing more quantity. If you are marketing more you are adding more people that request more information. We have also improved the distribution of our pieces by adding rest areas throughout the state as well as points throughout the region. So the numbers of materials that we are printing have gone up. Postage is also an indicator of successful marketing because of the request for more information.

Representative Skarphol: So the demand for printed material that you can hold in your hand has been maintained as opposed to the web based information that people see.

Sara Otte-Coleman: We did not see the drop that other state got initially when the web site became the main planning and booking tool. I think we will start seeing that leveling off more.

Representative Skarphol: I am on your website looking at it. Most of the interest in it has come out of certain communities. Has the rest of the state not channeled in to this?

Sara Otte-Coleman: We have been working hard to try to get the word out about it. The interesting part of it is that a lot of times it's the business objectives and the business planning problems that tend to flag the different places and different entities. There are a lot of people that are really interested and want to do it but as soon as they charge they open themselves up to liability concerns and all of those other business concerns. That is why when we talk about helping tourism businesses survive and thrive it is not just traditionally a business it may be one of these learning base vacation providers where we can step in to the process that they need to make sure they are protecting their own interests as well. I think there is a ton more interest than you are seeing on there and we are continuing to go out and spread the word. In fact we are presenting a session at Marketplace next week and we continue to go around the state to try to get more people involved.

Representative Skarphol: The letter that you have in your presentation it would seem to me that those folks would be a good tool to use. If you can get them talking about their experiences with the website.

Shane Goettle spoke in support of the bill. See Attachment 1018.1.10.07 H

Chairman Carlson: I read the census numbers. In the year 2000 we had about 642,000 people. Today we are at 637,000. We have basically lost about 5,000 people but we have gained 7,100 jobs.

Shane Goettle: We have recognized that too. If you look at the bottom line population we have more births than deaths in the state so we save a little bit by the fact that we have some young families that are having children. I questioned that too. We have a couple of things, first of all, we have been working with OMB and the Governor's office questioning how the US Census Bureau estimates population figures, that's an important component of it. I also think

that we may be losing some of our seniors because they are filing for their taxes in Arizona or outside the state. These are all questions that we need to ask. We will not know for sure until 2010 when we are actually physically counted again as to the difference.

Susan Geib, North Dakota Trade Office, spoke in support of the bill. See attachment 1018.1.10.07 J

Chairman Carlson: Shane, which part of your budget are we going to address this in?

Shane Goettle: This will be in ED & F.

Chairman Carlson: Do you have a match in your new budget?

Susan Geib: We do.

Chairman Carlson: What is the ratio next time?

Susan Geib: Same ratio so we have to raise \$700,000 in other funds to bring to the table.

Representative Skarphol: The matching portion is it match or in kind?

Susan Geib: It is cash.

Chairman Carlson: What was the amount of funding that you will be losing from Higher Education?

Susan Geib: Last year it was \$100,000. We asked for \$200,000 this year to double the amount of work.

Vice Chairman Carlisle: Regarding the \$100,000, you stated you had a conversation with Eddie Dunn is that correct?

Susan Geib: Yes.

Vice Chairman Carlisle: Over the \$100,000 did he tell you why?

Susan Geib: He believes that he does not have adequate discretionary funds to make this a priority.

Representative Kroeber: When we had the meeting in Jamestown I was surprised to see all of the exporters that were there that you really didn't know exported. Throughout the state, roughly how many companies are exporting?

Susan Geib: Our database today has 400 qualified exporters.

Bill Shalhoob, Chairman of the Tourism Alliance Partnership, spoke in support of the bill. See attached testimony 1018.1.10.07 L.

Vice Chairman Carlisle: I have a question for Sara. How do you separate your tourism dollars from those brought in from people looking for work?

Sara Otte- Coleman: It is difficult to define all of those segments. In February you will see the sectors that we measure.

Randy Hatzenbuehler, Theodore Roosevelt Medora Foundation, spoke in support of the bill. See attached testimony 1018.1.10.07 W.

Cole Carley, Fargo/Moorhead Convention and Visitors Bureau, spoke in support of the bill. See attached testimony 1018.1.10.07 X

Randy Schwartz, Dakota MEP, spoke in support of the bill. See attached testimony 1018.1.10.07 Y.

Carol Goodman, President of the Economic Development Association of ND, spoke in support of the bill. See attached testimony 1018.1.10.07 Z

Hearing adjourned.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/14/07

Recorder Job Number: 3483

Committee Clerk Signature

Clayton Voegelé

Minutes:

Chairman Carlson opened the hearing on House Bill 1018.

Chairman Carlson reviewed the green sheet.

Chairman Carlson: Why do you need the position listed in number one?

Shane Goettle: This person will mainly work with the energy portfolio.

Chairman Carlson: In number 2 we left some language in HB1027 that says that you have to work with Job Service to do this. Committee what is your wishes on the ten FTEs?

Shane Goettle: I understand the committee has some concerns regarding this. We have now looked at a smaller program which would cut the FTEs in half and possibly using contract employees. My only pitch would be that the tenth FTE, I was not only going to have him manage this program but also manage to do intern programs. I would like to have at least one of those ten.

Representative Glassheim: This manager in Bismarck would help get industries into the schools for recruitment?

Shane Goettle: That is correct.

Representative Skarphol: Under the scenario that currently exists with energy, the department is putting a little bit of money into that project is that correct?

Shane Goettle: No, Job Service is funding most of it. The Dept of Commerce is not funding it.

Representative Skarphol: What would the salary requirements be for this one new FTE?

Shane Goettle: \$45,000-\$50,000 plus benefits totaling roughly \$120,000.

Representative Skarphol: Would there be operating costs incorporated with this pilot?

Shane Goettle: Yes there would be operating costs, travel expenses ect.

Representative Glassheim: Can you describe how this would operate?

Shane Goettle: The goal of the effort is to get the kids in high school to consider different industries that have great job opportunities.

A motion was made by Representative Skarphol, seconded by Representative Kempenich to adopt amendment adding \$160,000 for one FTE and operating expenses. It will be up to the Department of Commerce to decide the salary that would be put into that position. Motion carried by voice vote.

Chairman Carlson: With number three, are these grants to targeted industries?

Shane Goettle: That is correct as well as an export component.

Representative Glassheim: Who would get this money?

Shane Goettle: This money would be used to stimulate businesses to establish internship programs.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt an amendment adding \$200,000 to the internship program making the total to \$600,000. It would also establish a reporting line. Motion carried by voice vote.

Committee was recessed until after floor session.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1018

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 2/14/07

Recorder Job Number: 3484

Committee Clerk Signature *Amya A. Voegels*

Minutes:

Chairman Carlson opened the discussion on House Bill 1018.

The committee reviewed the green sheet beginning with number four.

A motion was made by Representative Thoreson, seconded by Representative Skarphol to adopt a verbal amendment regarding a 2-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Representative Skarphol: We don't want it to be the same money that they used to match this biennium.

Allen Knudson: You could give the department that direction.

Shane Goettle: In the testimony that the model had been a 2-1 ratio but it is for every \$2.00 provided from the General Fund it would be \$1.00 private sector funds.

Chairman Carlson: Ok I had it backwards. That is a huge difference. Or we could go 1-1?

Motion rescinded.

A motion was made by Representative Thoreson, seconded by Representative Skarphol to adopt a verbal amendment regarding a 1-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Shane Goettle: Let me say this. Last biennium with \$700,000 it was a struggle. I think it would be an extreme struggle to raise \$1.4million. This is all a cash match.

Representative Kroeber: If I remember right, those dollars are mainly only coming from companies that they get to join. It would be pretty difficult to get those kinds of dollars.

Chairman Carlson: Here is the devils advocate side to this. Very seldom do we appropriate General Fund money where we allow you to send it directly to a private business. They get to contract with somebody who has no ties to us. They have their own board of directors and we are funding this Trade Office with General Fund dollars. It is not too much to expect accountability and some kind of match.

Representative Skarphol: Considering Mr. Goettle's concern about the fact that he thinks that 1-1 is going to be impossible. We do require that they raise that cash before they can access the money. If we put up the two and they raise the one and we see that it will be a problem for us before we go to conference committee we can always argue it in conference committee.

Motion rescinded.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt a verbal amendment regarding a 2-1 match for the Trade Office and language saying that they can raise money for next biennium's match.

Motion carried.

The committee continued on the green sheet.

Amendment 78018.0106- Removes the funding for the tourism because of the tourism tax that was passed in the Senate.

A motion was made by Representative Skarphol, seconded by Representative Thoreson to adopt amendment 78018.0106 to House Bill 1018.

Motion carried.

Amendment 78018.0103- Employee compensation.

A motion was made by Representative Kempenich, seconded by Representative Glassheim to adopt amendment 78018.0103.

Allen Knudson explained the amendment.

Substitute Motion

A motion was made by Representative Skarphol, seconded by Representative Thoreson to include the words 'performance equity and merit' to amendment 78018.0103. Motion carried.

Amendment 78018.0105

A motion was made by Representative Kempenich, seconded by Representative Skarphol to adopt 78018.0105 to House Bill 1018. Motion carried.

Amendment 78018.0104

A motion was made by Representative Carlisle, seconded by Representative Glassheim to adopt 78018.0104 to House Bill 1018.

Allen Knudson explained the amendment.

Motion carried.

Amendment 78018.0107

A motion was made by Representative Glassheim, seconded by Representative Skarphol to adopt 78018.0107 to House Bill 1018.

A motion was made by Representative Skarphol, seconded by Representative Thoreson for a DO PASS AS AMENDED recommendation to the Full Committee. The committee vote was 8 Yeas, 0 Nays and 0 Absent and Not Voting. The bill will be carried by Chairman Carlson.

FISCAL NOTE
Requested by Legislative Council
04/25/2007

Amendment to: Engrossed
 HB 1018

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$4,470,000)		(\$6,590,000)	
Expenditures						
Appropriations			\$2,093,138	\$22,920,000		

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1018 includes many of the provisions originally included in HB 1027 which was the business initiative bill sponsored by the interim Economic Development Committee. Multiple provisions have fiscal impact and are listed in section 2B.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

- Section 13: Grants for innovation appropriation. (Career and Technical Education)
- Section 14: Centers of Excellence appropriation. (Office of Management and Budget)
- Section 15: Centers of Excellence contingent borrowing authority. (Office of Management and Budget)
- Section 16: Prairie Public Broadcasting appropriation. (Office of Management and Budget)
- Section 18: ND Business Development Engine contingent borrowing authority. (Secretary of State)
- Section 23: Higher education report on CCBenefits. (Higher Education)
- Section 24: Tax expenditure report pilot project. (Tax Department)
- Section 34: Mortgage loan financing program changes. (Housing Finance Agency)
- Section 42: Angel fund investment tax credit. (Tax Department)
- Sections 43 & 46: Tax deduction of the amount an employee receives in a payment from an employer that is entitled to the workforce recruitment tax credit. (Tax Department)
- Section 44: Internship employment tax credit. (Tax Department)
- Section 45: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
- Section 47: Income tax credit for research and experimental expenditures. (Tax Department)
- Section 48: Seed capital investment tax credit limits. (Tax Department)
- Section 49: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
- Section 51: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

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.*

Tax Department

Section 42 provides for a tax credit against corporation and individual income tax liabilities relating to investments made in an angel fund that is incorporated in this state. The fiscal impact of this section cannot be determined.

Sections 43 & 46 provides for a deduction in the amount an employee receives in payment of a signing bonus, moving expenses, or nontypical fringe benefits from an employer that is entitled to the workforce recruitment tax credit for hard-to-fill employment positions. The fiscal impact of these sections cannot be determined.

Section 44 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 45 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 46 allows the tax credits for internship salaries, recruitment expenses, and research and experimental expenditures contained in Sections 44, 45, and 47 to be claimed on the state's simplified form, Form ND-1.

Section 47 expands the income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of \$2.47 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 48 raises the limits on the seed capital investment tax credit program from \$2.5 million to \$3.5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of \$2 million for the 2007-09 biennium.

Section 49 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 51 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under \$5000.

Contact: Kathy Strombeck 328-3402

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.*

Board of Higher Education
Section 23

Section 23: Although this section imposes an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Housing Finance Agency
Section 34

Section 34: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of \$6 million. It is not possible to identify how many loans would be made with verses without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Tax Department

Section 24 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be

significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The additional appropriations contained within the individual bill sections are as follows:

Section 13: \$70,000 General Fund (Career and Technical Education)
Section 14: \$15,000,000 Permanent Oil Tax Trust Fund (Office of Management and Budget – Centers of Excellence)
Section 15: \$5,000,000 in contingent borrowing authority (Office of Management and Budget – Centers of Excellence)
Section 16: \$2,023,138 General Fund (Office of Management and Budget – Prairie Public Broadcasting)
Section 18: \$2,920,000 in contingent borrowing authority (Secretary of State)

Total: \$2,093,138 General Funds
\$22,920,000 Other Funds

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	04/26/2007

FISCAL NOTE
Requested by Legislative Council
03/27/2007

Amendment to: Engrossed
 HB 1018

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$13,400,000)		(\$13,400,000)	
Expenditures			\$575,000		\$575,000	
Appropriations			\$22,093,138			

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1018 now includes many of the provisions originally included in HB 1027 which was the business initiative bill sponsored by the interim Economic Development Committee. Multiple provisions have fiscal impact and are listed in section 2B.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

- Section 19: Higher education report on CCBenefits. (Higher Education)
- Section 20: Tax expenditure report pilot project. (Tax Department)
- Section 29: Mortgage loan financing program changes. (Housing Finance Agency)
- Section 30: Visitor information centers. (Department of Commerce)
- Section 33: Requires the North Dakota image information program to include the private sector. (Department of Commerce)
- Section 37: Internship employment tax credit. (Tax Department)
- Section 38: Workforce recruitment tax credit for hard-to-fill employment positions. (Tax Department)
- Section 40: Corporate income tax credit for research and experimental expenditures. (Tax Department)
- Section 41: Seed capital investment tax credit limits. (Tax Department)
- Section 42: Agricultural commodity processing facility definition for the purposes of the agricultural business investment tax credit. (Tax Department)
- Section 44: Repeal of beginning entrepreneur income tax deduction. (Tax Department)

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.*

Tax Department

Section 37 provides for a tax credit against corporation and individual income tax liabilities relating to stipends or salaries paid to North Dakota college students hired as interns by North Dakota employers. The fiscal impact of this section cannot be determined.

Section 38 provides for a tax credit against corporation and individual income tax liabilities relating to expenses incurred by employers in the recruitment for hard-to-fill positions for which the annual salary for the position meets or exceeds the state average salary. The fiscal impact of this section cannot be determined.

Section 39 allows the tax credits for internship salaries, recruitment expenses, and research and experimental expenditures contained in Sections 37, 38, and 40 to be claimed on the state's simplified form, Form ND-1.

Section 40 expands the income tax credit for research and experimental expenditures, and allows unused credits to be assigned to other taxpayers. Based on current information, the fiscal impact of this section is an estimated reduction in state general fund revenues of \$8.4 million for the 2007-09 biennium. This amount could be low, and the fiscal impact greater, if the broadening and assigning provisions significantly alter behavior.

Section 41 raises the limits on the seed capital investment tax credit program from \$2.5 million to \$5 million per calendar year. The fiscal impact of this section is potentially a reduction in state general fund revenues of \$5 million for the 2007-09 biennium.

Section 42 expands the definition of agricultural processing facilities to include livestock operations that use byproducts of North Dakota's ethanol or biofuels plants. The fiscal impact of this expansion is a reduction in state general fund revenues of an unknown amount.

Section 44 repeals the beginning entrepreneur tax deduction program, but allows existing contracts to continue to claim the tax deduction until the expiration of the contract. The fiscal impact is under \$5000.

Contact: Kathy Strombeck 328-3402

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.*

Board of Higher Education
Section 19

Section 19: Although this section imposes an additional reporting requirement, we do not believe that any new resources, beyond those provided for in the 2007-09 Executive Budget proposal would be required.

Contact: Laura Glatt 328-4116

Department of Commerce
Sections 30 & 33

Section 30: This section allows the division of Tourism to develop and implement a visitor information center assistance program. \$525,000 in additional funds would be required in order to implement this program, which would be comprised of \$100,000 for training and \$425,000 for matching grants.

Section 33: This section expands the requirements for the North Dakota image information program to include private businesses. \$50,000 in additional funds would be needed to fully expand this program to the private sector.

Contact: Justin Dever 328-7258

Housing Finance Agency
Section 29

Section 29: The HFA has requested an appropriation for loan loss reserve for these loans in the amount of \$6 million. It is not possible to identify how many loans would be made with versus without the expanded language provided in HB 1027 therefore the fiscal impact at this time is unknown. HFA is moving forward with these programs with the intent that the loans will be repaid and the fiscal impact will be zero.

Contact: Pat Nagel 328-8081

Tax Department

Section 20 requires the Tax Commissioner compile and furnish tax expenditure data to the Department of Commerce to be used in creating a tax expenditure report for the legislative assembly. The Office of Tax Commissioner will

incur some costs associated with this requirement, but the costs, although currently undeterminable, will not be significant unless return information and programming must be changed significantly.

Contact: Kathy Strombeck 328-3402

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

The additional appropriations contained within the individual bill sections are as follows:

Section 12: \$70,000 General Fund (Career and Technical Education)
Section 13: \$20,000,000 General Fund (Office of Management and Budget – Centers of Excellence)
Section 15: \$2,023,138 General Fund (Office of Management and Budget – Prairie Public Broadcasting)

Total: \$22,093,138 General Funds

For the sections that have not been given an appropriation in the bill, it is estimated that the following additional appropriations would be needed for the implementation of each section:

Section 30: \$525,000 (Department of Commerce)
Section 33: \$50,000 (Department of Commerce)

Total: \$575,000 General Funds

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	03/28/2007

