

2011 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1161

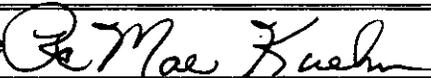
2011 HOUSE STANDING COMMITTEE MINUTES

House Industry, Business and Labor Committee
Peace Garden Room, State Capitol

HB 1161
January 18, 2011
13005

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution: Entrepreneurship center awards.

Minutes:

Vice Chairman Kasper: Opens the hearing

Chairman Keiser, District 47, Sponsor: This section of code is an area we created from scratch last session. This was implemented through the Commerce Department, we discovered that there may be a few tweaks needed. The changes are simple. Last session we created the option for an entrepreneur center to make application through the Commerce Department for an operational grant of \$50,000 per year up to a maximum of five years or \$250,000 per center maximum. Due to inflation and the fact that we have adequate dollars in that original appropriation, we are asking for a change in the distribution. We are changing this allocation beginning effective upon this law to move from \$50,000/year to \$60,000/year. A new entity coming into the Commerce Department and applying would be eligible for \$60,000 times 5 or \$300,000 maximum lifetime vs. \$250,000. For entities currently in our system they could only qualify for \$50,000 the first two years of the biennium and then would be able to now apply for \$60,000. It is an inflationary adjustment based on dollars that are available.

A more important point which has occurred is one that deals with the distribution of dollars to the entrepreneurship centers that are for the purpose of pass through. Those checks are made out to the entrepreneurship center. They have a company which they are helping to start. They provide a lot of services. They help with the marketing, accounting services, administrative expenses, and consulting. One of the services they needed to provide was a system to make a grant to a company. They want someone to manage those dollars other than the company itself in a pass-through form. On occasion these dollars are being transferred to the entrepreneurship center for redistribution to the company that was being started. Because we did not clarify it in the original legislation it created a quandary for the Commerce Department. How would the courts interpret these dollars? They are managing them and transferring the dollars as an agent through to the company that has applied for the grant. Those pass-through dollars will not count against the \$50 or 60,000/year. It is a simple bill. We do have an array of people involved with the entrepreneurship center here in Bismarck, the Idea Center. If you haven't had a chance to visit, you should see this operation in the daily work effort.

Vice Chairman Kasper: Questions of the committee? How much money is left in the fund?

Chairman Keiser: The Commerce Department can answer that question.

Vice Chairman Kasper: These dollars are available for any entity in the State of North Dakota?

Chairman Keiser: For any entity. We do have another bill to provide additional funding for entrepreneurship efforts within the university system. This is not affiliated with the university system.

Vice Chairman Kasper: Are there any other entities like this besides the one here in Bismarck.

Chairman Keiser: The Commerce Dept. would be able to answer that.

Vice Chairman Kasper: Any other questions? Anyone to testify in favor?

John Holtan, President and Co-Founder of Lights on Safety Solutions: A few years ago my cofounder, Mike Holman, testified. An entrepreneurial center was a place that directs our attention in the right direction. We came with a crazy idea that is now being downloaded in seventeen different countries. The simulation software is now being used at the National Mine Academy in Beckley, West Virginia helping mine rescue teams learn how to better prepare themselves. We had this crazy idea without direction. They put us into a timeline and a project plan that now has become a real seller of the product in North Dakota and seven other states. It is important that these dollars go to the center and the center keeps track of the entrepreneur. They made us be part of the system and conform to some rules. As an entrepreneur you maybe don't have all the skills but we are given a team that talk about what it takes to become a company.

Chairman Keiser: Describe your product.

John Holtan: We have a gas monitor simulator so when a mine rescue team goes into an underground mine they take real gas monitors inside to test the air quality to make sure that it is OK to proceed. In training the real gas monitors will never go off because there isn't any hazardous gas. We created a simulator that runs on an I-Phone or an I-POD Touch. A trainer talks to multiple students and we give them real time readings in real time. This is being adopted in all mining states as well as hazardous materials teams and first responders.

Paul Wolf, Wolf Technologies with a product called Light Check: I am in support of the entrepreneurial centers like the Idea Center here in Bismarck and used it for two years. That entrepreneur concept has been very helpful in developing my business plan, the marketing strategy and accessing funds that I didn't know was out there. I'm supportive of this entrepreneurship incubation center.

Chairman Keiser: Describe your business.

Paul Wolf: My product is called Light Check. It is a product for testing trailer lights on a portable device. It has a rechargeable battery. I plug the trailer lights into this device and put it on cycle. Then I can walk around the trailer and make sure the lights are working. It has some diagnostics so it will tell me if I have a short circuit or an open circuit with an idea of where it is. It started as an idea for the consumer market, the person that has the boat trailer, camper, snowmobile trailer, etc. Now I'm finding out the big market is the commercial market which I didn't anticipate. Now we have refocused the marketing plan.

Vice Chairman Kasper: What type of process did you go through to be accepted into the center?

Paul Wolf: It wasn't a complex process. I presented my idea in the business plan I put together. I also worked with the Innovate ND Program through the Dept. of Commerce. In combination of that program plus working with the Idea Center they looked at the business concept and they suggest if there is potential for your product or idea. They accepted it and continued supporting me from there.

Vice Chairman Kasper: Do you give up any ownership in your business as a result of being in that center or do you just receive guidance.

Paul Wolf: It is receiving guidance and helping me in the direction of some funding sources.

Vice Chairman Kasper: Have you tried to market this concept prior and had no success? Or did you happen to find the center at the same time.

Paul Wolf: It was a combination of things. I was in the process of bringing it to market myself. Then I began putting together a business plan for the Innovate ND competition. I was one of the 2009 Idea Champion Award winners. Then I also started working with the Idea Center because part of the Innovate ND process is a business plan and a marketing plan and an oral presentation in front of a group of judges. I first started working with them to fine tune my Innovate ND process. After that I just continued working with them.

Representative N Johnson: Where are you having the manufacturing done?

Paul Wolf: They are manufacturing the components in different places but I am doing the final assembly.

Joby Seagren: I founded Smart Home Solutions here in Bismarck. I am bringing a new idea to the city of Bismarck and the State of North Dakota. It is new to this area. It is home automation. I install security systems that can link virtually the entire house. Security, lighting control, HVAC control, irrigation control—anything electronic in the house is controlled through the automation system. This is for greater energy management, piece of mind, and the ambiance and cool factor. I came to the Idea Center a little over two years ago. The major thing that they have done for me is to give me a professional feel. I was

currently operating out of my home. It was hard to present something spectacular from my apartment. It gave me the ability to present in a professional manner to my customers. Another benefit is all the help they did with my book work. They gave me piece of mind that I am going in the right direction.

Wes Wakefield, Senior Business Student at the University of Mary and Student Body Vice President: Over the past three years I've been involved with the Idea Center in a number of different ways. In university education you get the content component—management theories, accounting, and HR management. With the Idea Center I learned how course content is applicable and able to apply it. I was able to develop a micro loan application in my freshman year of college. This gave me a higher level of learning rather than learning from a book. I've always been interested in finance in the ability to apply it. These are experiences I wouldn't have been able to get by simply going to class. There are many other students that have benefited from the Idea Center. It has also provided me with connections in the business community.

Vice Chairman Kasper: Where is your home?

Wes Wakefield: Devils Lake.

Vice Chairman Kasper: Were you always this interested in business growing up?

Wes Wakefield: I always had an interest in the business area. Start-up companies really spurred my interest.

Representative Kreun: You have done several business plans?

Wes Wakefield: Yes. I've assisted in a number and I've developed one through my own project at the University of Mary.

Representative Kreun: Have you been able to track and watch the success of those start-up companies?

Wes Wakefield: Yes, I worked with the Light Check. These entrepreneurs are not only learning from the shared services they receive, but they are also teaching.

Representative Kreun: What was the largest obstacle to overcome?

Wes Wakefield: New entrepreneurs have a vision. They tend to see things others don't. With that vision comes a lack of structure.

Miles Trasier, Student at Endicott College, north of Boston, MA: (Speaking on behalf of the Idea Center) Right now I'm completing a 120 hour internship at the Idea Center. From a student's perspective the Idea Center has given me so much from my short time here. They threw me into 3 different projects. I've learned all the different processes that go on when starting a business. I've been able to learn how to manage a group project. They helped me process documentation which is taking a process, looking at the steps, documenting, and making a flow chart. It allows you to operate more effectively.

Representative N Johnson: How did you find out about an internship in Bismarck?

Myles Trasier: I'm from Jamestown and my mom is the Dean of the Business School at the University of Mary.

Krista Newgard: I was enrolled in the Harold Schafer Leadership Academy which is how I learned about the Idea Center. I led a group of students where we would go into businesses and process documentation and go through accounting processes which we use at the Idea Center today. I started this summer. Right now I keep books for seven different companies and I am developing their process flows. Our goal for accounting is to empower them to take their books on their own as their company grows or hire another bookkeeper. I have been able to put my theory from the classroom to real life experience. Everyone there is real supportive.

Vice Chairman Kasper: You are familiar with profit and loss?

Krista Newgard: Yes.

Ellyn Rost, Director with Idea Center: Back in 2005 there was a study done on the status of Bismarck/Mandan in comparison to Fargo, Boise, and Sioux Falls. We were looking at why our community was ranking lower than the rest of those in support of entrepreneurship. The results were four issues that start-ups are faced with. Those were finding funding sources, mentoring opportunities, work force development, and marketing. We have shared services and one of those is marketing facilitation shared services. We meet with the entrepreneur, identify what their marketing needs are and feed business out in the community to 12 different vendors. A couple of those vendors have been able to go off on their own and start their own business as a new startup. We've help 27 different ventures which creates jobs for our young people.

Julie Kuennan, Executive Director of Idea Center: About two years ago Dewey Tietz spoke before you and he mentioned a dream he had with the Idea Center. He passed away this past December but you can see he is alive in each of us. We've watched our entrepreneurs successfully launch their products internationally as well as nationally. We've been able to secure close to \$1 million of different types of funding for entrepreneurial ventures. We operate under a code of confidentiality. I had the opportunity to represent the Idea Center at an international conference in New Orleans. We toured the Gulf Coast. One of the first things was to build a business incubator. I got to speak to these folks on how to do it. When a disaster strikes about 60% of businesses don't reopen because the support system is not there. The Idea Center is the place to go after a disaster. Entrepreneurs work together. Help support us in this bill. We have a dream of Dewey's to keep alive.

Chairman Keiser: This bill has two components.

1. The moving to \$60,000 per year--what has been your inflation rate over the two years? Why should we change that?

2. Could you talk about the problems of the pass through and give some examples where there was a problem? The Commerce Dept. was concerned about what the auditor would say about it.

Julie Kuennan: We grew from one staff member to five. We do offer a service that people are willing to pay for. We want to provide a quality internship experience. The pass through are technology-based entrepreneurship grants. These grants let us help with the risk. There is about a 50% increase in chance for that business to succeed if partnered with an incubator. Those funds are there based on a budget that is put together for the grants. We just make sure that all the invoices and controls are in place so that those funds go to what the entrepreneur said they would go to.

Chairman Keiser: How many times have we had the grants as a pass through in the last two years?

Julie Kuennan: We've put forward about 15 different grants. The final round is in January.

Representative Nathe: To be clear on the pass through? You receive the state grant and you administer it to the entrepreneur?

Chairman Keiser: The company applies for the grant or you apply for the grant?

Julie Kuennan: We apply for the grant on behalf of the entrepreneur.

Chairman Keiser: The money is given to the entrepreneur through you?

Julie Kuennan: Yes. That is correct.

Chairman Keiser: Thank you Julie for your work.

Chairman Keiser: Is there anyone here from the Commerce Dept. that could answer relative to how much was in the original appropriation? How much has been spent? How many different entrepreneur centers are taking advantage of this?

Paul Lucy, Director of Economic Development and Finance Division with the Commerce Dept.: To date there have been six different entrepreneurial centers certified under this program. They are from the communities of Fargo, Grand Forks, Wahpeton, Fort Yates, Jamestown, and Bismarck. Last session there was a million dollars from the new venture capital programs set aside for this purpose. To date there has been \$100,000 provide in loans to the entrepreneurial centers and \$20,000 in loans to entrepreneurial operators.

Opposition or neutral: None

Chairman Keiser: Closed the hearing.

Representative Ruby: Moved Do Pass.

Representative Nathe: Seconded the motion.

Chairman Keiser: These centers will impact young people and convince them they can start a business. It is a great program.

A Roll Call vote was taken. **Yes: 14, No: 0, Absent: 0,**

Motion for DO PASS carries

Representative Nathe will carry the bill.

Date: Jan 18-2011

Roll Call Vote # 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1161

House House Industry, Business and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment

Motion Made By Rep Ruby Seconded By Rep Nathe

Representatives	Yes	No	Representatives	Yes	No
Chairman Keiser	✓		Representative Amerman	✓	
Vice Chairman Kasper	✓		Representative Boe	✓	
Representative Clark	✓		Representative Gruchalla	✓	
Representative Frantsvog	✓		Representative M Nelson	✓	
Representative N Johnson	✓				
Representative Kreun	✓				
Representative Nathe	✓				
Representative Ruby	✓				
Representative Sukut	✓				
Representative Vigesaa	✓				

Total Yes 14 No 0

Absent 0

Floor Assignment Rep Nathe

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

REPORT OF STANDING COMMITTEE

HB 1161: Industry, Business and Labor Committee (Rep. Keiser, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
HB 1161 was placed on the Eleventh order on the calendar.

2011 SENATE INDUSTRY, BUSINESS AND LABOR

HB 1161

2011 SENATE STANDING COMMITTEE MINUTES

Senate Industry, Business and Labor Committee
Roosevelt Park Room, State Capitol

HB 1161
March 15, 2011
Job Number 15418

Conference Committee

Committee Clerk Signature

Eva Liebelt

Explanation or reason for introduction of bill/resolution:

Relating to entrepreneurship center awards

Minutes:

No written testimony

Chairman Klein: Opened the hearing on House Bill 1161.

Representative Keiser: In support of the bill. He said it relates to the entrepreneurship center awards created last session to stimulate economic development. There were two categories of awards, one was a five year funding option to the entrepreneurship centers themselves and the second category of awards which was a grant up to twenty five thousand to be given to the entrepreneur that would be coming through the center to help them get their project off and running. They discovered two areas that need to have amendments to the current legislation. He goes over the changes. He stated that it is a very successful program.

Chairman Klein: We are changing the number amount and providing a simple way for the auditors to understand what we are doing and how we are doing it.

Rep. Keiser: Said that was correct.

Senator Andrist: Asked what the source of funding was and if they received a continuing appropriation in the last session.

Rep. Keiser: It is a continuing appropriation.

Senator Andrist: Asked from what source.

Rep. Keiser: Said it was from the general fund.

Senator Andrist: Asked how much money was put in.

Rep. Keiser: Said he thought it was five hundred thousand dollars.

Deb Eslinger, Director of the Idea Center: In support of the bill. She said she has been there for a year and it has been in the community for about 2 1/2 years. She said since the beginning they have been helping grass root entrepreneurs from a concept idea to a full blown service of a business. They help them get started and give them that supporting team to help their business become a reality. They have screened over a hundred and thirty ideas. The committee is made up of business people from the community. She talked about the businesses they have worked with.

Senator Nodland: Asked who funds the idea center.

Deb: Said it is multiple sources and named a few of them.

Krista Newgard: She is the accounting coordinator and is in charge of the accounting shared services. She shared that she was first an intern and then was hired after she graduated.

Chairman Klein: Closed the hearing.

Senator Nodland: Move a do pass.

Senator Laffen: Seconded the motion.

Roll Call Vote: Yes-6 No-0 Absent-1

Senator Murphy to carry the bill

Date: 3/15/11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1161

Senate Industry, Business and Labor Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Senator Nodland Seconded By Senator Laffen

Senators	Yes	No	Senators	Yes	No
Chairman Jerry Klein	✓		Senator Mac Schneider	✓	
VC George L. Nodland	✓		Senator Philip Murphy	✓	
Senator John Andrist	✓				
Senator Lonnie J. Laffen	✓				
Senator Oley Larsen					

Total (Yes) 6 No 0

Absent 1

Floor Assignment Senator Murphy

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

REPORT OF STANDING COMMITTEE

HB 1161: Industry, Business and Labor Committee (Sen. Klein, Chairman) recommends DO PASS (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1161 was placed on the Fourteenth order on the calendar.