

2011 SENATE APPROPRIATIONS

SB 2057

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2057
January 27, 2011
13529

Conference Committee

Committee Clerk Signature *Rose Laning*

Explanation or reason for introduction of bill/resolution:

A bill relating to a centers of research excellence program and centers of entrepreneurship excellence grants

Minutes:

See attached testimony - # 1-15

Chairman Holmberg called the committee hearing to order on SB 2057. Roll call was taken.

Sara Chamberlin - Legislative Council: **Tammy R. Dolan** - OMB

Senator Grindberg, Chairman of Interim Committee, District 41, Fargo

He introduced **Duane Espegard, Board of Higher Education** -

This program was started in 2001 and there have been a number of things within the Centers of Excellence program that greatly advances the research and entrepreneurship in the state. He asked the committee for their support.

Senator Grindberg introduced the bill and outlined a presentation to be given that morning that is a project between UND, NDSU, State Aeronautics Commission, Appareo Systems which is a company located in the state. He reported on the Interim Committee and some of the bills they have introduced that are wrapped around a theme of a technology based economic strategy in ND. The Centers of Excellence program has been center stage in that evolution.

Private industry has reduced its investment in research and the federal government over the past number of years has increased investment. A large number of those dollars go to the East and West Coasts. The Roundtable is energizing the campuses to partner whether it is research as we involve into workforce and entrepreneurship has made a difference in our economy.

The Centers of Excellence program is built on the concept of partnering the research capacities of public colleges and universities with private sector companies to generate jobs and new business opportunities. He asked for favorable support.

Senator Christmann asked of the seven appropriations that were mentioned, some are in other budgets. Which ones are in other budgets and which one is this the only source for that activity.

Senator Grindberg: The governor recommended pretty much what is in the bill and the funding level in this bill is \$2M higher primarily because of the eminent scholar piece.

Chairman Holmberg said they will be getting a breakdown from Legislative Council.

Paul Govig, Interim Commissioner, ND Department of Commerce

Testified in favor of SB 2057.

Written testimony attached - # 1.

Testimony attached - # 2 – Centers of Excellence annual report 2010

Mark Nisbet, Chairman, Centers of Excellence Commission

Testified in favor of SB 2057. Written testimony attached - # 3

Reading from testimony –

Talked about monitoring what they do and wanted to lend their support for the entrepreneurial centers. The dollars provided help with the infrastructure of the state. We want people to stay in state and relocate here.

Chairman Holmberg thanked **Mark Nisbet** for his volunteer work on the project. He works for a company that has been very helpful for the entire Centers of Excellence project.

Senator Christmann (to Paul Govig) When we've invested this much and economic impact is this much, to different degrees, its true with almost any spending. Will you acknowledge that that amount of spending had it gone to state employees or nursing homes and care centers or had we used it for road construction or returned it to the tax payers, would also have been spent on the economy and revolved. It had a positive impact but it also had some negative weighing impact.

Paul Govig: Yes, I would agree with that. I think we could make the case that in the study, in the annual report, is some background information on the study that confirms those numbers. I think there are some spending that can be higher than others. You can multiply it more with Centers of Excellence funding. As a state, we're getting our bang for our buck because it multiplies more than some of the cases you mentioned. But I agree that anytime there is money put into the economy, it does multiply.

Kevin McKinnon, President, Greater Fargo Moorhead Economic Development Corporation

Written testimony attached - # 4. Testified in favor of SB 2057.

Reading from testimony –

Keith Lund, Vice President, Grand Forks Region Economic Development Corporation

Written testimony attached - # 5. Testified in favor of SB 2057.

Testimony attached - # 6 – Legislative Agenda 2011 – EDND(Economic Development Association of ND)

Chairman Holmberg handed out - Comparison of Centers of Excellence Funding and Provisions in HB 1018 and SB 2057 – Attachment # 7.

Shawn Carraher, director, Severson Entrepreneurship Academy, Minot State University

Written testimony attached - # 8. Testified in favor of SB 2057.

Reading from testimony -

Steve Glasser, Executive Director, Strom Center for Entrepreneurship and Innovation, Dickinson State University

Written testimony attached - # 9

Testimony attached - # 10 – Strom Center Business Incubation Program

Testimony attached - # 11 – North Dakota Workforce Needs

Testimony attached - # 12 Strom Center for Entrepreneurship & Innovation

Reading from testimony and thanked the committee for past support and want to expand on good things going on in western ND.

Senator Erbele – The state has put in money for leverage and you mentioned the creation of 170 jobs. Could you put some faces to those jobs? What are the jobs – more than jobs that just are created by the monies that the state put in and what the research brought in? What's outside of the monster we're feeding?

Steve Glasser: 150 of the jobs are with KMM (Killdeer Mountain Manufacturing) We provide training. There's the energy industry. I know of a one person shop that now has four employees and is looking to expand. Hopefully as the economy grows they will add employees over the next several years.

Senator Erbele: To follow up, the one person job that went from 1 to 4, how did your center specifically help that grow? What did you do for them?

Steve Glasser: We helped initially with the business plan; we helped recruit workers. It's a unique business; they design and develop maps in oil fields. There is another state that is working with this young lady and they are interested in her business in another state. We helped with the business plan, seeking financing and actually recruit some of the four workers for her.

Phyliss Johnson, Vice President, Research and Economic Development, University of North Dakota

Testified in favor of SB 2057.

UND has 5 Centers of Excellence centered around their research programs along with the Center for Innovation which fosters entrepreneurship and new companies. They are also the recipient of several enhancement grants that have been targeted at mitigating the economic impact of downsizing at the Grand Forks Air Force Base. She reported on some of the workings of the Centers of Excellence; UAS (Unmanned Aircraft Systems), space technology and operations, hydrogen technology, the petroleum industry and bio-based

fuels and bio-based products. There are two additional Centers of Excellence at the UND Research Foundation and one is collaborating with a Center of Excellence at Fargo – the Center Of Excellence on bio-pharmaceuticals.

The projects funded by the grants have resulted in significant research advances, new jobs, intellectual property that leads to patents and licenses, creation of spinoff companies and other economic impact. She looks forward to the continuation of the programs and asked the committee to continue funding.

Senator Bowman was concerned that the federal government is at the borderline for not having money for anyone. If they start to cut way back, how will that affect the research at the universities? Do you see the possible cutbacks as a problem with research grants coming to University systems?

Phyliss Johnson said that is a possibility, but they wouldn't feel the impact immediately because expenditure of their grants go on for two or three years after an award. If granting budgets are cut and it becomes more difficult to get funding, that will be problematic and that would make the Centers of Excellence program even more important. She was hopeful that the president's speech will put more emphasis on the need for more science and engineering and innovation, despite the fact that he wants to freeze the overall budget.

Philip Boudjouk, Vice President for Research, Creative Activities and Technology Transfer, North Dakota State University

No written attached testimony. Testified in favor of SB 2057. (meter 58:15)

Presentation on Capstone Project -

Al Palmer, Director, Unmanned Aircraft Systems, Centers of Excellence, UND

Limited Deployment- Cooperative Airspace Project (LD-CAP)

Testimony attached - # 13 – Power Point Slide Presentation about Problem Background and Project Background of LD-CAP

Presentation also included letters of support from

Dr. Robert O. Kelley, President, UND and Dr. Dean Bresciani, President, North Dakota State University

He spoke from power point slides –

Senator O'Connell asked how the airspace was expensive?

Al Palmer said they are charged by the military for access to restricted airspace and the charge could be anywhere from \$10,000 - \$20,000 a day. They've been fortunate with General Spryncynatyk has given them access to Camp Grafton South at a very modest rate of \$350/day.

Dr. Philip Boudjouk

Opportunity of LD-CAP

Continuing slide presentation on microelectronic Radio Chip.

David Batcheller, Appareo Systems

Testified in favor of SB 2057.

Continuing the slide presentation on the Economic Impact of LD-CAP

Break –

Major General David A. Spryncynatyk, Adjutant General, State of North Dakota

Testified in favor of SB 2057. No written testimony.

He wanted to ask the committee their support for Section 4 of the bill. The interest from the National Guard is two-fold; RPA (Remotely Piloted Aircraft), UAV/UAS Unmanned aerial vehicles). The National Guard and Air National Guard in Fargo have been flying UAV and remotely piloting them from Fargo since the summer of 2007. It's a tremendous opportunity to have the ability to support the ground fight from the air with remotely piloted aircraft and protect lives and provide for success in missions on the ground. Our people need to do more within the state. As a part of Brac (Base realignment and closure), they have authorization for a launch and recovery element at Grand Forks and they are hoping to be able to put that into place soon, but part of the challenge is air space. What is being done through the Center of Excellence at Grand Forks for unmanned aerial systems will go a long way in helping them to secure that air space to provide for the technology that they need to do their mission.

Section 4 – Brac (Base realignment and closure) – as a result of Brac, Grand Forks is at as low a level of authorized airmen as they've been for 40-50 years or more, but there is a future with the Global Hawk, which is an unmanned aerial vehicle. There are a lot of opportunities and a tremendous growth industry for the state of North Dakota.

Bill Shalhoob, ND Chamber of Commerce

Testified in favor of SB 2057. No written testimony.

Asked committee to continue the research and process of technology transfer.

Marsha Krotseng, Vice Chancellor for Strategic Planning, North Dakota University System

Testified in favor of SB 2057. Testimony attached - # 14.

Asked the committee to support SB 2057 and help the state accomplish the goals and objectives of the next generation of Centers of Excellence.

Eric Icard – Base Realignment Impact Committee

Testified in favor of SB 2057. Testimony attached - # 15 – Base Realignment Impact Information sheet

Subcommittee - **Senator Grindberg, Chairman Holmberg, Senator Robinson**

Chairman Holmberg closed the hearing on SB 2057.

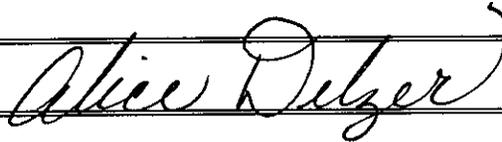
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2057
02-21-2011
Job # 14773

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Research Excellence Program & Entrepreneurship Excellence Grants – DO
PASS AS AMENDED

Minutes:

You may make reference to "attached testimony."

Chairman Holmberg called the committee back to order at 11:00 am in reference to SB 2057.

Senator Robinson introduced Sheila Peterson's parents from Litchville, ND and commented we are very proud of Sheila and the work she does. He extended his welcome to the committee.

V. Chair Grindberg distributed Amendment # 11.0025.02004 and explained his amendment to the committee.

Chairman Holmberg Now that money, there is also a duplicate in Department of Commerce in 1018 so this is a duplicative thing. He was told yes.

V. Chair Grindberg continued to explain his amendments. He was asked about Section 6 and told the committee this amendment removes Section 6. He continued explaining his amendments. (Meter 4.55)

V. Chair Grindberg moved the amendment. Seconded by Senator Robinson.

Senator Christmann How this compares to the governor's budget, the \$10 million that's in Higher Ed did the governor's budget contemplate that and now this matches the governor's budget but we know there is also \$10 million over there if we pass this it would need to be combined to make a fair comparison or did the governor's budget presume this much separate plus \$10 million in the Higher Ed? Is that somewhere else?

V. Chair Grindberg: You're referring to the EPSCOR funding of \$10 million? My understanding is the Higher Ed budget contains approximately \$7 million for EPSCOR in Higher Ed budget. This would just remove it entirely. There would be no duplication. The EPSCOR has to be addressed in Higher Ed budget. The reason we put EPSCOR into the workforce economic development committee was to send a message to to encourage EPSCOR funding at a higher level. I don't know exactly what the executive recommendation is

above the current biennium but I know it was increased, this just takes it out of the equation for Centers of Excellence.

Senator Christmann: If the governor were to prevail and get \$7 million or whatever the number for EPSCOR and we did this as the amendments would call for then we would be increasing Centers of Excellence by \$7 million from what he had proposed. He was told no, it would be \$17 million, we would be adding \$10 million if we passed this.

Chairman Holmberg commented about this Bill and that EPSCOR has always been in the Higher Ed budget.

V. Chair Grindberg: If we pass this with EPSCOR in it and the House passes whatever level it could be \$16 or 17 million in EPSCOR. The intent is to just focus on the Higher Ed Bill. That is why I am recommending we take this out.

A Roll Call vote was taken on a DO Pass Amendment # 2004. Yea: 13 Nay: 0; Absent 0.

V. Chair Grindberg moved a DO PASS AS AMENDED. Seconded by Senator Robinson.

Senator Christman: With this amendment passed now and plus whatever happens with EPSCOR are we spending more on Centers of Excellence than what the governor had originally proposed combining the two or the same or less. He was told it would be the same or less.

Sara Chamberlin, OMB gave further information regarding funding concerning Centers of Excellence and EPSCOR.

Chairman Holmberg: I also understand, not that we reflect what the House is doing, the Department of Commerce budget, what did they do there? That's already gone out of committee and they removed all of Centers of excellence funding.

Sara chamberlin: The \$20 million that was proposed included \$2 million for Centers of Workforce Excellence, that remains in the budget, but instead of being Centers of Excellence Program it just reverts to the original program which was the Workforce Enhancement Program. \$18 million was removed.

Chairman Holmberg This would be the only vehicle for the Senate at this early stage to make a comment about Centers of Excellence.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent 0. V. Chair Grindberg will carry the Bill. The hearing was closed on SB 2057. (Meter 12.22) (SB 2132 is also on this job).

FISCAL NOTE
 Requested by Legislative Council
 04/28/2011

Amendment to: Engrossed
 SB 2057

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.*

	2009-2011 Biennium		2011-2013 Biennium		2013-2015 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2009-2011 Biennium			2011-2013 Biennium			2013-2015 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).*

As amended, Senate Bill No. 2057 is the agency appropriations bill for the Department of Commerce.

This bill also creates a new income tax credit for purchases of machinery and equipment used to automate the manufacturing process.

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 14 of SB 2057 creates a corporation and individual income tax credit for certified primary sector businesses equal to 20% of the cost of purchasing equipment for automating the manufacturing processes. The total amount of tax credits for automation is limited to \$2 million per tax year. The effective date and expiration date in section 37 of the bill would have this tax credit effective for the 2013, 2014, and 2015 taxable years. This could result in a reduction in state general fund revenues of up to \$2 million for the 2011-13 biennium, and up to \$4 million for the 2013-15 biennium. The actual amount of automation expenses that will qualify for the credit cannot be determined.

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.*

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.*

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.*

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	04/28/2011

FISCAL NOTE
 Requested by Legislative Council
 04/15/2011

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 SB 2057

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2009-2011 Biennium			2011-2013 Biennium			2013-2015 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).*

As amended, Senate Bill No. 2057 is the agency appropriations bill for the Department of Commerce.

This bill also provides Williston State College with an appropriation and borrowing authority for the purpose of a workforce training building project.

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.*

All fiscal impacts are addressed through the appropriations contained in the bill.

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.*

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.*

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.*

Name:	Justin Dever	Agency:	Department of Commerce
Phone Number:	328-7258	Date Prepared:	04/15/2011

PROPOSED AMENDMENTS TO SENATE BILL NO. 2057

Page 3, line 2, remove "which has a full-time student enrollment in excess of nine thousand"

Page 3, line 3, remove "students"

Page 6, remove lines 18 through 31

Page 7, remove lines 1 through 3

Page 7, replace lines 9 through 19 with:

"SECTION 5. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of working with the North Dakota university system's research institutions, the adjutant general, and the North Dakota aeronautics commission in leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state, for the biennium beginning July 1, 2011, and ending June 30, 2013."

Page 7, line 27, replace "\$10,000,000" with "\$8,000,000"

Page 8, line 3, replace "\$2,000,000" with "\$1,500,000"

Renumber accordingly

Date: 2-21-11
 Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2057

Senate Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 11.0025.02004

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

Motion Made By Grindberg Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment _____

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

Date: 2-21-11
 Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2057

Senate Senate Appropriations 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 Grindberg Seconded By Robinson

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Warner	✓	
Senator Bowman	✓		Senator O'Connell	✓	
Senator Grindberg	✓		Senator Robinson	✓	
Senator Christmann	✓				
Senator Wardner	✓				
Senator Kilzer	✓				
Senator Fischer	✓				
Senator Krebsbach	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No _____

Absent _____

Floor Assignment Grindberg

If the vote is on an amendment, briefly indicate intent: 2

REPORT OF STANDING COMMITTEE

SB 2057: Appropriations Committee (Sen. Holmberg, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2057 was placed on the Sixth order on the calendar.

Page 3, line 2, remove "which has a full-time student enrollment in excess of nine thousand"

Page 3, line 3, remove "students"

Page 6, remove lines 18 through 31

Page 7, remove lines 1 through 3

Page 7, replace lines 9 through 19 with:

"SECTION 5. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,500,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of working with the North Dakota university system's research institutions, the adjutant general, and the North Dakota aeronautics commission in leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state, for the biennium beginning July 1, 2011, and ending June 30, 2013."

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Page 8, line 3, replace "\$2,000,000" with "\$1,500,000"

Renumber accordingly

2011 HOUSE APPROPRIATIONS

SB 2057

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

2057
3/7/11
15037

Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new chapter to title 54 and a new section to chapter 54-60 of the North Dakota Century Code, relating to a centers of research excellence program and centers of entrepreneurship excellence grants; to amend and reenact section 54-60-22 of the North Dakota Century Code, relating to centers of workforce excellence grants; to provide for transfers; to provide a continuing appropriation; and to provide an appropriation.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: The Committee was brought to order to hear SB 2057. It is noted that all committee members are present.

Senator Tony Grindberg, District #41 from Fargo: He began testimony by stating that he served on the Interim Workforce and Economic Development Committee Chairman, here today to talk about Centers of Excellence (COE) and provide background on the interim study, and to explain the bill as engrossed out of the Senate.

We set in motion a series of study assignments to the Workforce Committee. One of those included an overview and review of the COE program. Secondly was a review and better understanding of best practice in other states with technology based economic development initiatives. We also spent time on the COE program, with testimony and feed back from various constituency groups. A gentleman from Utah who heads the national COE provided an overview of our program to date in comparison to other programs in other states. His advice, in the case of the two research institutions, focus on Centers of Research and to recruit top eminent scholars or researchers. We carved out a \$2M commitment to attract eminent researcher/scholars. The Senate bill as a result of the interim bill made a few slight changes. We reallocated \$3M and reduced the eminent researcher by \$500,000 and tagged the project at \$3.5M in lieu of the infrastructure funding and continued the language as it is currently in law through this biennium and the interim bill with a \$20M appropriation. The project that was replaced with infrastructure involves a capstone project. The key points to distinguish arereferring to the national air spaces Going from "see and avoid" to "sense and avoid" through GPS. North Dakota will be the site chosen for the innovation of this project. Senators Hoeven and Conrad have signed on to the FAA budget we could have a shot at being the leading state in the nation with potential commerce and job growth. That is the bill.

What we produced are a strategy related to the state science and technology institute, a group out of Ohio. Technology based development involves.... ssti.org is their website. What is required for technology based economy are outlined by this group. It is creation of intellectually involved infrastructure, sustaining intellectual infrastructure which is where universities create an environment for public/private research, laboratories that create new knowledge and discoveries, mechanisms for transferring that knowledge, physical infrastructure that provides infrastructure to support in a public/private environment for high quality telecommunications systems and affordable high speed internet, highly skilled technical workforce and sources of risk capital. If you look at the bills that we passed out at the interim, they fit into either one of them to strengthen North Dakota in partnership with our Department of Commerce and our economic development efforts. Factoring our work, capital, attraction of work force, output of the North Dakota university system to investments in economic development, we are making some headway. We have the opportunity to move that forward in light of competition from other states trying to do the same things.

The current Centers of Excellence (COE) project, one point to highlight, CEO has evolved from legislative compromise and it is product of what House and Senate have agreed to over the last three biennium. Addressing the audit, it is the administrative process. Secondly, the plan that the Round Table provided was linking the University system with the private sector in economic development. Economic development to me is an ag extension investment. No one in the Senate ever questions the ag extension budget for research for ag. The investment in the Centers program has gone to the two research institutions.

Chairman Skarphol: I like what I see here better than what I saw in Commerce. It is more well defined

Rep. Williams: On page 6, eminent recruitment challenge grants, did you say that was taken out?

Grindberg: It was reduced by \$500,000

Chairman Skarphol: That is in section 8, \$2M to \$2.5M.

Rep. Martinson: I am agreeing with you on this bill versus the other bill. We put into the Commerce bill \$250,000 to Minot for their (?) retention and \$600,00 for the purchase of the Nekoma site. What would be you thought if we did that to this. What if we put in some requirements in the other bill that we are looking for in here? I appreciate the things you are saying about compromising before we get to the Conference Committee

Grindberg: I don't know if I would call them CEO. I expect this bill to meet its demise and HB 1018 we will have that hearing next week and I would predict a lot of what I am talking about will make its way into HB 1018. My only comment on the Brick Brac funding, it was a onetime understanding that Grand Forks receive \$5M in infrastructure investment that was aligned around Base realignment. \$5M for NDSU under that category for infrastructure. I don't debate whether they need another X amount for brick up there.....

Rep. Martinson: Minot did not get any money last session.

Grindberg: I realize that. Minot never asked.

Rep. Martinson: Nobody knew that was coming except people on the Conference Committee. That is not fair to say that they don't need any more, because they didn't get any.

Grindberg: From two years ago, I don't recall Minot asking for any money.

Rep. Martinson: I don't recall any call for assistance from Fargo and Grand Forks either. Most of us didn't know about it until this session.

Grindberg: there was a bill introduced last session on base realignment for Grand Forks. Not for Minot.

Rep. Hawken: If we are doing COE, naming everything COE takes away from it because people can't key in on what it is. Would we have to use that name?

Grindberg: No we would not. Your question illustrates the compromises we have made between the House and the Senate over the years of this program. If it could be defined as it is at national as true COE, we would have three to four at the research enterprise. It does not exist at Devils Lake or anywhere else, it exists only at the research centers. Every campus has a role to work with industry in partnership.

Rep. Hawken: Is it a COE or is it a technology

Chairman Skarphol: On p. 23 you removed the language on defining research universities. The language was in the original bill added to what is in the existing bill which has a full time student enrollment in excess of 9,000 students.

Grindberg: Senator Krebsbach gave us that amendment and she offered it so that in the case where Minot State expertise was apparent that they could apply as a partner to one of the research institutions.

Paul Govig: Acting Commissioner for the Department of Commerce: You are well aware of how we feel about COE. When you go there and see all that is going on you will be amazed. It is a real success story built on the concept of partnering our research capabilities in private and public institutions with businesses to create new jobs and business opportunities. We need to actually go to the COE and see what they do. Distributes Attachment # 1.

Chairman Skarphol: The Governor suggested that we tighten up the criteria. We feel that the interpretation is too open and needs some changes. I agree that not everything should be a COE. We will get some information on what other states are doing.

Govig: We can do whatever.

Chairman Skarphol: We will put together some information and see how COE can be redefined.

Jennifer Clark, Legislative Council, Counsel: No prepared testimony but will answer any questions.

Chairman Skarphol: What kind of research do you have available from other states?

Clark: This summer there was a COE summit and could get some information about what is being done in other states. This bill you are reviewing is to accomplish some of what was heard at that summit. To focus more so that one program is not doing all things for all people.

Chairman Skarphol: We are not into political correctness, such as in-kind and other language that is open to interpretation, but to develop what is most cost effective for the taxpayers.

Clark: It can be more streamlined. The primary program, the research COE retains a lot of the language that is used in the COE program now. In the bill we use the word "Commission" and this will have to change.

Andy Peterson, President of the North Dakota Chamber of Commerce: Presented testimony in favor of SB 2057, see Attachment # 2.

Chairman Skarphol: You would be equally in favor if it were confined to our two research institutions.

Peterson: Yes.

Joel Gilbertson From Bismarck and appearing on behalf of the Biotechnology Industry Organization or BIO in support of COE for the Research portion of SB 2057. See Attachment # 3. He refers to appendices he has attached to his testimony.

Chairman Skarphol: To what extent is government assistance available?

Gilbertson: There is some government assistance as in cash. In most states it is the Department of Commerce and private industry working with various governments.

Cal Klewin, A Representative of the Economic Development Association of ND: Provided testimony in support, see attachment # 4

Chairman Skarphol: Would you be in support if it were to be at our two research institutions?

Klewin: This is a difficult question to answer on behalf of the membership. Our membership has a strong voice and feels that these centers are able to assist in the growth of our state. There is a strong diversity in our state as far as growth in the state.

Deana Wiese, Executive Director of the Information Technology Council of North Dakota: Testimony in support of SB 2057 was given, See Attachment # 5.

Chairman Skarphol: The breakdown of COE companies, what percentage would you say are strictly technology companies?

Wiese: The vast majority are high tech companies.

Kalvin Hullet, Bismarck Mandan Chamber of Commerce: Spoke in support of SB 2057. There are other opportunities outside of the research centers. As part of the evaluation process we have to have to take that into account.

Chairman Skarphol: There needs to be something more definitive. What are your thoughts? For example Williston, it is a good facility and serves a purpose but it is not a COE.

Hullet: I will put some thought into that.

Rep. Hawken: We did get to see what goes on at NDSCS. There is training going on there but is it a COE?

Hullet: When it was allocated there was a sense that not all of the money had to have a COE behind it. What happened is that everything got handed out.

Julie Kuennen, Executive Director of the Bismarck Community IDEA Center: We are focused on entrepreneurial support. We have helped about 140 different entrepreneurial ideas. We currently work with about 30 different businesses. We are almost training wheels for the research centers. Appearing to show support for Entrepreneurship COE

Govig: Refers to printed testimony from Steve Glasser of Dickinson who could not attend today, see Attachment # 6.

Chairman Skarphol: Other states' COE, has any state achieved critical mass in the COE to where there is enough happening that it is self sustaining?

Govig: The Research Triangle in North Carolina which would be similar, Over time it does develop into a significant industry. This is an example of something that has been worked on for a long time.

Chairman Skarphol: What is a long time?

Govig: Not sure, probably 30-40 years.

Chairman Skarphol: Hearing no further testimony pro or con the meeting is closed.

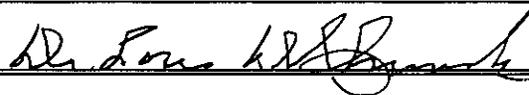
2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

SB2057
3/25/11
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Clark: The COE exists in the academic world as a research piece. If you want to keep a different program for research, rename it. There are all kinds of centers out there that become COE and have nothing to do with us because in the academic arena that is what they are so as you talk about our program. You could do more like the interim bill said were are going to have entrepreneur COE; workforce COE and research COE. Maybe that was an unfortunate term we used and attached to them because you could call it anything you want. You would pull some of them aside and create a different program for them and call them what you want them to be and not COE. If you want to tighten this program up and carve away the ones you don't want that is one way to do it.

Rep. Williams: In the public mind is Williston Science considered a Workforce COE and in the Governor's Office and elsewhere?

Clark: I don't know, as soon as they receive money it is a COE. As soon as you give them money they are the COE. Their COE for economic development qualifies them for money and they can put on their monitor. In their academic world there are several COE that aren't ours.

Rep. Williams: Can this legislature make a difference? I know what we are trying to do. Are we will be butting heads? Can we make headway on this?

Clark: I don't know enough about the climate is in the academic world to know how much the actual world COE means? If they can leverage that and that means something or whether what is most important is the funding that comes with it and the partnerships they create through it. You can take the name away and still give them the benefits. I am not sure if taking the name away is going to change things.

Rep. Williams: I am concerned about the major players on the Senate side, if we can make a difference on this. I am just looking at the outcome.

Chairman Skarphol: I think we can convince the major players on the Senate side that there needs to be a more limited view of what qualifies for a COE. Have you gathered any information for the interim committee in regard to the origins? I think they had a National Governor's Association meeting and it blossomed from there. It would be good to have an expert give us an opinion about the relative success? If I am a business man named Thomas Miller & Associates and the Commerce Department asked me to give them an evaluation of the success or failure of the program that they have been having for ten years I suspect that they might lean a little more about being complimentary.

Clark: I think you are going to find that from anyone you ask to come in and evaluate a program. That Michael Alder; that power point, he was not paid by us to do an evaluation. He happens to be an expert in this area and came in and talked about the things he is an expert about. This is the closest I can come to that. See Attachment # 1

Chairman Skarphol: He also represents the National Centers of Excellence. You have to get someone in the area even though they work for them.

Rep. Williams: P. 3 of Attachment # 2 h. bothers me. Do we ever have any hope of any of these becoming self-sustaining? I don't care if it is a research development up in the corridor of the universities. Are we ever going to have much success in the self-sustainability in these centers?

Clark: I am not sure. It is a long term investment so I am not sure how long that takes to reasonable expects it to happen.

Rep. Monson: If it is a workforce COE at a college, it would become self-sustaining if they could get in-kind and the money and equipment given to the program that they would charge tuition and the money would come in at the same rate as send out their workers. At the college level that would be how it would be self sustaining. That isn't likely to happen. Our true COE was we see them, if you had research and spun off new companies and they developed new products that we paid back to the pool in royalties and profits that share in the stocks. That is what I had in mind when we set this up and that would be self-sustaining. That would be through Commerce. When we got too heavy on the workforce, through higher ed. They should have been creative and should have been doing it and I don't think they will be self-sustaining in most cases.

Chairman Skarphol: The idea that these companies were going to pay something into the pool has never happened yet?

Clark: Not sure.

Rep. Martinson: COE is gone; they blew that when they gave money to everybody. The COE can mean anything to anybody. I think we are just trying to give guidelines on how Commerce ought to spend their money. If they don't bring anything back, don't give them any more. I think we should just get away from the COE stuff. It doesn't mean anything.

Rep.Hawken: (no mike)

Rep. Martinson: If you tell me Utah has COE I am going to laugh. They are doing that dumb thing too.

Clark: May not call it COE but they are going to provide the service for the state.

Rep. Williams: Analogy of COE to making stew, we don't know what it is.

Chairman Skarphol: Addressing Clark, come back on Monday. We are trying to put something together that will adequately define what we believe this should be in the event this bill passes.

Clark: Do you want one or both? Do you want a research COE and something else? Or just research right now?

Chairman Skarphol: I think we need to more adequately define what COE is in research. Then we need to come up with a mythology that would require the Commerce Department to reevaluate what we have and come up term logy that accurately represents what they are. Terminology that better represents what they are. I have problem with the beef COE.

Rep.Hawken: (no mike)

Clark: Do you want one column or two?

Hearing closed.

2011 HOUSE STANDING COMMITTEE MINUTES

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Rep. Hawken: That is the training piece.

Chairman Skarphol: Check on that and we will have you back on Monday. Is there a way to segregated those that are COE and better define what our expectations are? I wonder if there is any way we can change what has happened. Can we really recognize COE and segregate those that we feel are different than the workforce ones? We need to better define what our expectations are.

Clark: The COE exists in the academic world as a research piece. If you want to keep a different program for research, rename it. There are all kinds of centers out there that become COE and have nothing to do with us because in the academic arena that is what they are so as you talk about our program. You could do more like the interim bill said were are going to have entrepreneur COE; workforce COE and research COE. Maybe that was an unfortunate term we used and attached to them because you could call it anything you want. You would pull some of them aside and create a different program for them and call them what you want them to be and not COE. If you want to tighten this program up and crave away the ones you don't want that is one way to do it.

Rep. Williams: In the public mind is Williston Science considered a Workforce COE and in the Governor's Office and elsewhere?

Clark: I don't know, as soon as they receive money it is a COE. As soon as you give them money they are the COE. Their COE for economic development qualifies them for money and they can put on their monitor. In their academic world there are several COE that aren't ours.

Rep. Williams: Can this legislature make a difference? I know what we are trying to do. Are we will be butting heads? Can we make headway on this?

Clark: I don't know enough about the climate is in the academic world to know how much the actual world COE means? If they can leverage that and that means something or whether what is most important is the funding that comes with it and the partnerships they create through it. You can take the name away and still give them the benefits. I am not sure if taking the name away is going to change things.

Rep. Williams: I am concerned about the major players on the Senate side, if we can make a difference on this. I am just looking at the outcome.

Chairman Skarphol: I think we can convince the major players on the Senate side that there needs to be a more limited view of what qualifies for a COE. Have you gathered any information for the interim committee in regard to the origins? I think they had a National Governor's Association meeting and it blossomed from there. It would be good to have an expert give us an opinion about the relative success? If I am a business man named Thomas Miller & Associates and the Commerce Department asked me to give them an evaluation of the success or failure of the program that they have been having for ten years I suspect that they might lean a little more about being complimentary.

Clark: I think you are going to find that from anyone you ask to come in and evaluate a program. That Michael Alder; that power point, he was not paid by us to do an evaluation. He happens to be an expert in this area and came in and talked about the things he is an expert about. This is the closest I can come to that. See Attachment # 1

Chairman Skarphol: He also represents the National Centers of Excellence. You have to get someone in the area even though they work for them.

Rep. Williams: P. 3 of Attachment # 2 h. bothers me. Do we ever have any hope of any of these becoming self-sustaining? I don't care if it is a research development up in the corridor of the universities. Are we ever going to have much success in the self-sustainability in these centers?

Clark: I am not sure. It is a long term investment so I am not sure how long that takes to reasonable expects it to happen.

Rep. Monson: If it is a workforce COE at a college, it would become self-sustaining if they could get in-kind and the money and equipment given to the program that they would charge tuition and the money would come in at the same rate as send out their workers. At the college level that would be how it would be self sustaining. That isn't likely to happen. Our true COE was we see them, if you had research and spun off new companies and they developed new products that we paid back to the pool in royalties and profits that share in the stocks. That is what I had in mind when we set this up and that would be self-sustaining. That would be through Commerce. When we got too heavy on the workforce, through higher ed. They should have been creative and should have been doing it and I don't think they will be self-sustaining in most cases.

Chairman Skarphol: The idea that these companies were going to pay something into the pool has never happened yet?

Clark: Not sure.

Rep. Martinson: COE is gone; they blew that when they gave money to everybody. The COE can mean anything to anybody. I think we are just trying to give guidelines on how Commerce ought to spend their money. If they don't bring anything back, don't give them any more. I think we should just get away from the COE stuff. It doesn't mean anything.

Rep. Hawken: (no mike)

Rep. Martinson: If you tell me Utah has COE I am going to laugh. They are doing that dumb thing too.

Clark: May not call it COE but they are going to provide the service for the state.

Rep. Williams: Analogy of COE to making stew, we don't know what it is.

Chairman Skarphol: Addressing Clark, come back on Monday. We are trying to put something together that will adequately define what we believe this should be in the event this bill passes.

Clark: Do you want one or both? Do you want a research COE and something else? Or just research right now?

Chairman Skarphol: I think we need to more adequately define what COE is in research. Then we need to come up with a mythology that would require the Commerce Department to reevaluate what we have and come up term logy that accurately represents what they are. Terminology that better represents what they are. I have problem with the beef COE.

Rep. Hawken: (no mike)

Clark: Do you want one column or two?

Hearing closed.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

SB 2057
3/31/11
16217

Conference Committee

Committee Clerk Signature

Jeanette Cook

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new chapter to title 54 and a new section to chapter 54-60 of the North Dakota Century Code, relating to a centers of research excellence program and centers of entrepreneurship excellence grants; to amend and reenact section 54-60-22 of the North Dakota Century Code, relating to centers of workforce excellence grants; to provide for transfers; to provide a continuing appropriation; and to provide an appropriation.

Minutes:

Attachment #1 and #2

Chairman Skarphol: Brought the committee to order to discuss SB 2057. My thoughts that the workforce enhancement grants that were in there for \$1M and are in there now for \$2M. They probably do provide some value because they do provide some training for our workforce. I think we leave that particular aspect in here. The reason I asked John Bjornson and Jennifer (Clark), Legal Counsel for Legislative Council, to be here is that in reading through this document there is a suggestion in here for \$250,000, I think it is a "Proof of Concepts" thing. Do you know, Jennifer?

Jennifer Clark: I have to admit, I haven't committed that to memory.

Chairman Skarphol: It is the Proof of Concept idea where you provide an appropriation, referring to p. 28 of Attachment # 1. It is to enable small burgeoning entrepreneurs to be allowed to get \$50,000 to \$250,000 grants with or without a matching requirement depending on how you would want to configure it. The reason John is here is that if we were going to do this type of thing, we need to have him give us his opinion as to whether or not we could take an ownership position because of that grant. Say a 5% or 10% ownership without killing Curly Haugland.

Clark: The Proof of Concept, is that Centers of Excellence (COE) application?

Chairman Skarphol: It would be for a young entrepreneur to take university research and have some money to try to bring it forward to the commercialization phase.

Clark: It is separate from COE, it is dealing with our university and commercializing.....

Chairman Skarphol: Yes.

Rep.Hawken: Inaudible, microphone not used.

Clark: One of the workforce bills addressed those issues.

Tammy Dolan, OMB Analyst: Inaudible. Microphone not used.

Chairman Skarphol: Addressing John Bjornson. I was told that you have done some work on this aspect of the state's capability according to our constitution to be in a position where we could actually generate revenue with what we do in order to turn it into a revolving fund potentially. It is something that conceivably could happen if we can configure it properly, right?

Bjornson: The constitutionality of this is that it has been interpreted rather broadly in a number of instances, and the little I have heard about this was discussion with one of our members of this subcommittee. What I understood the proposal to be would have been something similar to what has been done in the past through what used to be the Department of Economic Development and Finance. There was the development fund, and it could begin as a science and technology transfer fund. Those funds took some equity positions in businesses. I don't know the results, whether any funds have returned to the state or not. Some may have paid off or at least paid a return.

Chairman Skarphol: If we have an applicant who has no money, and we give him a small grant, a small grant of about \$50,000. We would take an equity position in that case. If there were matching dollars required, then we wouldn't take that equity position. One is a higher risk than another. Can we do that?

Bjornson: The constitutional provision allows the state or political subdivisions to engage in an industry or business. It doesn't allow you to give credit or loans to businesses. It has been determined broadly to allow the state do a number of things like you mentioned, to basically promote a public purpose. In this case the public purpose is creating business in the state and also returning money to the state. I think you could make a good argument that this falls within the interpretation of the Constitution, and that it could be allowed. Not knowing all the strict details, but it seems that it could be suggested that the state is engaging in an industry or business, which may be allowed, particularly if there is no investment other than the ... If the state is holding the sole investment in this business, it sounds like the state is engaging in a business. I know that Mr. Haugland takes a very narrow view of the constitution, and there are many times that I have had a hard time disagreeing with him. However, what our supreme court has said and what attorney generals' opinions have indicated have been contrary to what Mr. Haugland believes that the constitution prohibits.

Chairman Skarphol: How can we create an opportunity for a return on the investment in Centers of Excellence, so they do become self-sustaining? How else would we do it, except to have an ownership position?

Bjornson: I don't think I can be as creative as you have already been. *Laughter.* I think that your proposal is a creative way that would quite possibly fall within the Constitutional allowance in this area. Anybody can argue that the strict meaning of the Constitution says that you can't give credit or a gift. You can say that this is giving money in the credit of the state to somebody, but that is done in many cases in the economic development programs.

Rep. Dosch: If it is a grant, it would be considered a gift. Can we make an ownership interest? Can we take stock in a company, or can we take a percent of the intellectual property, something along those lines?

Bjornson: It is common practice in the economic development area. There are those that think it is not permissible, but it has routinely been done. It is not viewed as a gift, but as promoting a public purpose, and that is allowed. That is growing business in the state and growing business activity.

Clark: Anything that I would add, would just be to support what he said. We do have examples in our Century Code where we allow governmental entities to take equity positions. A specific example of that would include our North Dakota Development Fund. Also, as John talked about, Tech Transfer. That is not a past program; it is an existing program. That is a concrete example of where we are doing it. Another example would be at the local government level that would be the JDAs.

Chairman Skarphol: Tech Transfer was an old program, correct?

Clark: Tech Transfer doesn't exist anymore, but the North Dakota Development Fund does. John makes a good point when he says just because we have it in statute and that it has been accepted within the arena of economic development, doesn't mean that it is going to survive constitutional scrutiny if someone brings the right case. But, we have examples of having done it.

Chairman Skarphol: Are you aware of anything pending?

Clark: I don't, but I don't track all of that. It could be happening in district court, which is very hard to track.

Rep. Dosch: Are we trying to create different Centers of Excellence, when really what we are trying to accomplish is already being accomplished in the North Dakota Development Fund?

Clark: I am trying to wrap my head around this idea that you are discussing today on the Proof of Concept as you are discussing it in the arena of Centers of Excellence. Although I think it compliments and is part of the whole spectrum of services offered through the state to accomplish economic development and commercialization at our educational institutions, I view this as a different program from the Centers of Excellence. My first instinct would not be to set that program within that body of law.

Chairman Skarphol: Where would you put it?

Clark: I have a slighter version of putting it in Higher Ed. because that gives us constitutional challenges. I would probably put it in Commerce. When I think of the Centers of Excellence, I think of the geographical location and an activity that continues at that institution through a partnership with a private and a school entity. When you are talking about this Proof of Concept program, you may be talking about one individual, a professor or a student. There are a variety of ways that idea could generate. They may or may not have a partnership with a private entity. I think of it as a much smaller scale, whereas our Centers of Excellence are much grander. I think the thought is that it is going to continue over time. The ball is going to get rolling, and there will continue to be a center there. It will continue if the faces change. I think of what you are talking about as being very unique to an individual who has a dream and an idea and on a much smaller scale.

Chairman Skarphol: I agree with you that it does belong in Commerce. It doesn't need the rigor of oversight that the commission provided.

Informal discussion.

Chairman Skarphol: Let's move off of that and talk about peer review, referring to Attachment # 1. In my mind that is different than what we've had, with regard to the Centers of Excellence. In reading this it appears that they must contract with an outside entity. In the discussions in the interim committee in regards to this document, was there any discussion about that type of peer review, and the cost associated with it?

Clark: Asking Rep. Williams if he remembers the discussion. (He indicated that he did not.) I have to admit that I didn't attend the Centers of Excellence summit where it was probably discussed in a very broad sense.

Chairman Skarphol: Then there is the National Research Council of the National Academy. You almost have to assume that there is a cost associated with them doing a review.

Clark: I think the way the committee took that document is that Commerce contracted to have it done. We had it presented to us, and then we looked at Commerce and say, if you go back to the Centers of Excellence Foundation and look at this, how would you prioritize these recommendations? What do you think the state is ready to do, and how would we benefit most? Those were there recommendations, and the committee acted upon them. I think those were the bills that you saw.

Chairman Skarphol: On Page 37 of Attachment # 1, referring to matching requirements, the recommendation is to tighten up the matching in kind definitions. On the other hand it says our interview supported the commonly held perception that a high match requirement, especially in cash, is far more difficult for a small company.

Clark: I am not saying that the committee didn't think that those were important, but they prioritized them.

Chairman Skarphol: It goes on to say, the more commercially focused the program the higher the match required.

Clark: If what you wanted were those matching requirements and to have the flexibility to address some of the things in the report, to be more stringent and tighter for some and to be less for others, for it to be a varying match based on the program. That could be done; we don't have to put it in statute. The foundation can put it in; it doesn't have to be codified.

Chairman Skarphol: The foundation can.

Clark: I sense historically the legislative assembly hasn't been comfortable with that. We could accommodate that pretty easily without putting in all the details in statute, because you can't anticipate all the different applicants you are going to have. You could give them the flexibility to vary from what you currently have codified. If they meet certain standards, they can vary from that. You can give them examples, which would require higher matching or lower matching.

Chairman Skarphol: The secret is getting that definition done well enough that it actually has meaning.

Rep. Williams: You were at the meeting in Medora, correct.

Clark: I was not invited to that.

Chairman Skarphol: We will have to move on this bill this week.

Rep. Williams: What do you want to do with it?

Rep. Martinson: I would like to hang on to it; it is the one economic development bill that we have.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Education and Environment Division
Sakakawea Room, State Capitol

SB 2057
4/5/11
16368

Conference Committee

Committee Clerk Signature

Shirley Branning

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create and enact a new chapter to title 54 and a new section to chapter 54-60 of the North Dakota Century Code, relating to a centers of research excellence program and centers of entrepreneurship excellence grants; to amend and reenact section 54-60-22 of the North Dakota Century Code, relating to centers of workforce excellence grants; to provide for transfers; to provide a continuing appropriation; and to provide an appropriation.

Minutes:

You may make reference to "attached testimony."

Chairman Skarphol: There is substantial work gone into recreating the Commerce Department budget much as it was introduced on this side. It is my opinion that both are not necessary. Committee discussion on SB 2057. There Are \$20M in here.

Rep. Monson: If they have HB 1018 the way we had it to start with, we'll have plenty to talk about in Conference Committee. There isn't much use to have this one.
I Move a do not Pass.

Rep. Martinson: Second

Chairman Skarphol: Hearing no further discussion, take the roll

Roll Call Vote: 6-0-0 Passed

Carrier: Rep. Skarphol

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

SB 2057
4/6/11
16406

Conference Committee

Committee Clerk Signature

Meredith Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to a centers of research excellence program and centers of entrepreneurship excellence grants; relating to centers of workforce excellence grants; to provide for transfers; to provide a continuing appropriation; and to provide an appropriation.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: We'll discuss SB 2057.

Representative Skarphol: This is a duplicate to the commerce budget (HB 1018), you might say. It's our understanding that the provisions that are in this bill are back in the commerce budget; we don't feel this bill is necessary, so we gave it a Do Not Pass out of our subcommittee. I move Do Not Pass on SB 2057.

Representative Monson: Second.

Chairman Delzer: We have a motion for a Do Not Pass. Discussion.

Representative Kaldor: Are all of the provisions in 2057 in HB 1018?

Representative Skarphol: That's our understanding, everything has been put back into the commerce bill.

Chairman Delzer: Further discussion? Seeing none, we'll call the roll for a Do Not Pass on SB 2057. Motion carries 19-0-2. Representative Skarphol will carry the bill. Committee, that's what we had to work on today. We'll stand adjourned at the call of the chair.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee
Roughrider Room, State Capitol

SB 2057
4/13/11
16580

Conference Committee

Committee Clerk Signature

Meredith Trachott

Explanation or reason for introduction of bill/resolution:

A BILL for an Act relating to a centers of research excellence program and centers of entrepreneurship excellence grants; relating to centers of workforce excellence grants; to provide for transfers; to provide a continuing appropriation; and to provide an appropriation.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: Called the committee to order. Roll was called and all were present. Committee members, we have an issue with the commerce budget, which died on the floor today. We do have sitting in front of us SB 2057. We have a Do Not Pass on that bill.

Representative Martinson: I move we reconsider our actions by which we made a Do Not Pass on SB 2057.

Representative Skarphol: Second.

Chairman Delzer: Motion made and seconded to reconsider our action to put a Do Not Pass on SB 2057. Discussion? Seeing none, we'll do a voice vote. Motion carries.

Representative Martinson: I move we adopt amendment .03003 to SB 2057.

Representative Skarphol: Second.

Representative Martinson: These amendments put the bill exactly in the same form that we passed it out, except for five points. Our bill as we sent it out did not have money for the BRIC and BRAC base committees in Grand Forks, and we put \$4 million in there. When we sent the bill out, we had \$250,000 for Minot for their BRAC committee, and this puts it up to \$400,000. When we passed the bill out, the tourism infrastructure was \$1 million, these amendments change it to \$1.5 million. I am proposing we amend the bill to put \$300,000 from the grants line item to a center in Bismarck called the Idea Center, which is a center for entrepreneurship, and it's an incubator, quite interesting. Two years ago we had \$100,000 in the budget for the ND nuclear submarine that's going to be commissioned in a few years, and this will add an additional \$100,000 in there. Other than that, I believe the amendments put the bill to exactly the same form that passed it out.

Chairman Delzer: Discussion?

Representative Wieland: What is BRIC and BRAC?

Representative Martinson: I'm not sure of the technical differences between them, but those are base realignment committees in Congress. They studied both Grand Forks and Minot. In the case of Minot, this provides them with funding to help lobby against that, Minot's never received any money for that, though they've spent thousands; in Grand Forks, they have received money for those efforts, but it also puts money into their the aerospace center to continue working on drones and predators with outside groups.

Representative Klein: BRAC stands for the base realignment and closure committee. It was set up many years ago to review all the bases and determine which ones should close.

Representative Nelson: Would you go through by section? The division of tourism was section 10? Section 11 was Minot area BRAC and section 13 is the \$4.2 million for Grand Forks. Could you go through that again?

Allen Knudson, Legislative Council: Section 10 is the infrastructure grants, the \$1.5 million that was referred to; Minot is the section 11, the \$400,000.

Chairman Delzer: Section 13 is \$4.2 million. There's \$100,000 for the ND sub.

Knudson: That's in the grants line item in section 1. The \$300,000 for entrepreneurship is also in the grants line item.

Chairman Delzer: It's number 4 in the statement of purposes.

Representative Nelson: I was more than confused on the floor today on the lack of explanation of what was taking place. Although I did vote with the majority to do this, I think it's not appropriate that we trust one person, a carrier, to decide what to do without any explanation. It was unconventional at the very least. It should have been explained much more thoroughly than it was. The end game, as I see it, is that the centers of excellence are out, and everything else is back in. Is that a fair assessment?

Chairman Delzer: Pretty much.

Representative Nelson: That's what I thought was occurring here. As a member of the committee, I think we have the decency to know what's going on in this committee, and we didn't know that today. I'm very disappointed with that.

Chairman Delzer: So noted. Further discussion? Seeing none, we'll do a voice vote on the amendment. Motion carries.

Representative Martinson: I move Do Pass as Amended.

Representative Skarphol: Second.

Chairman Delzer: We have a motion for a Do Pass as Amended. Discussion? If not, we'll call the roll. Motion carries 17-4-0. Representative Skarphol will be the carrier. If we don't have anything more to come before the committee, we'll stand adjourned at the call of the chair.

Date: 4/13
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2057

House Appropriations Committee

Legislative Council Amendment Number _____

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

Motion Made By Rep. Martinson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carries

VR
4/14/11
1061

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2057

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 15-69-07, a new chapter to title 17, and a new section to chapter 54-60 of the North Dakota Century Code, relating to the centers of excellence program, biofuel blender pump incentive program, and the internship fund; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide an appropriation and borrowing authority to Williston state college related to a workforce training building project; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$851,139	\$10,871,979
Operating expenses	14,478,272	(595,012)	13,883,260
Capital assets	25,000	45,018	70,018
Grants	65,411,058	6,101,936	71,512,994
North Dakota development fund	0	250,000	250,000
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	2,000,000	2,000,000
Economic development initiatives	186,846	0	186,846
Agricultural products utilization	2,536,630	203,137	2,739,767
North Dakota trade office	2,064,000	489,000	2,553,000
Partner programs	2,022,044	0	2,022,044

2817

Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$33,841,967	\$131,514,740
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$14,873,500	\$42,879,803
Full-time equivalent positions	68.00	.25	68.25

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-first legislative assembly for the 2009-11 biennium and the 2011-13 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$2,000,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	100,000
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Tourism infrastructure grant	0	1,500,000
Child care grants and loans	1,820,000	370,338
Child care service providers	0	4,935,000
recruitment, training, and retention grants		
Centers of excellence	19,500,000	0
Not-for-profit organization assisting individuals	0	300,000
with business ideas		
Great plains applied energy research center	5,000,000	0
Minot air force base realignment grant	0	400,000
Grand Forks air force base realignment grant	0	4,200,000
Equine processing study	50,000	0
Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$38,302,088
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>

Total general fund \$30,470,000 \$13,805,338

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, 2014~~2013~~) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and

public early childhood facilities. An award under this subsection may not exceed ~~one~~two hundred thousand dollars per award.

(Effective after July 31, 2011-2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. (~~Effective through July 31, 2011~~) Definitions.

In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Department" means the department of commerce.
5. "Foundation" means the North Dakota economic development foundation.
6. "~~Industry cluster~~" means ~~one of the following industries:~~

- a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value-added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 5. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application—Eligibility requirements Centers of excellence program.

- 1. ~~The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
- 2. ~~The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to administer the centers of excellence program; distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.~~
- 3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~
 - a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high tech companies, or skilled jobs in this state;~~

- b. ~~Create high-value private-sector employment opportunities in this state;~~
 - c. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~
 5. ~~For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.~~

SECTION 6. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~board~~department, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the ~~commission's~~department's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~commission~~department with the information necessary to monitor the postaward activities of the center. Effective on the effective date of this Act, the department shall assume the postaward monitoring duties previously fulfilled by the commission and the center

shall provide the department, rather than the commission, with the information necessary to monitor the postaward activities of the center.

- 3. ~~Before the commission directs the department of commerce to distributedistributes~~ funds awarded under this chapter, the center shall provide the ~~commission~~department with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~
- 4. ~~The commission shall direct the department of commerce to~~shall distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The ~~commission~~department may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
- 5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, ~~the commission may direct that the department of commerce~~ may withhold all or a portion of any undistributed funds pending ~~commission~~department review of the changes.
- 6. The ~~commission~~department may use funds ~~appropriated for~~available within the centers of excellence ~~program~~fund to pay for the ~~commission's~~department's administrative expenses, ~~which may include contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.~~

SECTION 7. Section 15-69-07 of the North Dakota Century Code is created and enacted as follows:

15-69-07. Centers of excellence postaward monitoring.

- 1. For no fewer than six years and no more than ten years following center designation, the department shall monitor a center's activities in order to determine whether the center is having the desired economic impact.
- 2. Instead of requiring annual audits under subsection 2 of section 15-69-05, the department may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that

for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under subsection 2 of section 15-69-05 or for an agreed-upon procedures engagement.

- 3. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center;
 - h. Verification business incentive agreements comply with chapter 54-60.1; and
 - i. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

SECTION 8. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

Definitions.

For purposes of this chapter, unless the context otherwise requires:

- 1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
- 2. "E85 fuel" means a petroleum product that:
 - a. Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.

- 3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
- 4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

- 1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to fourteen thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations, including the piping system and storage components.
- 2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.
- 3. The amount of incentives payable to any retail location under this chapter may not exceed two percent of the total amount appropriated for the biofuel blender pump incentive program.

Blender pumps - Requirements.

- 1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

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- 2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 9. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 10. GRANT - DIVISION OF TOURISM - TOURISM INFRASTRUCTURE GRANTS. The grants line item in section 1 of this Act includes the sum of \$1,500,000 from the general fund for providing a tourism infrastructure grant.

SECTION 11. GRANT - MINOT AIR FORCE BASE REALIGNMENT GRANT. The grants line item in section 1 of this Act includes the sum of \$400,000 from the general fund for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission.

SECTION 12. CHILD CARE GRANTS - WORKFORCE DEVELOPMENT - QUALITY IMPROVEMENT - TECHNICAL ASSISTANCE - CAPACITY BUILDING. The grants line item in section 1 of this Act includes the sum of \$4,935,000 from the general fund for providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 13. GRANT - GRAND FORKS AIR FORCE BASE REALIGNMENT GRANTS. The grants line item in section 1 of this Act includes the sum of \$4,200,000 from the general fund for providing grants to research universities under the control of the state board of higher education or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department may use funds appropriated in this section for a base realignment grant to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission, a grant of up to \$200,000 to the Grand Forks housing authority for a planning initiative, or grants for infrastructure and economic

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development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base.

SECTION 14. APPROPRIATION - WILLISTON STATE COLLEGE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to Williston state college for the purpose of a workforce training building project, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 15. APPROPRIATION - BORROWING AUTHORITY - WILLISTON STATE COLLEGE. Williston state college may borrow the sum of \$1,500,000, or so much of the sum as may be necessary, from the Bank of North Dakota, the proceeds of which are appropriated for the purpose of a workforce training building project, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 16. INNOVATION 2020 AWARD. The department may administer an innovation 2020 award program to provide proof-of-concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to an award under this section:

1. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
2. The applicant must have an early-stage technology with high commercial potential.
3. The department shall establish the qualified uses of funds received under this section.
4. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
5. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income generating.
6. An award under this section may not exceed \$50,000. A recipient may not receive more than one award under this section.
7. An award under this section is not a business incentive under chapter 54-60.1.

SECTION 17. TECHNOLOGY AWARD EQUITY INVESTMENT PROGRAM. The department may administer a technology award equity investment program that provides matching equity investments to technology-based businesses, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to technology award equity investments:

1. An applicant must:

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- a. Be a North Dakota business that is at the startup stage;
 - b. Be a primary sector business in the technology field; and
 - c. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
2. Before funds are distributed under this section, the recipient shall provide the department with detailed documentation of the availability of \$2 of angel fund investment matching funds for each \$1 of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 and be in cash. Matching funds may not be in-kind assets.
 3. An equity investment under this section may not exceed \$50,000. A recipient may not receive more than one award under this section.
 4. An award equity investment under this section is not a business incentive under chapter 54-60.1.

SECTION 18. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 19. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 20. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 21. EXEMPTION - TRANSFER. Up to \$5,000,000 of the amount appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws is not subject to section 54-44.1-11. The department of commerce shall spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce shall use up to \$4,335,000 of these funds for a grant to Bismarck state college for the purpose of completing the national energy center of excellence fourth floor renovation project. The department of commerce shall use up to \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce shall use up to \$65,000 of these funds for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 22. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item in section 1 of

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chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 25. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 26. TRANSFER - EARLY CHILDHOOD FACILITY LOANS. The office of management and budget shall transfer \$250,000 of the amount appropriated in the North Dakota development fund line item in section 1 of this Act to the North Dakota development fund, incorporated, for the purpose of providing financing to early childhood facilities for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 27. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total North Dakota trade office special line and the general fund appropriation in section 1 of this Act include \$2,553,000 of funding relating to the North Dakota trade office. The department of commerce may spend seventy percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the biennium beginning July 1, 2011, and ending June 30, 2013. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 28. DEPARTMENT OF COMMERCE - GRANTS FOR EARLY CHILDHOOD FACILITIES.

1. During the biennium beginning July 1, 2011, and ending June 30, 2013, the department of commerce shall establish and implement a grant program to provide matching grants to North Dakota early childhood facilities.
2. A recipient of a grant under this section shall use the grant funds for technical assistance, a business plan, or infrastructure. A grant awarded under this section for infrastructure may not exceed \$5,000 per recipient and a grant awarded under this section for technical assistance or a business plan may not exceed \$10,000 per recipient.
3. To receive a grant under this section, an applicant shall establish the applicant has available \$1 of matching funds for every \$3 of grant funds.

The matching funds must be in cash and may come from private or public sources, or from a combination of private and public sources.

- 4. In making awards under this program, the department shall ensure funds are fairly distributed between for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities.

SECTION 29. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 30. EFFECTIVE DATE. Section 29 of this Act becomes effective on August 1, 2023.

SECTION 31. EXPIRATION DATE. Section 8 of this Act is effective through July 31, 2013, and after that date is ineffective.

SECTION 32. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 8, 9, and 21 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Williston State College				
Total all funds	\$0	\$0	\$2,000,000	\$2,000,000
Less estimated income	0	0	1,500,000	1,500,000
General fund	\$0	\$0	\$500,000	\$500,000
Department of Commerce				
Total all funds	\$0	\$20,000,000	\$111,514,740	\$131,514,740
Less estimated income	0	0	88,634,937	88,634,937
General fund	\$0	\$20,000,000	\$22,879,803	\$42,879,803
Bill total				
Total all funds	\$0	\$20,000,000	\$113,514,740	\$133,514,740
Less estimated income	0	0	90,134,937	90,134,937
General fund	\$0	\$20,000,000	\$23,379,803	\$43,379,803

Senate Bill No. 2057 - Williston State College - House Action

	Executive Budget	Senate Version	House Changes	House Version
Williston State College building project			\$2,000,000	\$2,000,000
Total all funds	\$0	\$0	\$2,000,000	\$2,000,000
Less estimated income	0	0	1,500,000	1,500,000
General fund	\$0	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00	0.00

Department No. 229 - Williston State College - Detail of House Changes

Workforce Training Building	Total House Changes

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	Project ¹	
Williston State College building project	\$2,000,000	\$2,000,000
Total all funds	\$2,000,000	\$2,000,000
Less estimated income	1,500,000	1,500,000
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹ The amendment provides Williston State College a general fund appropriation of \$500,000 and authority to borrow up to \$1,500,000 from the Bank of North Dakota for a workforce training building project.

Senate Bill No. 2057 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages			\$10,871,979	\$10,871,979
Operating expenses			13,883,260	13,883,260
Capital assets			70,018	70,018
Grants			71,512,994	71,512,994
Centers of entrepreneurship grants		5,000,000	(5,000,000)	
Limited deployment-cooperative airspace		3,500,000	(3,500,000)	
Workforce enhancement fund transfer		2,000,000	(2,000,000)	
Centers of research excellence grants		8,000,000	(8,000,000)	
Eminent research challenge grants		1,500,000	(1,500,000)	
North Dakota development fund			250,000	250,000
Discretionary funds			928,082	928,082
Agricultural products utilization			2,739,767	2,739,767
North Dakota trade office			2,553,000	2,553,000
Partner programs			2,022,044	2,022,044
Federal fiscal stimulus funds			24,496,750	24,496,750
Economic development initiatives			186,846	186,846
Workforce enhancement			2,000,000	2,000,000
Total all funds	\$0	\$20,000,000	\$111,514,740	\$131,514,740
Less estimated income	0	0	88,634,937	88,634,937
General fund	\$0	\$20,000,000	\$22,879,803	\$42,879,803
FTE	0.00	0.00	68.25	68.25

Department No. 601 - Department of Commerce - Detail of House Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Adds Funding for Tourism Infrastructure Grants ³	Adds Funding for IDEA Center Grant ⁴	Adds Funding for USS North Dakota Grant ⁵	Adds Funding for Minot Air Force Base Realignment Grant ⁶
Salaries and wages		\$10,871,979				
Operating expenses		13,883,260				
Capital assets		70,018				
Grants		66,262,994	500,000	300,000	100,000	150,000
Centers of entrepreneurship grants	(5,000,000)					
Limited deployment-cooperative airspace	(3,500,000)					

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Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					
North Dakota development fund		250,000				
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,553,000				
Partner programs		2,022,044				
Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement		2,000,000				
Total all funds	(\$20,000,000)	\$126,264,740	\$500,000	\$300,000	\$100,000	\$150,000
Less estimated income	0	88,634,937	0	0	0	0
General fund	(\$20,000,000)	\$37,629,803	\$500,000	\$300,000	\$100,000	\$150,000
FTE	0.00	68.25	0.00	0.00	0.00	0.00

	Adds Funding for Grand Forks Air Force Base Realignment Grant⁷	Total House Changes
Salaries and wages		\$10,871,979
Operating expenses		13,883,260
Capital assets		70,018
Grants	4,200,000	71,512,994
Centers of entrepreneurship grants		(5,000,000)
Limited deployment-cooperative airspace		(3,500,000)
Workforce enhancement fund transfer		(2,000,000)
Centers of research excellence grants		(8,000,000)
Eminent research challenge grants		(1,500,000)
North Dakota development fund		250,000
Discretionary funds		928,082
Agricultural products utilization		2,739,767
North Dakota trade office		2,553,000
Partner programs		2,022,044
Federal fiscal stimulus funds		24,496,750
Economic development initiatives		186,846
Workforce enhancement		2,000,000
Total all funds	\$4,200,000	\$111,514,740
Less estimated income	0	88,634,937
General fund	\$4,200,000	\$22,879,803
FTE	0.00	68.25

¹ The amendment removes funding for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

120811

² The amendment provides the same funding level and FTE position for the Department of Commerce as approved by the House in Engrossed House Bill No. 1018.

³ Funding provided by the House for tourism infrastructure grants to be administered by the Division of Tourism is increased by \$500,000 to provide a total of \$1,500,000.

⁴ The amendment adds funding for a grant to a not-for-profit organization assisting individuals to determine the feasibility and viability of business ideas.

⁵ The amendment adds funding for a grant to assist in the promotion and marketing of the USS *North Dakota*.

⁶ Funding provided by the House in House Bill No. 1018 for a Minot Air Force Base realignment grant to the Minot TF-21 Committee to enhance economic development and employment opportunities associated with the Minot Air Force Base resulting from action by the federal Defense Base Closure and Realignment Commission is increased by \$150,000 to provide a total of \$400,000.

⁷ Funding is added for a Grand Forks Air Force Base realignment grant to provide grants to research universities under the control of the State Board of Higher Education or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities. Of the amount provided, \$200,000 is available to the Grand Forks Housing Authority for a planning initiative or grants for infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

This amendment also authorizes the Department of Commerce to continue \$5 million of 2009-11 unspent general fund appropriation authority relating to the Great Plains Applied Energy Research Center. Of the \$5 million, the department shall use \$4,335,000 for a grant to Bismarck State College for the purpose of completing the National Energy Center of Excellence fourth floor renovation project; \$600,000 to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson Safeguard Complex in Nekoma; and \$65,000 for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building.

Date: 4/6
 Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 2057

House Appropriations Committee

Legislative Council Amendment Number _____

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

Motion Made By Rep. Skarphol Seconded By Rep. Monson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Representative Nelson	X	
Vice Chairman Kempenich			Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl			Representative Metcalf	X	
Representative Dosch	X		Representative Williams	X	
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 19 No 0

Absent 2

Floor Assignment Rep. Skarphol

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

REPORT OF STANDING COMMITTEE

SB 2057, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **DO NOT PASS** (19 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
Engrossed SB 2057 was placed on the Fourteenth order on the calendar.

Date: 4/13
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2057

House Appropriations Committee

Legislative Council Amendment Number .03003

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

Motion Made By Rep. Martinson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellew			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carries

Date: 4/13
Roll Call Vote #: 3

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2057

House Appropriations Committee

Legislative Council Amendment Number .03003

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

Motion Made By Rep. Martinson Seconded By Rep. Skarphol

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson	X	
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert	X				
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor		X
Representative Brandenburg	X		Representative Kroeber		X
Representative Dahl	X		Representative Metcalf		X
Representative Dosch	X		Representative Williams	X	
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 17 No 4

Absent 0

Floor Assignment Rep. Skarphol

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

REPORT OF STANDING COMMITTEE

SB 2057, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (17 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2057 was placed on the Sixth order on the calendar.

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 15-69-07, a new chapter to title 17, and a new section to chapter 54-60 of the North Dakota Century Code, relating to the centers of excellence program, biofuel blender pump incentive program, and the internship fund; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide an appropriation and borrowing authority to Williston state college related to a workforce training building project; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$851,139	\$10,871,979
Operating expenses	14,478,272	(595,012)	13,883,260
Capital assets	25,000	45,018	70,018
Grants	65,411,058	6,101,936	71,512,994
North Dakota development fund	0	250,000	250,000
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	2,000,000	2,000,000
Economic development initiatives	186,846	0	186,846
Agricultural products utilization	2,536,630	203,137	2,739,767
North Dakota trade office	2,064,000	489,000	2,553,000
Partner programs	2,022,044	0	2,022,044
Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$33,841,967	\$131,514,740
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$14,873,500	\$42,879,803

Full-time equivalent positions 68.00 .25 68.25

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET -
 REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY.** The following amounts
 reflect the one-time funding items approved by the sixty-first legislative assembly for
 the 2009-11 biennium and the 2011-13 one-time funding items included in the
 appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$2,000,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	100,000
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Tourism infrastructure grant	0	1,500,000
Child care grants and loans	1,820,000	370,338
Child care service providers	0	4,935,000
recruitment, training, and retention grants		
Centers of excellence	19,500,000	0
Not-for-profit organization assisting individuals	0	300,000
with business ideas		
Great plains applied energy research center	5,000,000	0
Minot air force base realignment grant	0	400,000
Grand Forks air force base realignment grant	0	4,200,000
Equine processing study	50,000	0
Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$38,302,088
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>
Total general fund	\$30,470,000	\$13,805,338

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, ~~2014~~2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities. An award under this subsection may not exceed ~~one~~two hundred thousand dollars per award.

(Effective after July 31, ~~2014~~2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or

- organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
 4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. ~~(Effective through July 31, 2011)~~ Definitions.

In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Department" means the department of commerce.
5. "Foundation" means the North Dakota economic development foundation.
6. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 5. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application—Eligibility requirements Centers of excellence program.

1. ~~The department of commerce shall provide center application forms; accept applications; review applications for completeness and compliance with board and commission policy; forward complete applications to the commission in accordance with guidelines established by the commission; and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
2. ~~The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to administer the centers of excellence program; distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.~~
3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~
 - a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;~~
 - b. ~~Create high-value private sector employment opportunities in this state;~~
 - c. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the~~

~~commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~

- ~~6. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.~~

SECTION 6. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. ~~(Effective through July 31, 2011)~~ Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~board~~ department, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the ~~commission's~~ department's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~commission~~ department with the information necessary to monitor the postaward activities of the center. Effective on the effective date of this Act, the department shall assume the postaward monitoring duties previously fulfilled by the commission and the center shall provide the department, rather than the commission, with the information necessary to monitor the postaward activities of the center.
3. Before the ~~commission~~ directs the department of commerce to ~~distribute~~ distributes funds awarded under this chapter, the center shall provide the ~~commission~~ department with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~
4. ~~The commission shall direct the department of commerce to~~ shall distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The ~~commission~~ department may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, ~~the commission may direct that the department of commerce may~~

withhold all or a portion of any undistributed funds pending ~~commission~~department review of the changes.

6. The ~~commission~~department may use funds appropriated for available within the centers of excellence program fund to pay for the ~~commission's~~department's administrative expenses, which may include ~~contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program.~~ The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one half percent of the funds appropriated for the program that biennium.

SECTION 7. Section 15-69-07 of the North Dakota Century Code is created and enacted as follows:

15-69-07. Centers of excellence postaward monitoring.

1. For no fewer than six years and no more than ten years following center designation, the department shall monitor a center's activities in order to determine whether the center is having the desired economic impact.
2. Instead of requiring annual audits under subsection 2 of section 15-69-05, the department may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under subsection 2 of section 15-69-05 or for an agreed-upon procedures engagement.
3. At a minimum, an agreed-upon procedures engagement under subsection 2 must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed related by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center;
 - h. Verification business incentive agreements comply with chapter 54-60.1; and

- i. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

SECTION 8. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

Definitions.

For purposes of this chapter, unless the context otherwise requires:

1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
2. "E85 fuel" means a petroleum product that:
 - a. Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.
3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to fourteen thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations, including the piping system and storage components.
2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.
3. The amount of incentives payable to any retail location under this chapter may not exceed two percent of the total amount appropriated for the biofuel blender pump incentive program.

Blender pumps - Requirements.

1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:

- a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:
- a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 9. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 10. GRANT - DIVISION OF TOURISM - TOURISM INFRASTRUCTURE GRANTS. The grants line item in section 1 of this Act includes the sum of \$1,500,000 from the general fund for providing a tourism infrastructure grant.

SECTION 11. GRANT - MINOT AIR FORCE BASE REALIGNMENT GRANT. The grants line item in section 1 of this Act includes the sum of \$400,000 from the general fund for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission.

SECTION 12. CHILD CARE GRANTS - WORKFORCE DEVELOPMENT - QUALITY IMPROVEMENT - TECHNICAL ASSISTANCE - CAPACITY BUILDING. The grants line item in section 1 of this Act includes the sum of \$4,935,000 from the

general fund for providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 13. GRANT - GRAND FORKS AIR FORCE BASE

REALIGNMENT GRANTS. The grants line item in section 1 of this Act includes the sum of \$4,200,000 from the general fund for providing grants to research universities under the control of the state board of higher education or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department may use funds appropriated in this section for a base realignment grant to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission, a grant of up to \$200,000 to the Grand Forks housing authority for a planning initiative, or grants for infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base.

SECTION 14. APPROPRIATION - WILLISTON STATE COLLEGE. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$500,000, or so much of the sum as may be necessary, to Williston state college for the purpose of a workforce training building project, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 15. APPROPRIATION - BORROWING AUTHORITY - WILLISTON STATE COLLEGE. Williston state college may borrow the sum of \$1,500,000, or so much of the sum as may be necessary, from the Bank of North Dakota, the proceeds of which are appropriated for the purpose of a workforce training building project, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 16. INNOVATION 2020 AWARD. The department may administer an innovation 2020 award program to provide proof-of-concept funding to a qualified entrepreneur to assist in moving a new technology from academia into the commercialization cycle, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to an award under this section:

1. An applicant must be an individual who is associated with a North Dakota institution of higher education as a student, an employee, or other relationship the department may authorize.
2. The applicant must have an early-stage technology with high commercial potential.
3. The department shall establish the qualified uses of funds received under this section.
4. As a term for receipt of funds under this section, the recipient shall agree to the department's repayment terms equal to two times the amount of the award.
5. The department's repayment terms may include the department taking an equity position in, providing a loan to, or using any other innovative financing mechanism to provide the funds to the recipient. The terms of repayment may be conditioned on the new technology becoming income generating.
6. An award under this section may not exceed \$50,000. A recipient may not receive more than one award under this section.

7. An award under this section is not a business incentive under chapter 54-60.1.

SECTION 17. TECHNOLOGY AWARD EQUITY INVESTMENT PROGRAM.

The department may administer a technology award equity investment program that provides matching equity investments to technology-based businesses, for the biennium beginning July 1, 2011, and ending June 30, 2013. The following provisions apply to technology award equity investments:

1. An applicant must:
 - a. Be a North Dakota business that is at the startup stage;
 - b. Be a primary sector business in the technology field; and
 - c. Have a legal structure that was established following comprehensive vetting, development of proof of concept, and a completed business plan.
2. Before funds are distributed under this section, the recipient shall provide the department with detailed documentation of the availability of \$2 of angel fund investment matching funds for each \$1 of state funds distributed under this section. Matching funds must come from a North Dakota angel fund certified under section 57-38-01.26 and be in cash. Matching funds may not be in-kind assets.
3. An equity investment under this section may not exceed \$50,000. A recipient may not receive more than one award under this section.
4. An award equity investment under this section is not a business incentive under chapter 54-60.1.

SECTION 18. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 19. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 20. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 21. EXEMPTION - TRANSFER. Up to \$5,000,000 of the amount appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws is not subject to section 54-44.1-11. The department of commerce shall spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce shall use up to \$4,335,000 of these funds for a grant to Bismarck state college for the purpose of completing the national energy center of excellence fourth floor renovation project. The department of commerce shall use up to \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce shall use up to \$65,000 of these funds for grants to child care service providers for workforce development, quality improvement, technical

assistance, and capacity building in collaboration with the department of human services under section 50-11.1-14.1.

SECTION 22. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 25. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 26. TRANSFER - EARLY CHILDHOOD FACILITY LOANS. The office of management and budget shall transfer \$250,000 of the amount appropriated in the North Dakota development fund line item in section 1 of this Act to the North Dakota development fund, incorporated, for the purpose of providing financing to early childhood facilities for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 27. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total North Dakota trade office special line and the general fund appropriation in section 1 of this Act include \$2,553,000 of funding relating to the North Dakota trade office. The department of commerce may spend seventy percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the biennium beginning July 1, 2011, and ending June 30, 2013. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 28. DEPARTMENT OF COMMERCE - GRANTS FOR EARLY CHILDHOOD FACILITIES.

1. During the biennium beginning July 1, 2011, and ending June 30, 2013, the department of commerce shall establish and implement a grant program to provide matching grants to North Dakota early childhood facilities.
2. A recipient of a grant under this section shall use the grant funds for technical assistance, a business plan, or infrastructure. A grant awarded under this section for infrastructure may not exceed \$5,000 per recipient and a grant awarded under this section for technical assistance or a business plan may not exceed \$10,000 per recipient.
3. To receive a grant under this section, an applicant shall establish the applicant has available \$1 of matching funds for every \$3 of grant funds.

The matching funds must be in cash and may come from private or public sources, or from a combination of private and public sources.

4. In making awards under this program, the department shall ensure funds are fairly distributed between for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities.

SECTION 29. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 30. EFFECTIVE DATE. Section 29 of this Act becomes effective on August 1, 2023.

SECTION 31. EXPIRATION DATE. Section 8 of this Act is effective through July 31, 2013, and after that date is ineffective.

SECTION 32. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 8, 9, and 21 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of House Action

	Executive Budget	Senate Version	House Changes	House Version
Williston State College				
Total all funds	\$0	\$0	\$2,000,000	\$2,000,000
Less estimated income	0	0	1,500,000	1,500,000
General fund	\$0	\$0	\$500,000	\$500,000
Department of Commerce				
Total all funds	\$0	\$20,000,000	\$111,514,740	\$131,514,740
Less estimated income	0	0	88,634,937	88,634,937
General fund	\$0	\$20,000,000	\$22,879,803	\$42,879,803
Bill total				
Total all funds	\$0	\$20,000,000	\$113,514,740	\$133,514,740
Less estimated income	0	0	90,134,937	90,134,937
General fund	\$0	\$20,000,000	\$23,379,803	\$43,379,803

Senate Bill No. 2057 - Williston State College - House Action

	Executive Budget	Senate Version	House Changes	House Version
Williston State College building project			\$2,000,000	\$2,000,000
Total all funds	\$0	\$0	\$2,000,000	\$2,000,000
Less estimated income	0	0	1,500,000	1,500,000
General fund	\$0	\$0	\$500,000	\$500,000
FTE	0.00	0.00	0.00	0.00

Department No. 229 - Williston State College - Detail of House Changes

	Workforce Training Building Project'	Total House Changes
Williston State College building project	\$2,000,000	\$2,000,000
Total all funds	\$2,000,000	\$2,000,000

Less estimated income	1,500,000	1,500,000
General fund	\$500,000	\$500,000
FTE	0.00	0.00

¹ The amendment provides Williston State College a general fund appropriation of \$500,000 and authority to borrow up to \$1,500,000 from the Bank of North Dakota for a workforce training building project.

Senate Bill No. 2057 - Department of Commerce - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages			\$10,871,979	\$10,871,979
Operating expenses			13,883,260	13,883,260
Capital assets			70,018	70,018
Grants			71,512,994	71,512,994
Centers of entrepreneurship grants		5,000,000	(5,000,000)	
Limited deployment-cooperative airspace		3,500,000	(3,500,000)	
Workforce enhancement fund transfer		2,000,000	(2,000,000)	
Centers of research excellence grants		8,000,000	(8,000,000)	
Eminent research challenge grants		1,500,000	(1,500,000)	
North Dakota development fund			250,000	250,000
Discretionary funds			928,082	928,082
Agricultural products utilization			2,739,767	2,739,767
North Dakota trade office			2,553,000	2,553,000
Partner programs			2,022,044	2,022,044
Federal fiscal stimulus funds			24,496,750	24,496,750
Economic development initiatives			186,846	186,846
Workforce enhancement			2,000,000	2,000,000
Total all funds	\$0	\$20,000,000	\$111,514,740	\$131,514,740
Less estimated income	0	0	88,634,937	88,634,937
General fund	\$0	\$20,000,000	\$22,879,803	\$42,879,803
FTE	0.00	0.00	68.25	68.25

Department No. 601 - Department of Commerce - Detail of House Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Adds Funding for Tourism Infrastructure Grants ³	Adds Funding for IDEA Center Grant ⁴	Adds Funding for USS North Dakota Grant ⁵	Adds Funding for Minot Air Force Base Realignment Grant ⁶
Salaries and wages		\$10,871,979				
Operating expenses		13,883,260				
Capital assets		70,018				
Grants		66,262,994	500,000	300,000	100,000	150,000
Centers of entrepreneurship grants	(5,000,000)					
Limited deployment-cooperative airspace	(3,500,000)					
Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					
North Dakota development fund		250,000				
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,553,000				
Partner programs		2,022,044				

Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement		2,000,000				
Total all funds	(\$20,000,000)	\$126,264,740	\$500,000	\$300,000	\$100,000	\$150,000
Less estimated income	0	88,634,937	0	0	0	0
General fund	(\$20,000,000)	\$37,629,803	\$500,000	\$300,000	\$100,000	\$150,000
FTE	0.00	68.25	0.00	0.00	0.00	0.00

	Adds Funding for Grand Forks Air Force Base Realignment Grant ¹	Total House Changes
Salaries and wages		\$10,871,979
Operating expenses		13,883,260
Capital assets		70,018
Grants	4,200,000	71,512,994
Centers of entrepreneurship grants		(5,000,000)
Limited deployment-cooperative airspace		(3,500,000)
Workforce enhancement fund transfer		(2,000,000)
Centers of research excellence grants		(8,000,000)
Eminent research challenge grants		(1,500,000)
North Dakota development fund		250,000
Discretionary funds		928,082
Agricultural products utilization		2,739,767
North Dakota trade office		2,553,000
Partner programs		2,022,044
Federal fiscal stimulus funds		24,496,750
Economic development initiatives		186,846
Workforce enhancement		2,000,000
Total all funds	\$4,200,000	\$111,514,740
Less estimated income	0	88,634,937
General fund	\$4,200,000	\$22,879,803
FTE	0.00	68.25

¹ The amendment removes funding for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

² The amendment provides the same funding level and FTE position for the Department of Commerce as approved by the House in Engrossed House Bill No. 1018.

³ Funding provided by the House for tourism infrastructure grants to be administered by the Division of Tourism is increased by \$500,000 to provide a total of \$1,500,000.

⁴ The amendment adds funding for a grant to a not-for-profit organization assisting individuals to determine the feasibility and viability of business ideas.

⁵ The amendment adds funding for a grant to assist in the promotion and marketing of the USS *North Dakota*.

⁶ Funding provided by the House in House Bill No. 1018 for a Minot Air Force Base

realignment grant to the Minot TF-21 Committee to enhance economic development and employment opportunities associated with the Minot Air Force Base resulting from action by the federal Defense Base Closure and Realignment Commission is increased by \$150,000 to provide a total of \$400,000.

⁷ Funding is added for a Grand Forks Air Force Base realignment grant to provide grants to research universities under the control of the State Board of Higher Education or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities. Of the amount provided, \$200,000 is available to the Grand Forks Housing Authority for a planning initiative or grants for infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

This amendment also authorizes the Department of Commerce to continue \$5 million of 2009-11 unspent general fund appropriation authority relating to the Great Plains Applied Energy Research Center. Of the \$5 million, the department shall use \$4,335,000 for a grant to Bismarck State College for the purpose of completing the National Energy Center of Excellence fourth floor renovation project; \$600,000 to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson Safeguard Complex in Nekoma; and \$65,000 for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building.

2011 SENATE APPROPRIATIONS

CONFERENCE COMMITTEE

SB 2057

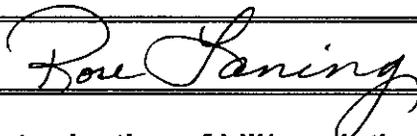
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2057 conference committee
April 19, 2011
Job # 16781

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill relating to the centers of research excellence program and centers of entrepreneurship excellence grants

Minutes:

See attached testimony # 1 – 2.

Conferees:

Senators Grindberg, Holmberg and O'Connell
Representatives Skarphol, Martinson and Williams

Sara Chamberlin - Legislative Council; Tammy R. Dolan - OMB

Senator Grindberg: Called the conference committee hearing to order on SB 2057. Roll call was taken. What did the House do to the bill?

Rep. Skarphol: We'll start with common issues and work our way through. He handed out 11.9323.01000 – Department of Commerce-General Fund Appropriations – see attached #1.

Senator Grindberg: It's going to come down to what the bottom line is but I believe both the house and senate have passed workforce enhancement grants.

Rep. Martinson: The first three are open to discussion?

Rep. Skarphol: He went over the handout and talked about the changes he thought would have a lot of discussion.

Senator Grindberg: Do we have that funded in DPI?

Rep. Skarphol: The work keys for the students are funded in DPI; this was to fund an initiative to get employer involvement. He continued with changes.

Senator Grindberg: We didn't feel a division was appropriate, but funded one FTE.

Rep. Skarphol: Point taken. He continues.

Senator Grindberg: A study from commerce foundation to put a think tank together with the state chamber to look beyond 2020 initiative. The state would provide fifty thousand in seed money for that planning analyze and it also provided for up to 6 legislators to participate.

Rep. Skarphol: We can get back to that one. He continues.

Rep. Martinson: You had a different funding source.

Senator Grindberg: We took it out of Lands & Minerals trust fund.

Rep. Skarphol: There were adjustments that were made. The revenue sources for various projects.

Rep. Martinson: The double funding for energy center in Bismarck was my mistake, when I was preparing the amendments for this budget I got confused because originally we were looking at his budget and then we switched it to the Higher Ed., so it isn't to be in both and the same with the Williston funding and so once we are comfortable that it will stay in Higher Ed. that will come out.

Rep. Skarphol: We have talked about removing them from here and having them in the Higher Ed. Budget.

Senator Grindberg: You mentioned on the 2nd page, the Williston State College, that's double up as well?

Rep. Skarphol: After conversations with the Williston State College they don't think that will cash flow with the two hundred and twenty five thousand. However, they will be satisfied with the \$500,000. That's what we're hoping to do with that. It can be removed from here if we get it done. My comment is that we've looked through some of this and talked with the legislative council about the ramifications for example the \$4.3M reflected on the bottom obviously has an affect if we remove it as does the five hundred thousand, the six hundred thousand, they all provide an opportunity to do some things within this budget, they add money back in to do some things. We're open to a frank discussion of the issues.

Rep. Martinson: It's not our intent to have \$0 money available. We're amenable to go back to the level of the Governor's Executive Budget. Once we make adjustments and take that money out of there on the other things we talked about there would be between seven to ten million dollars available.

Senator Grindberg: Perhaps. I know there were a few things that weren't specifically listed on this spread sheet. Let me follow my notes on the amendments we attached to 1018.

Rep. Skarphol: I have been approached by the folks from bio-blender pumps and they prefer your language.

Senator Grindberg: We covered many of the items but we did add operation intern language into this bill and it doesn't have a financial implication. We will have to determine where 2064 is because that has the operation intern in at as well. We added it to our version of 1018 not

knowing what the outcome of 2064. Two years ago we agreed in conference to put a restriction on the use of operation intern for one company. One of the things we learned is it was very heavy handed and restrictive to hire interns, and second not be eligible and we felt if they were going to hire another 20 interns the next summer why shouldn't they be able to get that experience and participate in the program. The language would free that up.

Rep. Skarphol: They could hire 20 one year and would be subsidized for the twenty the next year, not need to do thirty and be subsidized for the ten.

Senator Grindberg: The blender pump we talked about I don't think there are issues with that. The money will be gone in 2013 biennium. Did we talk about the USS ND? We also added a study that Legislative management may study the impact of future population growth in particular the impact on state and local government revenues.

Rep. Skarphol: How would you envision doing that is the data center going to be involved in that?

Senator Grindberg: I am not sure if the data center would be an entity that would be providing the information. I was more interested in the information about western North Dakota which could add one hundred thousand people in the next ten, fifteen or twenty years. We had a request that came from Representative Porter to suggest the study of the gas flaring issues, we put that study in it was a council study. There was a bill that was defeated and this request came early on and this is something empowers should be working on not legislative interim study.

Rep. Martinson: How would you like to proceed?

Senator Grindberg: I would like to come back to that list I think there is a couple of areas we should note. We added income tax credits for automations for the primary sector and that was in 1018 as we passed it over to you and we changed it a little bit. It was senate bill 2055 and it passed the senate and there was a tax credit for the primary sector manufacturing businesses that one to automate and a tax credit on lean manufacturing. We amended into the bill only the automation tax credit aspect, we left out the lean and we did a sunset for June 30, 2015 and we provided for it to be eligible for use in 2013 reportable year on tax. Going back to the sheet, the work keys, we can check that off.

Rep. Skarphol: Not going back in?

Senator Grindberg: The USS North Dakota?

Rep. Skarphol: At the hundred thousand additional that you are suggesting.

Senator Grindberg: My understanding was to carry that appropriation forward for another two years.

Rep. Martinson: Ours version it is an additional hundred thousand. I am not sure what they have left and what the amount would be to carry it forward.

Sara Chamberlin: In the house version of senate bill 2057 an additional one hundred thousand is provided for the marketing promotion of the USS North Dakota. In the house version of house bill 1018, just the carryover was provided for the remaining funding for the USS North Dakota. An additional \$100,000 is for USS North Dakota.

Rep. Martinson: We would like to see them have that money available.

Rep. Skarphol: That is an additional hundred thousand

Senator Grindberg: That wasn't the senate position there was never a request for an additional \$100,000.

Rep. Skarphol: That's why I use a pencil.

Rep. Martinson: My first time on conference committee.

Senator Grindberg: Moving up to childcare on the development fund childcare loan program and grants for early childhood facilities, we left it at your recommendation.

Rep. Skarphol: We're both ok with that leave it alone.

Rep. Martinson: We know pretty much what you don't like, do you think it would be possible to come back at the next meeting with a list of your suggestions on the areas of the funding levels whether they are one hundred percent or zero percent

Senator Grindberg: We could do that, but as chair of the conference committee, what we tried to accomplish with 1018 fits into the commerce strategic plan, if you look at the five key growth areas for the state. He went over what they had tried to do with 1018. One of the fundamental issues we will have to resolve on the funding side is what we are going to do with this childcare. We felt that our understanding was a onetime funding there were no guarantees that the legislature would renew that. That doesn't fit with strategic plan of commerce but does it fit in human services? I know the economic develop community is very consistent on primary sector and understands the role of childcare and the need in the state with small and urban communities but I am not sure what it will be if we are going to want to fund outside of childcare your priorities and what ours are we won't come within budget.

Rep. Skarphol: I don't disagree that the discussion needs to take place. I believe there are members of the chamber that are having second thoughts on the importance of childcare. You need employees to accomplish economic development and without childcare you can't accomplish that.

Rep. Martinson: Every department comes in with a strategic plan and the Governor has strategic plan that is called his budget. We look at that and make changes.

Senator Grindberg: We started the debate on childcare two years ago it fundamentally was providing assistance to those who were providing childcare services. We provided assistance and training (handed out North Dakota Economic Development – Strategic Plan 2010-2020 – see attached # 2)

Rep. Skarphol: What the House did was recognize what they have been doing has been successful and it maybe has to have a continued effort to get it at where it needs to be in order to accomplish a statewide program for the employers of North Dakota to have the workforce they need.

Rep. Martinson: Is the Senate's position zero or do you have a number you can bring back to us?

Senator Grindberg: I don't know if we have a number but we weren't comfortable with the five million with the other priorities in the budget. We'll adjourn this meeting.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2057
04-22-2011
Job # 16854

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A CONFERENCE HEARING ON RESEARCH EXCELLENCE PROGRAM &
ENTREPRENEURSHIP EXCELLENCE GRANTS

Minutes:

You may make reference to "attached testimony."

MEMBERS OF THE COMMITTEE ARE AS FOLLOWS:

SENATE: Senator Grindberg, (Chair); Senator Holmberg, Senator O'Connell

HOUSE: Rep. Skarphol, Rep. Martinson, Rep. Dosch

OMB: Tammy R. Dolan; LEGISLATIVE COUNCIL: Sara Chamberlin

Chairman Grindberg called the Conference Committee hearing to order at 3:30 pm on Friday, April 22nd, 2011 in reference to SB 2057. The clerk will call the roll. All conferees are present. Rep. Dosch replaced Rep. Williams today.

Chairman Grindberg: Representative Martinson suggested kind of a list of Senate prospectus on the dollar amounts in the bill. I made a few notes that I'll walk through. I was waiting from leadership and they strongly suggested we meet today before Easter. Let's run down the list here. There would be on category under Centers of Excellence that would be Centers of Research Excellence. That would have \$12 Million of which \$4 Million would be dedicated to that capstone project; \$4 Million to UND and or Grand Forks and how they chose to fund a portion of that \$4 Million in brick or brack.

There would be \$4 for Capstone, \$4 Million for UND, and \$4 Million for NDSU for research excellence. Throughout these numbers under the Governor's recommendation and the Centers of Excellence total package, the Senate is proposing for consideration and further discussion, that we would give up \$2 Million of the Centers of Excellence money. Secondly, we would fund for the grants, the child care service providers of \$2.5 Million, and then that would have language directing that to the Department of Human Services.

Representative Skarphol: Have you talked with Human Services, they are comfortable with that?

Chairman Grindberg: I specifically have not, but that would be a follow up next week. They are the ones that initiated and over saw the contracts this present biennium so I can't imagine it would be too much more of an administrative burden for them to continue on but we will check.

Chairman Grindberg: Under other; tourism infrastructure grants, \$500,000. And I would just add there is a little bit of angst with that yet with some in the Senate. Minot Air Force Base of \$250,000; and again I don't know if there was real heartache in a lot of these other programs coming back to 1018 when we reinstated the jobs for America's graduates, the American Indian Business Development office, the \$60,000 for the tradeoff as rent adjustment. I don't know if there if any real heartache there but I am just listing those again. The E Folio that is at \$100. **Representative Martinson:** I am just writing the numbers down. So you're saying that the other ones are the same as they are in there? Or just give me the numbers so that I can write them in my book.

Chairman Grindberg: Jobs for Americas' Graduate program would restore the \$100,000 that you removed in the House; American Indian Business Development restoring the \$100,000 so a total of \$200,000.

Representative Skarphol: We were at \$100,000, you were at \$200,000? You think that \$200,000 is the right number? **Chairman Grindberg:** We believe that was in the Executive recommendation. **Representative Skarphol:** You're right, it was.

Chairman Grindberg: We certainly can discuss that further. I would expect a meeting on Monday we will have more discussion on the energy positions. I am not listing that as a Senate position at this point, but certainly we thought one position had merit. The North Dakota Trade Office rent adjustment is \$60,400. And to just to recall, that presently, the trade office is renting brand new space with furniture included for \$2.00 a square foot.

Representative Skarphol: It couldn't be from Rep. Carlson would it? **Chairman Grindberg:** No. **Representative Sharphol:** Didn't they used to be one of his tenants? **Chairman Grindberg:** Could be I am not sure. The E folio is a demonstration project with Valley City State University in North Dakota State College of Science of \$150,000. Development Foundation, which is the public/private visioning beyond 2020 with the Commerce Department Foundation and the State Chamber. We had provided \$50,000 in seed money for that 2 year review on North Dakota's future. IDEA Center a one- time grant of \$250,000; USS North Dakota total \$100,000 and in essence is a carryover. **Representative Skarphol:** Just a carryover? **Chairman Grindberg:** In my discussions with some of the folks that is what they were hoping for. They were not hoping for another \$100,000 but we certainly can talk about that. I believe that covers the bulk of the items on page 1. At the bottom they would still like to have consideration for the funding for that potential acquisition of the Nekoma Site, come from which is now defined as the Strategic Investment and Infrastructure Fund. Moving to the second page, I believe we were under the understanding that that was a double up on Williston State.

Representative Martinson: Yes and no on that. The \$500,000 is something that I guess I feel strongly they need to have in order to make that cash flow for them. Obviously I don't care which budget it is in, that is my only point on that. **Chairman Grindberg:** It's in higher education as well? **Representative Martinson:** At \$2.25 M **Senator Holmberg:** You didn't

mention that there is discussion needed on the National Energy Center grant that is \$4.3335 Million, \$ 3 Million is currently in the Higher Education budget so we've got to decide where this idea is going to nest and then what we're going to do with it.

Chairman Grindberg: The \$ 5 Million stays in Commerce and we fund the \$4 Million from 1003. I think we've covered the main points.

Representative Martinson: Both Williston and Bismarck State College because \$3 Million isn't quite enough for that project, so I think it would be our position that we would want to see the Higher Education bill done before we would probably take those completely out of there.

Chairman Grindberg: That's fine as long as it happens next week.

Representative Skarphol: I think based on what you said today, that we can make some of these things happen rather quickly.

Senator Holmberg: I have a few comments about the first items that were mentioned. I think the language that as we decide what we're going to do with what today is called The Centers of Excellence and what tomorrow is called I don't know. The \$4 Million dollars is listed here for UND I think we have to be directive on the fact that \$3 Million of that which was in the Governor's budget, be used for the BRICK, that not be an option that UND has, but that \$3 million dollars goes directly to BRICK and not go through the labyrinth of begging at UND because this is the bigger than UND. It's a whole regional application so I think you want to make sure the language in there doesn't say that UND can decide whether or not they want to apply for the brick funding that there is \$3 Million of that carved out for that. I think Mr. Chairman, that I would certainly like us to explore language on both the Capstone Project and the UND that if for example if BRICK has only wisely spent \$2 Million and there is a \$1 Million left, at some date, that money would become available for whatever that program is called Centers of Excellence today could be available for that. The same thing with the Capstone Project if all of the triggers don't occur and all of the work with FAA doesn't come through there will be some funding there that I believe we should look at language that would split that up in the same formula that is used in there the \$2. ? M for UND and \$1.? M at NDSU; in other words so that you some dates in which you've got to have it done. I mean use reasonable dates. Don't make it so that they can't possibly make it, but 12 months, 14-15 months if they haven't had motion; the money should be utilized for projects and not just sit there. And those projects would still have to go through the regular process that we have. But that was my angst on the original, particularly on the delineation of BRICK as a component of the \$4 Million dollars that go to UND for Centers of whatever.

Representative Skarphol: As I recall the cap summary that I saw was \$2.2 Million, a couple of hundred thousand dollar pieces in there, I don't recall where they went. I am assuming you're just thinking they will be picked up by whomever at either UND or NDSU.

Chairman Grindberg: The total project of about \$11.2 Million, with the LD cap state, Center of Research Excellence, there is \$100,000 in the Adjutant General's budget for radar towers as part of the plan; and then the Aeronautics Commission has authority to use FAA funds for approximately \$300,000 and then the research enterprise out of Massachusetts into technology that has signed an agreement with UND has about \$7 Million.

Representative Skarphol: Either Chairman Grindberg, or Senator Holmberg, when you talk about \$3 Million dollars for BRICK, can you give us just a little summary of what that means? How it is going to be utilized?

Senator Holmberg: I can't tell you specifically. There was a lot of discussion when we had our visitations with the individual from Northrop Grumman about the importance of having that kind of access to some funding at the local level. It would probably go out the same way as it went out last biennium. There was a \$5 million dollar appropriation. The Governor this time, put \$3 million in his budget and there is a local commission that evaluates proposals and then passes them up through the system and they do under the current situation and to have sign off by the President at UND. But I am guessing it would be somewhat similar to how it was utilized last time and I don't have with me but I did have a sheet of what the BRICK money was utilized for and some of the things that it was able to accomplish during the past two years. I will make sure that we have that here at our meeting on Monday. We can inquire of what they did last time, what are some of the things that might come up in the future?

Chairman Grindberg: The other two items are on that second page. You'll see in the middle box has the Centers of Research Excellence, the research at \$8 Million, then add the LD cap, that is where you get the \$12 Million, so that closes out that category under Centers of Research Excellence. One million dollars was taken out of the Research and Recruitment program to square that at \$12M. There would be no Centers of Entrepreneurship Excellence, but there would be \$3 Million available for entrepreneurial center development grants. The investments in the start-up stage technology based business program that was in 1018, that you passed. Was it the two programs from the interim? We passed 1018 and we combined them into one and that is where that program would be. So with those two additions, on this sheet, and recognizing the child care at \$2.5 M we would come in right around \$500,000 or \$600,000 above the Executive Budget for Commerce. Of course we'll have to have Sara validate that but my numbers are pretty close but we would be a half million or \$600,000 over the Executive recommendation.

Representative Skarphol: Could we have another document similar to this to give us a delineation of what you're recommending here? I am not quite following what you said with regards to the middle box. I don't know if you're duplicating what you talked about earlier or adding to, and quite frankly and I mean I need to know that.

Chairman Grindberg: There was \$20M in the Executive recommendation for Centers of Excellence; we are going to fund \$12 Million under that definition. Additionally, there would be \$3 Million for the Entrepreneurial Grants.

Senator Holmberg: Those are targeted towards four year institutions, not research universities.

Chairman Grindberg: The \$3 Million entrepreneurial center development grants.

Representative Skarphol: For the 4 year institutions that are non-research institutions; four year baccalaureate. **Chairman Grindberg:** Not the Centers of Excellence program, it's a match with the strategic plan about growing entrepreneurs in North Dakota. **Representative Skarphol:** You had one or two more? Entrepreneurial ship grants. **Chairman Grindberg:** \$15

million and the investments to start up the stage, for the proof of concept fund had \$1 Million that gets it to \$16 Million and then the Workforce Enhancement Grant is at \$2 Million and rounds it up to \$18 Million dollars. So it is \$2 Million less than the executive recommendation. I will spend some time with Sara we'll have something ordered up.

Representative Martinson: A lot of sentiment in the House is the \$3 Million for the 4 years. I don't know that we would support that or all of that. The child care for sure we wouldn't support the \$3 million for the 4 years of child care at that level I am guessing. I think the tourism infrastructure grant is too low. You have some good stuff for us to look at, but off the top of my head I know that we're going to have a little problem with the \$2.5 for the child care and the \$3 Million for the 4 year schools because it was our thought that we would continue providing money but it should go the research schools.

Representative Skarphol: I have to concur with Representative Martinson. We will have to discuss that and its part of the process. We all know that.

Chairman Grindberg: We are adjourned.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2057
04-26-2011
Job # 16893

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A CONFERENCE COMMITTEE ON CENTERS OF EXCELLENCE MEMBERS OF THE COMMITTEE ARE AS FOLLOWS:

SENATE: Senator Grindberg, (Chair); Senator Holmberg, Senator O'Connell
HOUSE: Rep. Skarphol, Rep. Martinson, Rep. Dosch

OMB: Tammy R. Dolan; LEGISLATIVE COUNCIL: Sara Chamberlin

Minutes:

See attached testimony #1, 2

Chairman Grindberg called the Conference Committee hearing to order at 11:30 am April 26, 2011 in reference to SB 2057. The clerk will call the roll. All conferees are present. We are working with Sara on some amendments. We'll have Sara explain.

Sara Chamberlin: The amendment version that has been distributed for discussion ends in 3005. Testimony attached # 1. This amendment is essentially a hog house amendment that replaces the House version of SB 2057 with the Senate version House bill 1018 with some changes that I will go over. Testimony #2 (Department of Commerce-General fund Appropriations Comparison) provides a comparison of the House version of Engrossed SB 2057 and the proposed changes in this amendment. Because of the Great Plains Applied Energy Research Center carryover within the budget, it may be most beneficial to look at page 3, of the handout which shows the funding within the bill by initiatives. The fiscal changes made to the Senate version of HB 1018 begin on page 24 of the amendment # 11.0025.03005. under footnote #4. Money provided in a Senate version of HB 1018, for an Imminent Research or Recruitment grant has been removed. Funding provided in the Senate version of the HB 1018 for Workforce Enhancement Grant is reduced by \$500,000 to provide a total of \$1.5 Million. **Representative Skarphol:** You said page 24 and I am not seeing what you're referring too? **Sara Chamberlain:** On page 24 of the amendment, under footnote #4 is where I started. Moving on to footnote #5 spending provided for Workforce Enhancement Grant is reduced to provide a total of \$1.5 Million There is a funding source change, \$375,000 will be from the General Fund and \$1.125,000 will be from the unspent Great Plains Applied Energy Research Center carryover. Funding provided in the Senate version of 1018 for grants to child care service providers is increased by \$2.35 Million, to provide a total of \$2.6 Million. The House version had \$ 5 Million for grants to child care service providers. Funding provided

in the Senate version of HB 1018, for a Director of Energy position and associated operating expenses is removed. Funding provided in the Senate version of HB 1018 for the American Indian Business Development office is reduced by \$50,000 to provide a total of \$160,000; the House version provided a total of \$ 100,000. Funding provided in the Senate version of HB 1018 to continue for Jobs for Americas Graduates Program which was previously paid with federal funds, in the 2009-2011 biennium has been removed. So that is the summary of the fiscal changes. Moving on to other changes made to the Senate version of HB 1018, the summary would be in the middle of page 25 of the amendment. The Senate version of HB 1018 provided \$4 Million of unspent 2009-2011 finding appropriations from the Great Plains Applied Energy Research Center for Entrepreneurial Center for Development grants and \$1 Million to the development funds for investments and startup state technology and state businesses. In this proposed amendment, the funding for Entrepreneurial Center Development Grants is reduced to \$1.5 Million; there is \$1 Million to the Development fund for Investments and Startups State Technology and State businesses. As mentioned previously, \$1.125 Million is for Workforce Enhancement Grant; \$750,000 is provided for a one time Tourism Infrastructure Grant which we limited to \$25,000 per recipient. There is \$325,000 of one-time funding for the Minot Air Force Base Realignment Grant and \$300,000 of one time provided for an IDEA Center. In regards to the Center of Research Excellence program tourism is being removed from the definition of words included in an industry cluster. There was previously a limit that research university applications could be no more than two for each round of center funding and this limit is removed. Under the Host Award, monitoring has been changed from the halfway point and end; to after the second old fiscal year and after all funds to the center under this chapter has been expended. The Eminent Research and Recruitment Grant are removed. Funding provided for Child care grant to child care service providers for workforce development, quality improvement, technical assistance and capacity building has been increased from \$250,000 to \$ 2.6 Million. The Legislative Management study on the gas flaring issue has been removed from the bill. There is a section added to provide for a Legislative Management study of early childhood services provider training and assistance; there is a section of legislative intent added to the bill that the Centers of Research Excellence program continue as an on-going program of the Department of Commerce. There was authority provided in the Senate version of HB 1018 to use \$50,000 from the grants line item as a matching grant for an Institution of Higher Education backed knowledge initiative. This is changed from the grant line item to discretionary funds line item. This summarizes the changes that were made to the Senate version of HB 1018.

Chairman Grindberg: Sara, additionally the study for child care is in here as well, is that right? **Sara Chamberlain:** That is correct; the study has been added. **Senator Holmberg:** I need Sara to walk through because I am not seeing what I thought was going to be in these amendments. Walk us through the language regarding the Base Enhancement funding is because it sounds as though we're back to the discretion and I was certainly supporting listing the \$3 Million dollars for the Base Realignment grant. Would you walk through that exactly how that works and how this language works? **Sara Chamberlain:** Certainly, the base realignment grant is added to the Centers of Research Excellence Program on page 15. The language for the base realignment grants is on page 15, of the amendment on the bottom. That is a description of the grant programs; the actual funding is on page 19 of the amendment. Under question 25 on page 19 is where the funding piece for the Base Realignment Grants is provided. Basically for the Centers of Research Excellence, there is a total of \$8 Million available. There is \$4 Million for the Deployment Cooperative Airspace Project Grant Centers

of Research Excellence. There is a limitation that not more than one-half be provided to each research university. **Senator Holmberg:** Wasn't there \$8 Million? **Sara Chamberlain:** Correct, there is \$8 Million for Centers of Research Excellence. So not more than one half is available to one research- university or non- profit foundation related to that. **Senator Holmberg:** So the \$8 Million is divided in half, \$4 Million which is what we discussed would go to NDSU; \$4 Million would go to UND; but then another point that we discussed was the amount of money that would be available for the base realignment is not delineated here, is that correct and that money then can go wherever within that university? **Sara Chamberlain:** My understanding is when the funding is split there is a total of \$4 Million available for Space Realignment Grants. And then the last sentence reads, that any funds that are not committed within the first 18 months of the biennium for the Centers of Research and Excellence program may be used for the Centers of Research Excellence program. **Representative Martinson:** I am confused on that also because when you first proposed this too us the other day, you said there would be a total of \$12 Million, \$4M for the Capstone Project, \$4M UND, \$4M for NDSU. But it looks to me like in Section 25, that \$4 Million is half for UND and half for NDSU. **Chairman Grindberg:** That is not the intent. **Representative Martinson:** But that what it says though, isn't it? It says \$4 Million dollars and you may not award more than 1/2 of the amount available. **Sara Chamberlain:** There is \$8 million available for Centers of Research Excellence, but not more than 1/2 would be \$4 Million. **Representative Skarphol:** Where does it say that there is \$8 Million available? I think that is the issue. Where does it delineate that from? **Sara Chamberlain:** It may be easier to look at the handout on page 2. There is a footnote that details the Centers of Excellence program and the square box on the bottom of the page and the amendment consideration provides the amount of funding. **Representative Skarphol:** We understand the intent; we just need to see it in the bill that that is delineated that way. But I am not seeing it in the bill succinctly enough that I think that I am satisfied. **Chairman Grindberg:** On page two of the amendment where it says Center of Excellence, I think we need clarity there that the Centers of Research Excellence at \$12 Million and that the proposed Entrepreneurial Center Development Grant of \$1.5 Million and the Workforce Enhancement Grant at \$1.5 Million and that is captured under the Centers of Research Excellence. On the 3rd page of the recent handout, describes the Centers of Excellence at \$14,500,000, actually \$12 Million. **Sara Chamberlain:** In the one- time funding, I am told that we only put general fund dollars here; of that \$14.5 Million \$12 Million is from the general fund, \$2.5 Million is from the remaining carryover of the Great Plains Applied Energy and Research Center so that's why you're not seeing the difference. **Senator Holmberg:** Back to the Special Education class here. The way it is written now, on page 25, if we appropriated \$8 Million for Centers of Research Excellence and there is language in there that in essence without saying it, \$4 Million dollars is appropriated to NDSU for Centers of Research Excellence and \$4 Million is appropriated to UND, but of that \$4 Million, the Base Realignment can use up to \$ 4 million of that money but if they haven't used it within the first 18 months, then it goes into the Centers of Research Excellence which would remain within UND's purview, is that correct? **Sara Chamberlain:** That was the intent of that language. **Senator Holmberg:** I guess my question was I thought they could get by with \$3 Million and the other million would be for Centers for Research Excellence, otherwise, frankly UND would have no Centers of Research Excellence funding available until 18 months into the biennium. I think that might cause some angst. I just wonder if the language change in the amendment would be just to change the \$4 million to \$3 million that would mean they would get, the Base Realignment would get first whack at \$3 Million but not the first \$4 million. That I think I could be very comfortable with and I don't know what the others feel. It is convoluted but Sara has shown light on it. I understand it. It's just that

the \$4 Million then is tied up for 18 months under this language. That wouldn't be my intent. **Representative Skarphol:** I would agree with Senator Holmberg that I think it needs to be delineated a little more clearly that they are eligible for up to \$3M and therefore the other million is available to UND. I am not sure where it is in the bill, but on page 25, in that second bullet, in the lower part, where it talks about regarding the Centers of Excellence Program tourism is being removed, a little further down in that particular section, it says as well as the consideration of a centers ability to become financially self-sustaining from the award determination process. What is the significance of that? I am not quite sure that is something that I have an appetite for. I would have to give it some consideration.

Chairman Grindberg: I think from my perspective that is part of the ongoing varied opinions out there on the Centers of Excellence versus originally what we set up for self sustaining versus a research program that could partner with technology development and in all actuality I don't think any of them ever become self-sustaining. **Representative Skarphol:** Should we anticipate that means if they could receive additional funding from the Centers of Excellence dollars that we appropriate? **Chairman Grindberg:** I think there is a track record that has achieved that. There are some programs that have been funded twice. **Representative Skarphol:** I thought the intent was that a second round of funding would have to require a new initiative and not to continue funding an original initiative that received an award. **Chairman Grindberg:** This would be how well you define initiative? Whether its electronics or codings or drug development. **Representative Skarphol:** That does also tie in with the second bullet from the bottom in that particular section. Again a little consternation about that particular language and I haven't located it in the bill, but it says the section of legislative intent is added that the Centers of Research Excellence program continue as an on-going program with the Department of Commerce. That to me implied that we're going to continue to fund at a level in the future, is that a correct assumption as to the intent? **Chairman Grindberg:** That would be a correct assumption.

Senator O'Connell: Could somebody explain to me the child care grants on page 25 and how they are set up here?

Sara Chamberlain: There is a total of \$2.6 Million being provided for grants to child care service providers. If you look at the top of page 25 under footnote #6 the last sentence says that the Department of Commerce shall provide this funding to the Department of Human Services to administer grants to child care service providers for work force development, quality improvement, technical assistance and capacity building as provided in Section 50-11.1-14.1. This is the continuation of the pilot program that was started in the Department of Human Services in this biennium.

Chairman Grindberg: In additionally Senator O'Connell we added a study on page 21, during the 2011-2012 interim that legislative management shall consider a studying a means of which training, and assistance are provided to early childhood service providers and efficiency in administrating training and assistance to early childhood service providers including where there is duplication. **Senator Holmberg:** Also, the \$2.6 Million we continued in this conference committee report the development fund child care loan funding, the grants for early childhood facilities, and some money for administration and grants to individual seeking child development credentials so I think that when we look at this and we package it, we need to add those other elements into what is called Child Care in this budget because it is well above

the \$2.6 Million. Because I think one can legitimately call the \$250, \$100, and the \$20, \$370,000 you're talking here \$3 Million dollars in this package that is under the Child Care rubric. **Senator Grindberg:** I agree.

Representative Skarphol: One question with regard to the electronic portfolio. Is there a sunset in here with regard to that or not? **Chairman Grindberg:** I am not sure there is a specific sunset but my understanding was a pilot would ultimately prove whether the program had more interest. We couldn't go forward until we come back here in 2013. Sara is that correct? (She confirmed it was)

Representative Skarphol: I know that at least one person on our side who happens to be in a leadership position was kind of desiring there would be a sunset with regard to that. The reference to the electronic portfolio is on Section 12, on pages 11&12.

Chairman Grindberg: I have no problem with that, if we want to include that and perhaps we should have a report to the budget section. **Representative Sharpol:** That would be an excellent idea as to the potential value of it and utilization of it.

Chairman Grindberg: I will make those two notes.

Representative Martinson: I have a couple of comments. I would like you to take out the limiting \$25,000 per recipient to the infrastructure grants for tourism. I am on page 25 under the first bullet. I think that is too restrictive. I think the Tourism Department should be able to determine the level of their grants. So I would like to see that taken out. Another thing, on the bill that we passed on page 17, Sara of our 03003 amendment, under six, it talked about the funding for the Minot Air Force Base Realignment Grant to the Minot TF21 Committee. I would like to have that back in there because that's the committee that is in charge of the work if you would please.

Chairman Grindberg: I am with you. Let's break for lunch and process these; we'll schedule another meeting.

Senator Holmberg: Remember the \$3 Million I think we would like that delineated as \$3 Million and then the other \$1 million is available, because the original Executive Budget for the BRICK funding was \$3 Million.

Chairman Grindberg: Note this Sara, we are adjourned.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2057
04-27-2011 (11:30 am)
Job # 16914

Conference Committee

Committee Clerk Signature

A. B. Williams *Alice Selzer*

Explanation or reason for introduction of bill/resolution:

A CONFERENCE COMMITTEE FOR CENTERS OF EXCELLENCE

Minutes:

SENATE: Senator Grindberg (chair), Senator Holmberg, Senator O'Connell
HOUSE: Rep. Skarphol, Rep. Martinson, Rep. Williams

OMB: Tammy R. Dolan; LEGISLATIVE COUNCIL: Sara Chamberlin

Chairman Grindberg: called the Conference Committee to order at 11:30 am on Wednesday, April 27th, 2011 in the Harvest Room in reference to SB 2057. Roll call was taken. All conferees are present.

Chairman Grindberg: I can have Sara go through these proposed amendments again but let me just, on the front end capture what the latest version which was delivered about 20 minutes ago intends to accomplish. One, it moves effective date for automation tax credit, to 12/31/12. It funds the Nekoma site from the general fund. It combines the loan and grant program which was passed by both the House and the Senate and rounds up for the childcare program to \$3.1 million, and it reduces the entrepreneurship grant line from \$1.5 million down to \$750,000.

Sara Chamberlin: Those changes are in there and from committee discussion yesterday there are also a couple more changes. (See attached proposed amendment number .03007)

Representative Skarphol: The second full year, the change there, that was at the halfway point before, is that correct?

Sara Chamberlin: On page 26, the third bullet point explains the change.

Representative Skarphol: Was that something that you felt was appropriate? Why the change from halfway to second year?

Chairman Grindberg: The request came from Commerce.

Justin Dever, North Dakota Department of Commerce: At the halfway point it would be year 5 and 10, but most would have expended their funds by years 4 or 5. We thought it was more appropriate to have it after the second full fiscal year and then after all the funds have been expended since that is what will be audited.

Representative Skarphol: So the initial award takes place during the first 2 years and the funds have been fully expended typically by the 4th or 5th year.

Justin Dever, North Dakota Department of Commerce: Yes.

Sara Chamberlin continued to go through the proposed amendments.

Representative Martinson: On section 19 it says "shall use up to \$600,000, shall use up to \$325,000", that means they could use less so I'd like to delete those words "up to" so that they receive the total amount of money.

Chairman Grindberg: Are we ok with that? (agreed to) There will be a version 8.

Sara Chamberlin continued to go through the proposed amendments.

Representative Skarphol: Section 27, that sentence at the end, would that apply for the \$4 million for the limited deployment cooperative air space project grant?

Sara Chamberlin: That grant is covered in section 29, you will notice the last 2 sentences in that section, the commission may use any funds available under this section which are not committed by July 1, 2012 for the centers of research excellence program. Of the remaining available funds the commission may not award more than one half to one research university or nonprofit foundation related to that research university.

Sara Chamberlin continued on section 28.

Representative Skarphol: I'm not sure the language there sufficiently defines what I would like to see brought forward in that report. There have been questions raised about the utilization of dollars previously and whether or not they've been utilized in the most effective manner. It would be good for us to have a very good understanding of the dollars that have been expended and the dollars that are going to be expended. I would ask that language be modified to reflect that request because obviously we can audit the whole program if we wished, but I think it would probably be more effective to just ask that there be some reporting required with regard to that.

Chairman Grindberg: Are you suggesting budget section updates?

Representative Skarphol: I would also like a report to the budget section during that update with regard to the dollars that have been previously spent on the loan program, the grant program, and whether or not it's resulted in a child care facility and what the effects have been. If we built somebody a fence and that fence never was utilized at the child care facility I think we should be made aware of it and probably consider more explicit language in the next legislative session to ensure that those types of things don't recur.

Sara Chamberlin: There could be language added to that section as a consideration the committee may consider the effectiveness of child care funding awarded by the Department of Commerce and Department of Human Services in the 2009-2011 biennium related to child care funding or specify for the child care loan and child care grants and then also perhaps require a report to the budget section on the use of the funding provided for this program including an overview of the program, program expenditures, and statistics on the effectiveness of the program.

Senator O'Connell: Being you brought that up; I have the same concerns, that some of the money wasn't put to very good use. Would it be better to take that out of the grant loan program and move it over to recruitment and training and retention? Move it where we think it will do a better job?

Representative Skarphol: I think that is what was done in section 28. What I'm referring to is that we make sure that things have been handled appropriately.

Senator O'Connell: That is why I suggest maybe we take it out of the grant and loans and move it over under section 28 where it's still under the grants.

Chairman Grindberg: My understanding is that is what A does. B would include effectiveness and review of the entire package, grants, loans, referral, training, etc.

Representative Martinson: As long as we are on section 28, \$3.1 million is considerably less than the House passed out and I would like to get that closer to where we were so I would move that we add an additional \$1 million to section 28 appropriations.

Motion failed.

Chairman Grindberg: We are not going to act on this, this morning. We are adjourned.

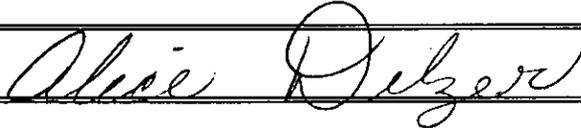
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2057
04-27-2011 (2:30 pm)
Job # 16920

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A CONFERENCE COMMITTEE ON CENTERS OF EXCELLENCE

Minutes:

You may make reference to "attached testimony."

SENATE: Senator Grindberg (chair), Senator Holmberg, Senator O'Connell

HOUSE: Rep. Skarphol, Rep. Martinson, Rep. Williams

OMB: Tammy R. Dolan; LEGISLATIVE COUNCIL: Sara Chamberlin

Chairman Grindberg called the Conference Committee to order at 2:30 pm on Wednesday, April 27th, 2011 in the Harvest Room in reference to SB 2057. Roll call was taken. All conferees are present.

Chairman Grindberg: We are fairly close to wrapping up this budget. We had two additions at our last meeting regarding some of the language with the Child care study and two of the grants inserted the word "shall". We don't have those amendments in hand so we will adjourn and meet hopefully before 5:00 pm today. We are adjourned.

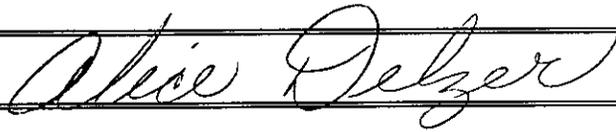
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee
Harvest Room, State Capitol

SB 2057
04-27-2011 (5:30 pm)
Job # 16924

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A CONFERENCE COMMITTEE ON CENTERS OF EXCELLENCE DO PASS AS AMENDED

Minutes:

Attachments

MEMBERS OF THE COMMITTEE ARE AS FOLLOWS:

SENATE: Senator Grindberg, (Chair); Senator Holmberg, Senator O'Connell

HOUSE: Rep. Skarphol, Rep. Martinson, Rep. Dosch

OMB: Tammy R. Dolan; Legislative Council: Sara Chamberlin

Chairman Grindberg: Called the Conference Committee hearing to order at 5:30 pm on Wednesday, April 27th, 2011 in reference to SB 2057. The clerk will call the roll. All conferees are present.

Chairman Grindberg: Presented amendment .03008. We will have Sara walk through the amendment, there are three changes.

Sara Chamberlin: Working off of version .03008, she went through the changes.

Rep. Skarphol: The \$750,000m I am not finding that change.

Chairman Grindberg: The sheet that I handed out, the email, if you go to page 23 of the amendments, look where it says conference committee version, scale down to where you see general fund at forty one million seven hundred and fifty nine thousand eight hundred and sixty five dollars, if you add the 4.1 million that is listed in the email that is in this bill of the applied energy funding, those programs were funded out of that off budget item of five million, so when you add the 4.1 to the 41,759,865 you get 45,859,865 dollars the difference between that and the executive budget of 46,089,494 is a reduction of spending \$229,629. So the elimination would have been in the amount remaining. We are returning nine hundred thousand to the general fund.

Rep. Martinson: Did Sara take out the \$750,000 from the 4 year schools as you said you were going to ask her to do? **Chairman Grindberg:** She did. **Rep. Martinson:** And where is that?

Sara Chamberlin: That funding was provided from the Great Plains applied energy research carryover which is in section 18 of the bill. If you were to compare versions of the bill that section in the previous version it was section 19 and there was 750,000 provided for the entrepreneurial centers development grants and that has been removed. So in section 18 of this bill on page 17, she reads from the amendment. So 4.1 million is allowed to carry over and that is broken down on the handout that Senator Grindberg provided.

Rep. Skarphol: I have section 19 and 18 side by side. I see the 750 for the tourism grants reflected in section 19 I am not seeing the 750 reflected for the 4 year schools anywhere else as having been removed. It is right here, section 19 it is about six lines down of page 18 of the 07 amendment, not the new one but the old amendment.

Sara Chamberlin: That is correct, if you add to that section 11 of version 3007 that related to this grant program and that section 11 has been removed in the new version 3008.

Rep. Skarphol: I am satisfied it is not in there.

Senator Holmberg: I move that the house recede from its amendments and that 2057 would be amended as follows. **Rep. Skarphol:** Seconded the motion.

Chairman Grindberg: Take the roll.

A roll call vote was taken: Yea: 6. Motion carried.

Chairman Grindberg: Thank you very much we are adjourned.

Testimony attached # 1, Department of Commerce-General Fund Appropriations and Testimony attached # 2. The Great Plains Applied Energy research Center carryover statement.

2011 SENATE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: Senate Appropriations

Bill/Resolution No. SB 2057 as (re) engrossed

Date: _____

Roll Call Vote #: _____

- Action Taken**
- SENATE accede to House amendments
 - SENATE accede to House amendments and further amend
 - HOUSE recede from House amendments
 - HOUSE recede from House amendments and amend as follows

Senate/House Amendments on SJ/HJ page(s) _____

- Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) _____ was placed on the Seventh order of business on the calendar

Motion Made by: _____ Seconded by: _____

Senators	Yes	No	Representatives	Yes	No
Senator Grindberg	✓		Rep. Skarphol	✓	
Senator Holmberg	✓		Rep. Martinson	✓	
Senator O'Connell	✓		Rep. Williams	✓	

Vote Count: Yes _____ No _____ Absent _____

Senate Carrier _____ House Carrier _____

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2057

That the House recede from its amendments as printed on pages 1501-1515 of the Senate Journal and pages 1696-1710 of the House Journal and that Engrossed Senate Bill No. 2057 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 10-30.5-13, a new chapter to title 17, three new sections to chapter 54-60, a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a small business technology investment program, a biofuel blender pump incentive program, the internship fund, entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-03, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide for a legislative management study; to provide a vaccinology initiative grant; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide legislative intent; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$837,411	\$10,858,251
Operating expenses	14,478,272	(451,622)	14,026,650
Capital assets	25,000	45,018	70,018
Grants	65,411,058	(5,383,064)	60,027,994
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	375,000	375,000
Economic development initiatives	186,846	0	186,846

Agricultural products utilization	2,536,630	203,137	2,739,767
Centers of research excellence	0	12,000,000	12,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	50,000	2,072,044
Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$32,722,029	\$130,394,802
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$13,753,562	\$41,759,865
Full-time equivalent positions	68.00	0.25	68.25

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-first legislative assembly for the 2009-11 biennium and the 2011-13 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$375,000
American Indian business office	0	50,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	0
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Child care grants and loans	1,820,000	0
Centers of research excellence	19,500,000	12,000,000
Electronic portfolio pilot project	0	150,000
2020 and beyond	0	50,000
Great plains applied energy research center	5,000,000	0
Equine processing study	50,000	0
Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$37,121,750
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>

Total general fund

\$30,470,000

\$12,625,000

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, 2011-2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules; subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and

public early childhood facilities. An award under this subsection may not exceed one hundred thousand dollars per award.

(Effective after July 31, 2011~~2013~~) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.

- b. Before the corporation distributes funds under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.
3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
4. An investment under this section is not a business incentive under chapter 54-60.1.

SECTION 5. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. ~~(Effective through July 31, 2011)~~ Definitions.

In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Department" means the department of commerce.
5. "Foundation" means the North Dakota economic development foundation.
5. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value-added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 7. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. ~~(Effective through July 31, 2011)~~ Application—Eligibility requirements Centers of excellence program.

- ~~1. The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
- ~~2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.~~
- ~~3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~

- a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;~~
 - b. ~~Create high value private sector employment opportunities in this state;~~
 - c. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 8. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. ~~(Effective through July 31, 2011)~~ Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board~~department~~, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to

provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~
4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the

center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.

5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. ~~The commission department may use funds appropriated for available within the centers of excellence program fund to pay for the commission's department's administrative expenses, which may include contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.~~

SECTION 9. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

Definitions.

For purposes of this chapter, unless the context otherwise requires:

1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
2. "E85 fuel" means a petroleum product that:
 - a. Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.
3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the

piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location.

2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.

Blender pumps - Requirements.

1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 11. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.
2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;
 - c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
 - a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic

development officials to effectively access North Dakota's skilled workforce through the system; and

- b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.
5. The division of workforce development shall report to the budget section on the use of the funding provided for this program, including an overview of the program, program expenditures, and statistics on the effectiveness of the program.

SECTION 12. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Center" means a center of research excellence that has been designated under this chapter.
2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
3. "Department" means the department of commerce.
4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Value-added agriculture; or
 - e. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.

2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters; and
 - f. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 13. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 14 of this Act.

SECTION 14. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must

be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.

8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
- a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

SECTION 15. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 16. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 17. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 18. EXEMPTION - TRANSFER. Of the \$5,000,000 appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws, \$4,100,000 is not subject to section 54-44.1-11. The department of commerce shall spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The office of management and budget shall transfer \$1,000,000 of these funds to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act. The office of management

and budget shall transfer \$1,125,000 of these funds to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22. The department of commerce shall use \$750,000 of these funds for tourism infrastructure grants. The department of commerce shall use \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce shall use \$325,000 for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission. The department of commerce shall use \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas.

SECTION 19. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 20. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 21. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 22. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND - USES. The office of management and budget shall transfer the amount appropriated in the centers of research excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. Of the funds transferred, the centers of excellence commission may use up to \$4,000,000 for a limited deployment-cooperative airspace project grant as provided in section 28 of this Act. Of the \$8,000,000 remaining, the centers of excellence commission may not award more than \$4,000,000 to one research university or nonprofit foundation related to that research university. Of the \$4,000,000 available to the university of North Dakota, \$3,000,000 shall be used for base realignment grants. The commission may use any funds that are not committed within the first eighteen months of the biennium for the centers of research excellence program.

SECTION 25. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund.

SECTION 26. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total North Dakota trade office special line and the general fund appropriation in section 1 of this Act include \$2,613,400 of funding relating to the North Dakota trade office. The department of commerce may spend seventy percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the biennium beginning July 1, 2011, and ending June 30, 2013. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 27. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,100,000, or so much of the sum as may be necessary, to the department of human services, for the purpose of providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided for in section 50-11.1-14.1, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 28. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 24 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission. The commission may use any funds available under this section which are not committed by July 1, 2012, for the centers of research excellence program. Of the remaining available funds, the commission may not award more than one-half to one research university or nonprofit foundation related to that research university.

SECTION 29. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE.

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota

education interests, and individuals representing state and local government interests.

2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 30. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the discretionary funds line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 31. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the

legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 32. LEGISLATIVE MANAGEMENT STUDY - EARLY CHILDHOOD SERVICES PROVIDER TRAINING AND ASSISTANCE. During the 2011-12 interim, the legislative management shall consider studying the means by which training and assistance are provided to early childhood services providers and the efficiency of administering training and assistance to early childhood services providers, including whether there is duplication of efforts. The study should review the effectiveness of funding provided to the department of human services for early childhood care, including workforce development, child care capacity, and quality improvement for early childhood facilities, for the 2009-11 biennium and to the department of commerce for financing to early childhood facilities and early childhood facility grants for technical assistance, a business plan, or infrastructure for the 2009-11 biennium. The study should also consider the effectiveness of funding provided to the department of human services for child care service provider grants for the 2011-13 biennium. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 33. LEGISLATIVE INTENT - CENTER OF RESEARCH EXCELLENCE PROGRAM CONTINUITY. It is the intent of the sixty-second legislative assembly that the center of research excellence program be considered an ongoing program of the department of commerce.

SECTION 34. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 35. EFFECTIVE DATE. Section 35 of this Act becomes effective on August 1, 2023.

SECTION 36. EXPIRATION DATE. Section 9 of this Act is effective through July 31, 2013, and after that date is ineffective. Section 11 of this Act is effective through June 30, 2013, and after that date is ineffective.

SECTION 37. EFFECTIVE DATE - EXPIRATION DATE. Sections 13 and 14 of this Act are effective for the first three taxable years beginning after December 31, 2012, and are thereafter ineffective.

SECTION 38. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 9, 10, and 18 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Williston State College Total all funds	\$0	\$0	\$0	\$0	\$2,000,000	(\$2,000,000)

Less estimated income	0	0	0	0	1,500,000	(1,500,000)
General fund	\$0	\$0	\$0	\$0	\$500,000	(\$500,000)
Department of Human Services						
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Department of Commerce						
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
Bill total						
Total all funds	\$0	\$20,000,000	\$113,494,802	\$133,494,802	\$133,514,740	(\$19,938)
Less estimated income	0	0	88,634,937	88,634,937	90,134,937	(1,500,000)
General fund	\$0	\$20,000,000	\$24,859,865	\$44,859,865	\$43,379,803	\$1,480,062

Senate Bill No. 2057 - Williston State College - Conference Committee Action

The hoghouse amendment removes a general fund appropriation of \$500,000 and authority to borrow up to \$1.5 million from the Bank of North Dakota provided to Williston State College by the House for a workforce training building project.

Senate Bill No. 2057 - Department of Human Services - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Child care service provider grants			\$3,100,000	\$3,100,000		\$3,100,000
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

	Adds Funding for Child Care Service Provider Grants ¹	Total Conference Committee Changes
Child care service provider grants	\$3,100,000	\$3,100,000
Total all funds	\$3,100,000	\$3,100,000
Less estimated income	0	0
General fund	\$3,100,000	\$3,100,000
FTE	0.00	0.00

¹ Funding is added by the conference committee to provide an appropriation to the Department of Human Services for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided in section 50-11.1-14.1. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund, to the Department of Commerce to work in collaboration with the Department of Human Services to administer these grants.

Senate Bill No. 2057 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages			\$10,858,251	\$10,858,251	\$10,871,979	(\$13,728)
Operating expenses			14,026,650	14,026,650	13,883,260	143,390
Capital assets			70,018	70,018	70,018	
Grants			60,027,994	60,027,994	71,512,994	(11,485,000)
Centers of entrepreneurship grants		5,000,000	(5,000,000)			
Limited deployment-cooperative airspace		3,500,000	(3,500,000)			
Workforce enhancement fund transfer		2,000,000	(2,000,000)			
Centers of research excellence grants		8,000,000	(8,000,000)			
Eminent research challenge grants		1,500,000	(1,500,000)			
North Dakota development fund					250,000	(250,000)
Discretionary funds			928,082	928,082	928,082	
Agricultural products utilization			2,739,767	2,739,767	2,739,767	
North Dakota trade office			2,613,400	2,613,400	2,553,000	60,400
Partner programs			2,072,044	2,072,044	2,022,044	50,000
Federal fiscal stimulus funds			24,496,750	24,496,750	24,496,750	
Economic development initiatives			186,846	186,846	186,846	
Workforce enhancement Centers of Research Excellence			375,000	375,000	2,000,000	(1,625,000)
			12,000,000	12,000,000		12,000,000
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
FTE	0.00	0.00	70.25	70.25	68.25	2.00

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Removes Centers of Excellence - Eminent Researcher Recruitment Grant ³	Reduces Funding for Workforce Enhancement Grants ⁴	Removes Funding for Child Care Service Provider Grants ⁵	Removes Funding for Child Care Grants and Loans ⁶
Salaries and wages		\$11,115,528				(\$13,728)
Operating expenses		14,233,260				(6,610)
Capital assets		70,018				
Grants		60,377,994				
Centers of entrepreneurship grants	(5,000,000)				(250,000)	(100,000)
Limited deployment-cooperative airspace	(3,500,000)					
Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					

North Dakota development fund		250,000			(250,000)	
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,613,400				
Partner programs		2,122,044				
Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement Centers of Research Excellence		2,000,000		(1,625,000)		
		13,000,000		(1,000,000)		
Total all funds	(\$20,000,000)	\$134,133,689	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
Less estimated income	0	88,634,937	0	0	0	0
General fund	(\$20,000,000)	\$45,498,752	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
FTE	0.00	69.25	0.00	0.00	0.00	0.00

	Removes Funding for A Director of Energy FTE and Associated Operating⁷	Reduces Funding for the American Indian Business Development Office⁸	Removes Funding for the Jobs for America's Graduates Programs⁹	Total Conference Committee Changes
Salaries and wages	(\$243,549)			\$10,858,251
Operating expenses	(100,000)		(100,000)	14,026,650
Capital assets				70,018
Grants				60,027,994
Centers of entrepreneurship grants				(5,000,000)
Limited deployment-cooperative airspace				(3,500,000)
Workforce enhancement fund transfer				(2,000,000)
Centers of research excellence grants				(8,000,000)
Eminent research challenge grants				(1,500,000)
North Dakota development fund Discretionary funds				928,082
Agricultural products utilization				2,739,767
North Dakota trade office				2,613,400
Partner programs		(50,000)		2,072,044
Federal fiscal stimulus funds				24,496,750
Economic development initiatives				186,846
Workforce enhancement Centers of Research Excellence				375,000
				12,000,000
Total all funds	(\$343,549)	(\$50,000)	(\$100,000)	\$110,394,802
Less estimated income	0	0	0	88,634,937
General fund	(\$343,549)	(\$50,000)	(\$100,000)	\$21,759,865
FTE	1.00	0.00	0.00	70.25

¹ The amendment removes funding included in the Senate version for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

² The amendment provides the same funding level and FTE positions for the Department of Commerce as approved by the Senate in Engrossed House Bill No. 1018.

³ Funding provided in the Senate version of House Bill No. 1018 for an eminent researcher recruitment grant is removed. This change is the same as the House version.

⁴ Funding provided in the Senate version of House Bill No. 1018 for workforce enhancement grants is reduced by \$1,625,000 to provide a total of \$375,000 from the general fund. The House version of House Bill No. 1018 and Senate Bill No. 2057 provided \$2 million from the general fund for these grants. However, the conference committee is authorizing the department to use up to \$1,125,000 from unspent 2009-11 biennium appropriation authority for the Great Plains Applied Energy Research Center for workforce enhancement grants during the 2011-13 biennium, therefore, making available a total of \$1.5 million.

⁵ Funding of \$250,000 provided in the Senate version of House Bill No. 1018 for grants to child care service providers is removed. The conference committee amendment provides a separate appropriation of \$3.1 million to the Department of Human Services for grants to child care service providers. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund.

⁶ Funding provided in the Senate version of House Bill No. 1018 for the child care grants and loans is removed. The House version provided \$100,000 from the general fund for grants, \$250,000 for child care loans, and \$20,338 for the administration of the child care loan and grant program.

⁷ Funding provided in the Senate version of House Bill No. 1018 for a director of energy position (\$243,549) and associated operating expenses (\$100,000) is removed. The House version of House Bill No. 1018 and Senate Bill No. 2057 did not provide funding for this FTE position or related operating expenses.

⁸ Funding provided in the Senate version of House Bill No. 1018 for the American Indian Business Development Office is reduced by \$50,000 to provide a total of \$150,000 from the general fund. The House version provided \$100,000 from the general fund for the American Indian Business Development Office.

⁹ Funding provided in the Senate version of House Bill No. 1018 to continue four Jobs for America's Graduates programs previously paid with federal funds in the 2009-11 biennium is removed. The House version did not provide funding for this program.

The conference committee amendment is a hoghouse amendment that incorporates the Senate version of House Bill No. 1018 into Senate Bill No. 2057; however, this amendment makes the following changes to the Senate version of House Bill No. 1018:

- The Senate version of House Bill No. 1018 used \$4 million of unspent 2009-11 biennium appropriations from the Great Plains Applied Energy Research Center for entrepreneurial centers development grants and \$1 million to the Development Fund for investments in startup stage technology-based businesses. In the conference committee amendment, this is changed to provide \$1 million to the Development Fund for investments in startup stage technology-based businesses, \$1.125 million for workforce enhancement grants, \$750,000 of one-time funding for tourism infrastructure grants, \$600,000 for a grant to assist in the acquisition of the antiballistic missile site (ABM) at the Stanley R. Mickelson safeguard complex in Nekoma, \$325,000 of one-time funding for a Minot Air Force Base realignment grant to the Minot TF-21 Committee, and \$300,000 of one-time funding for a grant to the IDEA Center.
- The funding source for a grant to assist in the acquisition of the ABM site at the Stanley R. Mickelson Safeguard Complex in Nekoma provided in the Senate version of House Bill No. 1018 is changed from the strategic investment and improvements fund to the Great Plains Applied Energy Research Center carryover.
- Regarding the centers of research excellence program, tourism is being removed from the definition of what is included in an "industry cluster." Under centers of research excellence application and eligibility requirements, limiting research university applications to no more than

two for each round of center funding is removed as well as the consideration of a center's ability to become financially self-sustaining from the award determination process. Under centers of research excellence use of funds - terms of funds - distribution of funds - postaward monitoring, the public sector required match is changed to permit a match to be provided by a not-for-profit organization.

- Under centers of excellence and centers of research excellence postaward monitoring section, an audit is required on all funds distributed to the center after the second full fiscal year and after all funds distributed to the center have been expended and that for all other years during the postaward monitoring a center may contract with an independent accountant for an agreed-upon procedures engagement.
- The eminent researcher recruitment grant is removed.
- The entrepreneurial centers development grants are removed.
- The automating manufacturing processes tax credit effective date is changed from December 31, 2011, to December 31, 2012.
- A section added in the Senate version of House Bill No. 1018 to provide for a Legislative Management study of gas flaring issues is removed.
- The higher education electronic portfolio system pilot program is changed to expire as of June 30, 2013, and the department is to provide a report on the program to the Budget Section.
- A section is added to provide for a Legislative Management study of early childhood services provider training and assistance.
- A section of legislative intent is added that the centers of research excellence program continue as an ongoing program of the Department of Commerce.
- Authority provided in the Senate version of House Bill No. 1018 to use \$50,000 from the grants line item as a matching grant for an institution of higher education vaccinology initiative is changed to discretionary funds line item.

Other provisions included in the Senate version of House Bill No. 1018 added in this amendment relate to:

- A small business technology investment program that provides matching investments to startup technology-based businesses.
- Centers of excellence statutory provisions are changed to:
 - Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and make other changes and additions relating to postaward monitoring;
 - Centers of research excellence and a centers of research excellence fund; and
 - Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.
- A pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.
- Creating an internship fund.
- Biofuel blender pump incentive program.
- A centers of research excellence fund, and the bill provides for a transfer of the \$12 million provided for centers of excellence to this fund. Of the funding provided, \$4 million is for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).
- An income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. This credit is anticipated to reduce 2011-13 biennium general fund revenues by \$2 million.
- Authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.
- A Legislative Management study of the impact of future population growth on state and local government revenues.

REPORT OF CONFERENCE COMMITTEE

SB 2057, as engrossed: Your conference committee (Sens. Grindberg, Holmberg, O'Connell and Reps. Skarphol, Martinson, Williams) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1501-1515, adopt amendments as follows, and place SB 2057 on the Seventh order:

That the House recede from its amendments as printed on pages 1501-1515 of the Senate Journal and pages 1696-1710 of the House Journal and that Engrossed Senate Bill No. 2057 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 10-30.5-13, a new chapter to title 17, two new sections to chapter 54-60, a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a small business technology investment program, a biofuel blender pump incentive program, the internship fund, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-03, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide for a legislative management study; to provide a vaccinology initiative grant; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide legislative intent; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$837,411	\$10,858,251
Operating expenses	14,478,272	(451,622)	14,026,650
Capital assets	25,000	45,018	70,018
Grants	65,411,058	(5,383,064)	60,027,994
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	375,000	375,000
Economic development initiatives	186,846	0	186,846
Agricultural products utilization	2,536,630	203,137	2,739,767
Centers of research excellence	0	12,000,000	12,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	50,000	2,072,044

Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$32,722,029	\$130,394,802
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$13,753,562	\$41,759,865
Full-time equivalent positions	68.00	0.25	68.25

**SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET -
 REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY.** The following amounts
 reflect the one-time funding items approved by the sixty-first legislative assembly for
 the 2009-11 biennium and the 2011-13 one-time funding items included in the
 appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$375,000
American Indian business office	0	50,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	0
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Child care grants and loans	1,820,000	0
Centers of research excellence	19,500,000	12,000,000
Electronic portfolio pilot project	0	150,000
2020 and beyond	0	50,000
Great plains applied energy research center	5,000,000	0
Equine processing study	50,000	0
Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$37,121,750
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>
Total general fund	\$30,470,000	\$12,625,000

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, 2011) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities. An award under this subsection may not exceed one hundred thousand dollars per award.

(Effective after July 31, 2011) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or

organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.

3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.
 - b. Before the corporation distributes funds under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.
3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
4. An investment under this section is not a business incentive under chapter 54-60.1.

SECTION 5. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. ~~(Effective through July 31, 2011)~~ Definitions.

In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Department" means the department of commerce.
5. "Foundation" means the North Dakota economic development foundation.
6. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 7. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. (Effective through July 31, 2011) Application—Eligibility requirements Centers of excellence program.

1. ~~The department of commerce shall provide center application forms; accept applications; review applications for completeness and compliance with board and commission policy; forward complete applications to the commission in accordance with guidelines established by the commission; and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
2. ~~The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.~~
3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~
 - a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high tech companies, or skilled jobs in this state;~~
 - b. ~~Create high value private sector employment opportunities in this state;~~
 - c. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications.~~

~~The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~

- 5- For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 8. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. ~~(Effective through July 31, 2011)~~ Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~board~~department, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and

- c. Complies with the American society for testing materials specification D 5798-96.
3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location.
2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.

Blender pumps - Requirements.

1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:

- a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
- b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 11. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.
2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;
 - c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and

- f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
 - a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.
5. The division of workforce development shall report to the budget section on the use of the funding provided for this program, including an overview of the program, program expenditures, and statistics on the effectiveness of the program.

SECTION 12. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Center" means a center of research excellence that has been designated under this chapter.
2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
3. "Department" means the department of commerce.
4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Value-added agriculture; or
 - e. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters; and
 - f. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.

6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.

4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 13. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 14 of this Act.

SECTION 14. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.
8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file

with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:

- a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

SECTION 15. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 16. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 17. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 18. EXEMPTION - TRANSFER. Of the \$5,000,000 appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws, \$4,100,000 is not subject to section 54-44.1-11. The department of commerce shall spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The office of management and budget shall transfer \$1,000,000 of these funds to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act. The office of management and budget shall transfer \$1,125,000 of these funds to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22. The department of commerce shall use \$750,000 of these funds for tourism infrastructure grants. The department of commerce shall use \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce shall use \$325,000 for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission. The department of commerce shall use \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas.

SECTION 19. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item

in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 20. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 21. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 22. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND - USES. The office of management and budget shall transfer the amount appropriated in the centers of research excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. Of the funds transferred, the centers of excellence commission may use up to \$4,000,000 for a limited deployment-cooperative airspace project grant as provided in section 28 of this Act. Of the \$8,000,000 remaining, the centers of excellence commission may not award more than \$4,000,000 to one research university or nonprofit foundation related to that research university. Of the \$4,000,000 available to the university of North Dakota, \$3,000,000 shall be used for base realignment grants. The commission may use any funds that are not committed within the first eighteen months of the biennium for the centers of research excellence program.

SECTION 25. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund.

SECTION 26. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total North Dakota trade office special line and the general fund appropriation in section 1 of this Act include \$2,613,400 of funding relating to the North Dakota trade office. The department of commerce may spend seventy percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the biennium beginning July 1, 2011, and ending June 30, 2013. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 27. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$3,100,000, or so much of the sum as may be

necessary, to the department of human services, for the purpose of providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided for in section 50-11.1-14.1, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 28. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 24 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission. The commission may use any funds available under this section which are not committed by July 1, 2012, for the centers of research excellence program. Of the remaining available funds, the commission may not award more than one-half to one research university or nonprofit foundation related to that research university.

SECTION 29. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE.

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.
2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;

- f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
 4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 30. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the discretionary funds line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 31. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 32. LEGISLATIVE MANAGEMENT STUDY - EARLY CHILDHOOD SERVICES PROVIDER TRAINING AND ASSISTANCE. During the 2011-12 interim, the legislative management shall consider studying the means by which training and assistance are provided to early childhood services providers and the efficiency of administering training and assistance to early childhood services providers, including whether there is duplication of efforts. The study should review the effectiveness of funding provided to the department of human services for early childhood care, including workforce development, child care capacity, and quality improvement for early childhood facilities, for the 2009-11 biennium and to the department of commerce for financing to early childhood facilities and early childhood facility grants for technical assistance, a business plan, or infrastructure for the 2009-11 biennium. The study should also consider the effectiveness of funding provided to the department of human services for child care service provider grants for the 2011-13 biennium. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 33. LEGISLATIVE INTENT - CENTER OF RESEARCH EXCELLENCE PROGRAM CONTINUITY. It is the intent of the sixty-second legislative assembly that the center of research excellence program be considered an ongoing program of the department of commerce.

SECTION 34. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 35. EFFECTIVE DATE. Section 35 of this Act becomes effective on August 1, 2023.

SECTION 36. EXPIRATION DATE. Section 9 of this Act is effective through July 31, 2013, and after that date is ineffective. Section 11 of this Act is effective through June 30, 2013, and after that date is ineffective.

SECTION 37. EFFECTIVE DATE - EXPIRATION DATE. Sections 13 and 14 of this Act are effective for the first three taxable years beginning after December 31, 2012, and are thereafter ineffective.

SECTION 38. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 9, 10, and 18 of this Act are declared to be an emergency measure."

ReNUMBER accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Williston State College						
Total all funds	\$0	\$0	\$0	\$0	\$2,000,000	(\$2,000,000)
Less estimated income	0	0	0	0	1,500,000	(1,500,000)
General fund	\$0	\$0	\$0	\$0	\$500,000	(\$500,000)
Department of Human Services						
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Department of Commerce						
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
Bill total						
Total all funds	\$0	\$20,000,000	\$113,494,802	\$133,494,802	\$133,514,740	(\$19,938)
Less estimated income	0	0	88,634,937	88,634,937	90,134,937	(1,500,000)
General fund	\$0	\$20,000,000	\$24,859,865	\$44,859,865	\$43,379,803	\$1,480,062

Senate Bill No. 2057 - Williston State College - Conference Committee Action

The hoghouse amendment removes a general fund appropriation of \$500,000 and authority to borrow up to \$1.5 million from the Bank of North Dakota provided to Williston State College by the House for a workforce training building project.

Senate Bill No. 2057 - Department of Human Services - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Child care service provider grants			\$3,100,000	\$3,100,000		\$3,100,000
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0

General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

	Adds Funding for Child Care Service Provider Grants ¹	Total Conference Committee Changes
Child care service provider grants	\$3,100,000	\$3,100,000
Total all funds	\$3,100,000	\$3,100,000
Less estimated income	0	0
General fund	\$3,100,000	\$3,100,000
FTE	0.00	0.00

¹ Funding is added by the conference committee to provide an appropriation to the Department of Human Services for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided in section 50-11.1-14.1. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund, to the Department of Commerce to work in collaboration with the Department of Human Services to administer these grants.

Senate Bill No. 2057 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages			\$10,858,251	\$10,858,251	\$10,871,979	(\$13,728)
Operating expenses			14,026,650	14,026,650	13,883,260	143,390
Capital assets			70,018	70,018	70,018	
Grants			60,027,994	60,027,994	71,512,994	(11,485,000)
Centers of entrepreneurship grants		5,000,000	(5,000,000)			
Limited deployment-cooperative airspace		3,500,000	(3,500,000)			
Workforce enhancement fund transfer		2,000,000	(2,000,000)			
Centers of research excellence grants		8,000,000	(8,000,000)			
Eminent research challenge grants		1,500,000	(1,500,000)			
North Dakota development fund					250,000	(250,000)
Discretionary funds			928,082	928,082	928,082	
Agricultural products utilization			2,739,767	2,739,767	2,739,767	
North Dakota trade office			2,613,400	2,613,400	2,553,000	60,400
Partner programs			2,072,044	2,072,044	2,022,044	50,000
Federal fiscal stimulus funds			24,496,750	24,496,750	24,496,750	
Economic development initiatives			186,846	186,846	186,846	
Workforce enhancement			375,000	375,000	2,000,000	(1,625,000)
Centers of Research Excellence			12,000,000	12,000,000		12,000,000
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
	0.00	0.00	70.25	70.25	68.25	2.00

FTE

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Removes Centers of Excellence - Eminent Researcher Recruitment Grant ³	Reduces Funding for Workforce Enhancement Grants ⁴	Removes Funding for Child Care Service Provider Grants ⁵	Removes Funding for Child Care Grants and Loans ⁶
Salaries and wages		\$11,115,528				(\$13,728)
Operating expenses		14,233,260				(6,610)
Capital assets		70,018				
Grants		60,377,994			(250,000)	(100,000)
Centers of entrepreneurship grants	(5,000,000)					
Limited deployment-cooperative airspace	(3,500,000)					
Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					
North Dakota development fund		250,000				(250,000)
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,613,400				
Partner programs		2,122,044				
Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement		2,000,000		(1,625,000)		
Centers of Research Excellence		13,000,000	(1,000,000)			
Total all funds	(\$20,000,000)	\$134,133,689	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
Less estimated income	0	88,634,937	0	0	0	0
General fund	(\$20,000,000)	\$45,498,752	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
FTE	0.00	69.25	0.00	0.00	0.00	0.00

	Removes Funding for A Director of Energy FTE and Associated Operating ⁷	Reduces Funding for the American Indian Business Development Office ⁸	Removes Funding for the Jobs for America's Graduates Programs ⁹	Total Conference Committee Changes
Salaries and wages	(\$243,549)			\$10,858,251
Operating expenses	(100,000)		(100,000)	14,026,650
Capital assets				70,018
Grants				60,027,994
Centers of entrepreneurship grants				(5,000,000)
Limited deployment-cooperative airspace				(3,500,000)
Workforce enhancement fund transfer				(2,000,000)
Centers of research excellence grants				(8,000,000)
Eminent research challenge grants				(1,500,000)
North Dakota development fund				928,082
Discretionary funds				2,739,767
Agricultural products utilization				2,613,400
North Dakota trade office				2,072,044
Partner programs		(50,000)		24,496,750
Federal fiscal stimulus funds				186,846
Economic development initiatives				375,000
Workforce enhancement				12,000,000
Centers of Research Excellence				
Total all funds	(\$343,549)	(\$50,000)	(\$100,000)	\$110,394,802

Less estimated income	0	0	0	88,634,937
General fund	(\$343,549)	(\$50,000)	(\$100,000)	\$21,759,865
FTE	1.00	0.00	0.00	70.25

¹ The amendment removes funding included in the Senate version for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

² The amendment provides the same funding level and FTE positions for the Department of Commerce as approved by the Senate in Engrossed House Bill No. 1018.

³ Funding provided in the Senate version of House Bill No. 1018 for an eminent researcher recruitment grant is removed. This change is the same as the House version.

⁴ Funding provided in the Senate version of House Bill No. 1018 for workforce enhancement grants is reduced by \$1,625,000 to provide a total of \$375,000 from the general fund. The House version of House Bill No. 1018 and Senate Bill No. 2057 provided \$2 million from the general fund for these grants. However, the conference committee is authorizing the department to use up to \$1,125,000 from unspent 2009-11 biennium appropriation authority for the Great Plains Applied Energy Research Center for workforce enhancement grants during the 2011-13 biennium, therefore, making available a total of \$1.5 million.

⁵ Funding of \$250,000 provided in the Senate version of House Bill No. 1018 for grants to child care service providers is removed. The conference committee amendment provides a separate appropriation of \$3.1 million to the Department of Human Services for grants to child care service providers. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund.

⁶ Funding provided in the Senate version of House Bill No. 1018 for the child care grants and loans is removed. The House version provided \$100,000 from the general fund for grants, \$250,000 for child care loans, and \$20,338 for the administration of the child care loan and grant program.

⁷ Funding provided in the Senate version of House Bill No. 1018 for a director of energy position (\$243,549) and associated operating expenses (\$100,000) is removed. The House version of House Bill No. 1018 and Senate Bill No. 2057 did not provide funding for this FTE position or related operating expenses.

⁸ Funding provided in the Senate version of House Bill No. 1018 for the American Indian Business Development Office is reduced by \$50,000 to provide a total of \$150,000 from the general fund. The House version provided \$100,000 from the general fund for the American Indian Business Development Office.

⁹ Funding provided in the Senate version of House Bill No. 1018 to continue four Jobs for America's Graduates programs previously paid with federal funds in the 2009-11 biennium is removed. The House version did not provide funding for this program.

The conference committee amendment is a hoghouse amendment that incorporates the Senate version of House Bill No. 1018 into Senate Bill No. 2057; however, this amendment makes the following changes to the Senate version of House Bill No. 1018:

- The Senate version of House Bill No. 1018 used \$4 million of unspent 2009-11 biennium appropriations from the Great Plains Applied Energy Research Center for entrepreneurial centers development grants and \$1 million to the Development Fund for investments in startup stage technology-based businesses. In the conference committee amendment, this is changed to provide \$1 million to the Development Fund for investments in startup stage technology-based businesses, \$1.125 million for workforce enhancement grants, \$750,000 of one-time funding for tourism infrastructure grants, \$600,000 for a grant to assist in the acquisition of the antiballistic missile site (ABM) at the Stanley R. Mickelson safeguard complex in Nekoma, \$325,000 of one-time funding for a Minot Air Force Base realignment grant to the Minot TF-21 Committee, and \$300,000 of one-time funding for a grant to the IDEA Center.
- The funding source for a grant to assist in the acquisition of the ABM site at the Stanley R. Mickelson Safeguard Complex in Nekoma provided in the Senate version of House Bill No. 1018 is changed from the strategic investment and improvements fund to the Great Plains Applied Energy Research Center carryover.
- Regarding the centers of research excellence program, tourism is being removed from the definition of what is included in an "industry cluster." Under centers of research excellence application and eligibility requirements, limiting research university applications to no more than two for each round of center funding is removed as well as the consideration of a center's ability to become financially self-sustaining from the award determination process. Under centers of research excellence use of funds - terms of funds - distribution of funds - postaward monitoring, the public sector required match is changed to permit a match to be provided by a not-for-profit organization.
- Under centers of excellence and centers of research excellence postaward monitoring section, an audit is required on all funds distributed to the center after the second full fiscal year and after all funds distributed to the center have been expended and that for all other years during the postaward monitoring a center may contract with an independent accountant for an agreed-upon procedures engagement.
- The eminent researcher recruitment grant is removed.
- The entrepreneurial centers development grants are removed.
- The automating manufacturing processes tax credit effective date is changed from December 31, 2011, to December 31, 2012.
- A section added in the Senate version of House Bill No. 1018 to provide for a Legislative Management study of gas flaring issues is removed.
- The higher education electronic portfolio system pilot program is changed to expire as of June 30, 2013, and the department is to provide a report on the program to the Budget Section.
- A section is added to provide for a Legislative Management study of early childhood services provider training and assistance.
- A section of legislative intent is added that the centers of research excellence program continue as an ongoing program of the Department of Commerce.
- Authority provided in the Senate version of House Bill No. 1018 to use \$50,000 from the grants line item as a matching grant for an institution of higher education vaccinology initiative is changed to discretionary funds line item.

Other provisions included in the Senate version of House Bill No. 1018 added in this amendment relate to:

- A small business technology investment program that provides matching investments to startup technology-based businesses.
- Centers of excellence statutory provisions are changed to:
 - Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and make other changes and additions relating to postaward monitoring;
 - Centers of research excellence and a centers of research excellence fund; and
 - Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.
- A pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.
- Creating an internship fund.
- Biofuel blender pump incentive program.
- A centers of research excellence fund, and the bill provides for a transfer of the \$12 million provided for centers of excellence to this fund. Of the funding provided, \$4 million is for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).
- An income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. This credit is anticipated to reduce 2011-13 biennium general fund revenues by \$2 million.
- Authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.
- A Legislative Management study of the impact of future population growth on state and local government revenues.

Engrossed SB 2057 was placed on the Seventh order of business on the calendar.

2011 TESTIMONY

SB 2057

**DEPARTMENT OF COMMERCE TESTIMONY ON SENATE BILL 2057
JANUARY 27, 2011, 8:30 A.M.
SENATE APPROPRIATIONS COMMITTEE
HARVEST ROOM
SENATOR RAY HOLMBERG, CHAIRMAN**

PAUL GOVIG – ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, I'm Paul Govig from the North Dakota Department of Commerce.

We support and appreciate the North Dakota Centers of Excellence program. It's an important component of the state's economic development strategic plan.

Centers of Excellence is a real success story. It's built on the concept of partnering the research capabilities found in our public colleges and universities with private sector companies to generate jobs and new business opportunities.

The program is now in its 5th year and is having a significant impact in our state. According to a fall 2010 study by NDSU, the North Dakota Centers of Excellence program has leveraged \$26.2 million in state funding into an economic impact of \$406.5 million through June 30, 2010.

The Centers program is built on the concept of partnerships. Our colleges and universities are filled with intellectual resources, high-tech equipment and training capacity that are valuable for private sector companies.

190 companies have formed partnerships with North Dakota Centers of Excellence. These partnerships have leveraged \$152.9 million of matching funds, an amount far exceeding the \$33.9 million of state funds disbursed to the Centers.

These partnerships are generating results. The Centers of Excellence program has helped create a total of 1,017 direct jobs at an estimated payroll of \$53.4 million, with direct employment increasing more than 240 percent since 2007.

By aggressively pursuing research, the Centers of Excellence program is nurturing the pioneers of the future. Initiatives like this will help our private sector businesses uncover the promising new opportunities that will continue to build a strong future for North Dakota.

Supporting the Centers of Excellence program increases our competitiveness now and will enhance our competitiveness in the future.

Now I'd like to turn the presentation over to Mr. Mark Nisbet, Chairman of the Centers of Excellence Commission. He'll provide additional information on the Centers of Excellence program.

SB 2057
Centers of Excellence Grants
attachment 1A
3/7/11

North Dakota

DEPARTMENT OF COMMERCE



CENTERS OF EXCELLENCE

annual report | 2010

LETTER FROM THE GOVERNOR



— State of —
North Dakota
Office of the Governor

Jack Dalrymple
Governor



North Dakota's Centers of Excellence program is a real success story. The Centers program is built on the concept of partnering the research capacities found in our public colleges and universities with private-sector companies to generate jobs and new business opportunities.

Much like our nation's transportation system was the economic infrastructure for the 20th Century, the North Dakota Centers of Excellence program is building the economic infrastructure of the 21st Century that is based on research, technology and intellectual capacity.

The program, now in its fifth year, is having a significant impact in our state. According to a fall 2010 study by North Dakota State University Professor Larry Leistritz, the North Dakota Centers of Excellence program has leveraged \$26.2 million in state funding into an economic impact of \$406.5 million through June 30, 2010.

The Centers program is built on the concept of partnerships. Our colleges and universities are filled with intellectual resources, high-tech equipment and training capacity that are valuable for private-sector companies. As a testament to this, 190 companies have formed partnerships with North Dakota Centers of Excellence. These partnerships have leveraged \$152.9 million of matching funds, an amount far exceeding the \$33.9 million of state funds disbursed to the Centers.

These partnerships are generating results. The Centers of Excellence program has helped create a total of 1,017 direct jobs at an estimated annual payroll of \$53.4 million, with direct employment increasing more than 240 percent since 2007.

By aggressively pursuing research in all of our state's targeted industries, the Centers of Excellence program is nurturing the pioneers of our future. Initiatives like this will help our private-sector businesses uncover the promising new opportunities that will continue to build a strong future for North Dakota.

Sincerely,

A handwritten signature in cursive script that reads "Jack Dalrymple".

Jack Dalrymple
Governor

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SUMMARY

The Centers of Excellence are hubs of research and development on the campuses of North Dakota's colleges and universities, partnering with private companies to commercialize new products and services. The Centers explore research in the fields of energy, agriculture, life sciences, electronics, aerospace and manufacturing.

North Dakota legislators authorized funding for several pilot Centers of Excellence projects in the 2003 session before authorizing the full program. These include the UND Center for Innovation in Grand Forks, the NDSU Technology Incubator and the NDSU Beef Systems Center of Excellence in Fargo.

In 2005, the Legislature expanded this concept into the current competitive grant program. Since then, the Legislature has approved a total of \$60 million for the program. Of these funds, the Centers of Excellence Commission has awarded \$54.1 million, launching 20 new Centers of Excellence. In 2009, the Legislature established Centers of Excellence Enhancement Grants. The Enhancement Grants have been allotted \$10 million of the program funds, which are available to the state's research universities, UND and NDSU, during the 2009-11 biennium.

So far, \$26.2 million of the awarded funds have been spent by the Centers which have leveraged over \$150 million from the private sector and other sources. Due to careful due diligence and project requirements on the part of the program and the university system, projects are funded and dollars spent only when the required match is available and the project is ready to move forward. With only one-third of the total available program dollars spent as of June 30, 2010, the Centers of Excellence program had the following economic benefits:

\$406.5 MILLION ECONOMIC IMPACT

The Centers of Excellence program has had \$406.5 million in estimated total economic impact to North Dakota's economy. This includes a direct impact of \$141.2 million generated by the centers and their partners.

190 PRIVATE SECTOR PARTNERS

The Centers have formed partnerships with 190 companies. These include companies in target industries such as advanced manufacturing, energy, technology, and value-added agriculture, as well as emerging industries such as life sciences and unmanned aircraft systems.

CENTER STATUS

These Centers are still in the early stages of development. Each competitively awarded Center of Excellence has its progress monitored for six to ten years. During this time period, it is anticipated that each center will produce the results proposed at the outset of its project.

No Center has yet reached its maturity. Three Centers have yet to be launched. Twenty Centers are currently in operation:

- 7 Centers have been in operation for 2 fiscal years or less
- 3 Centers have been in operation for 3 fiscal years
- 9 Centers have been in operation for 4 fiscal years
- 1 Center has been in operation for 5 fiscal years

1,017 NEW DIRECT JOBS

The Centers of Excellence program has led to the creation of 1,017 direct jobs at an estimated annual payroll of \$53.4 million created by the centers themselves or by partnering companies. Direct employment resulting from the Centers increased more than 240 percent since 2007. Over the same period, hundreds of secondary jobs were also supported by the Centers.

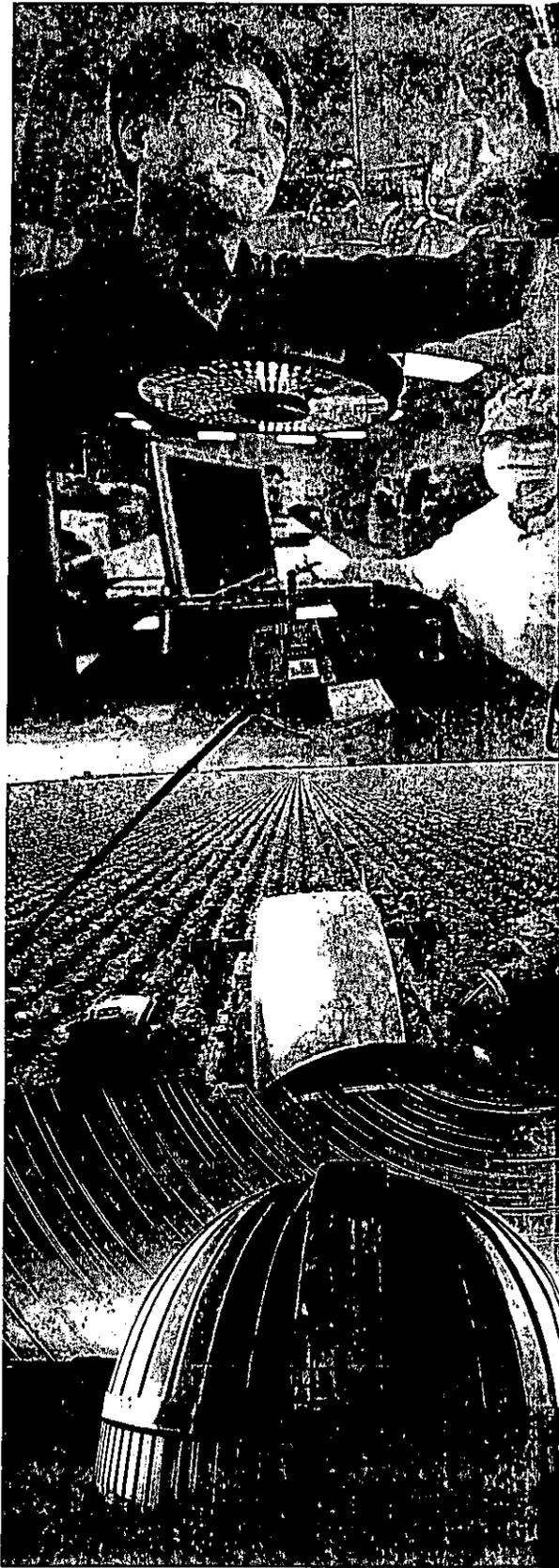
18 NEW OR EXPANDED BUSINESSES

Eighteen new or expanded businesses have resulted from the Centers of Excellence program. This includes seven new spinoff companies, six companies that expanded to North Dakota, and five companies that have expanded within the state.

STATUS OF CENTERS OF EXCELLENCE INVESTMENT		June 30, 2010
Spent		\$26.2 million
Disbursed to Centers (not yet spent)		\$7.70 million
Approved (waiting disbursement)		\$23.1 million
Available for awards		\$5.30 million
Total		\$62.3 million

EXAMPLES OF OTHER KEY BENEFIT

- The NDSU Center for Surface Protection is investigating coatings and polymers technologies that may have applications in North Dakota's energy industry, including increasing the efficiency of electrical generation from coal.
- Intelligent InSites is involved in the healthcare asset and people tracking market. The NDSU Center for Integrated Electronic Systems has partnered with Intelligent InSites to enhance its current product and assists with design and development of its new product releases.
- A new Center, the NDSU Center for Advanced Technology Development and Commercialization, will partner with Triton Systems, Inc. to develop product applications based upon proprietary and patented liquid silicon technology developed at NDSU.
- The UND Unmanned Aircraft Systems Center of Excellence is working to resolve the "sense and avoid" issue which is a critical barrier to opening national airspace to unmanned aircraft systems. The Center is developing the Automatic Dependent Surveillance-Broadcast (ADS-B) transceiver, a communication device for small UAS vehicles.
- The UND Energy and Environmental Research Center's National Center for Hydrogen Technology is teaming with industry and government partners to demonstrate advanced clean coal gasification to produce hydrogen-rich gas from a variety of coals, with a special emphasis on North Dakota lignite. These projects are bringing together numerous players in the North Dakota energy industry.
- The BSC National Energy Center of Excellence has seen enrollment in its energy programs increase by 27 percent since the fall 2008 semester.
- The WSC Petroleum Safety and Training Center provides training for 171 companies in the oil and gas industry. Over 4,000 individuals were trained in fiscal year 2010 alone.
- The UNDRF Center of Excellence for Passive Therapeutics and partner Avianax are performing pre-clinical trials to advance therapeutic antibody products. The first product targeted is an antibody to the West Nile Virus.
- NDSU Technology Incubator graduate Appareo Systems was named the 2010 Outstanding Incubator Graduate - Technology Category by the National Business Incubation Association.



CENTER FOR ADVANCED ELECTRONICS DESIGN & MANUFACTURING North Dakota State University

1805 NDSU Research Park Drive North • Fargo, ND 58102 • 701.231.8956
www.ndsu.edu/caedm



The Center for Advanced Electronics Design and Manufacturing (CAEDM) performs research and development for private sector partners and collaborators specializing in areas including wireless sensors, electronic systems, miniaturized electronics and prototype development. The Center's efforts help partners and collaborators meet product and technology needs while enabling and promoting commercialization opportunities of new products and technologies.

STATE FUNDS

Launch Date: February 2006
Award: \$3,000,000
Disbursed to the Center: \$3,000,000
Spent by the Center: \$1,744,255

MATCHING & LEVERAGED FUNDS

Received: \$13,022,112

PRIVATE SECTOR PARTNERS

Deceleration Technologies, Pacific Northwest National Laboratories, Pedigree Technologies, Phoenix International, PPG Industries, Reitz Consulting, Starkey Labs, Tessara

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the CAEDM and its partners have created six new jobs.
- PPG Industries and the CAEDM collaborated to improve adhesion processes for an electronics substrate product line and are jointly working to identify commercialization opportunities for the technology.
- The CAEDM provided support to Starkey Labs in testing and evaluating new hearing aid products.
- The CAEDM has worked with North Dakota companies such as Aldevron on a unique robotic manufacturing product prototype, Phoenix International on engineering activities regarding wave soldering, and Deceleration Technologies on testing their brake illumination product.

PRODUCTS GIVE NEW MEANING TO THE WORDS "REMOTE CONTROL"

In any economy, businesses that respond to customers' needs quickly gain an edge over their competitors. A home-grown North Dakota company, Pedigree Technologies, is partnering with North Dakota State University's Center for Advanced Electronics Design and Manufacturing to do just that, using the Center's electronics expertise to grow its business as well as the businesses of its customers.

Pedigree Technologies specializes in wireless technologies that monitor, track and control companies' assets with what is known as machine-to-machine solutions or smart technology.

"Fuel tanks call you up and let you know it's time to be refilled. Your vehicles report in and say 'I just made it to my customer location,'" said Alex Warner, president and founder of Pedigree Technologies. "It's really about making your equipment talk, making your machines help deliver your service and manage your operations more efficiently."

Through the CAEDM, NDSU researchers provide expertise on electronics and manufacturing projects. Pedigree Technologies contracted with the CAEDM to work on some of Pedigree's own projects.

Alex Warner, president and founder
of Pedigree Technologies



"The CAEDM provided assistance in new embedded hardware, subsystem development and integration capabilities that were important for a new product rollout," Warner said. "The CAEDM was able to provide us with expertise and resources in areas that would have been difficult and expensive to find elsewhere and most likely would have had to be found out-of-state."

Philip Boudjouk, vice president for research, creative activities and technology transfer at NDSU, said the Center's research capabilities are a huge resource for businesses.

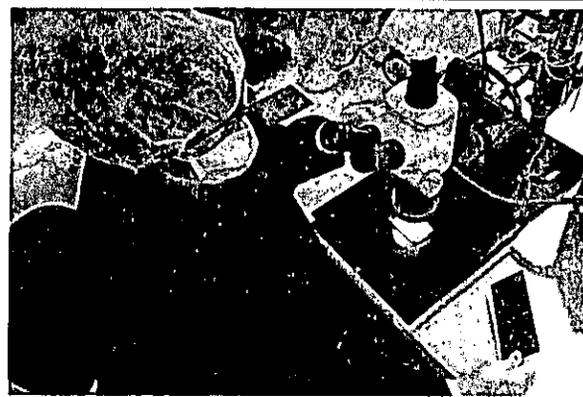
"NDSU's CAEDM plays a unique role in helping companies achieve success," Boudjouk said. "Coupled with NDSU's wide range of research expertise, the Center provides companies such as Pedigree Technologies additional advantages as they compete in the marketplace."

CENTER FOR INTEGRATED ELECTRONIC SYSTEMS

North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
Fargo, ND 58108-6050 • 701.231.6542
www.ndsu.edu/cies/

The Center for Integrated Electronic Systems (CIES) will perform research and development projects to integrate electronic hardware and software systems. Such projects will enable private sector partners to create and manufacture new products, improve existing products, increase profitability and become more competitive in the global marketplace.



STATE FUNDS

Launch Date: June 2009
Award: \$2,050,000
Disbursed to the Center: \$1,366,171
Spent by the Center: \$370,550

MATCHING & LEVERAGED FUNDS

Received: \$700,372
Total Anticipated: \$4,100,000

PRIVATE SECTOR PARTNERS

Datacom International Inc.
Intelligent InSites
Pedigree Technologies

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the CIES and its partners have created 11 new jobs.
- Datacom International Inc. is an enterprise resource planning software company which specializes in the sign industry market. The CIES worked with Datacom on major enhancements to its current product's user interface, making it faster, easier to use and more feature-rich. The Center also helped Datacom develop a prototype of a new product for estimating and quoting work for sign companies.
- Intelligent InSites is involved in the healthcare asset and people tracking market. The CIES has partnered with Intelligent InSites to enhance its current product as well as design and development of new products.
- The CIES has teamed with Pedigree Technologies, a software design and development company, to enhance its user interface and management of its server software.

"Datacom plans to continue to build its employment in North Dakota as its business grows, and key to that growth is the continued enhancement of its products and the advancement of its technologies, both of which are being directly aided by its technology partnership with the Center for Integrated Electronic Systems. Some of the work done by the Center was included in our latest dataSIGN product release, and it was very well received by our customers."

-Don Roepke, CEO of Datacom International.

CENTER FOR SURFACE PROTECTION North Dakota State University

1735 NDSU Research Park Drive North • Fargo, ND 58102 • 701.231.6219
www.ndsu.edu/csp



The Center for Surface Protection (CSP), in collaboration with private sector partners, performs research, development and testing of surface protecting coatings and application methods. The Center and its partners work to improve product durability; to reduce corrosion, erosion, and wear properties; and to develop new and improved products and processes.

STATE FUNDS

Launch Date: May 2006
Award: \$4,000,000
Disbursed to the Center: \$2,776,661
Spent by the Center: \$1,919,798

MATCHING & LEVERAGED FUNDS

Received: \$5,281,301
Total Anticipated: \$8,000,000

PRIVATE SECTOR PARTNERS

Akzo Nobel Aerospace Coatings; Arkema, Inc.; Elinor Specialty Coatings; IntegenX; Invista; PPG Industries; SpaceAge Synthetics; Technology Applications Group

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the CSP has created seven new jobs.
- A new spin-off company, Elinor Specialty Coatings, has been established in North Dakota. The company focuses on developing advanced, environmentally friendly technologies in the polymers and coatings field.
- The Center is investigating coatings and polymer technologies that may have applications in North Dakota's energy industry, including increasing the efficiency of electrical generation from coal.
- The CSP is working with Arkema, Inc. and SpaceAge Synthetics to develop durable surface materials and improve the reliability of wind turbine blades.
- The Center, in conjunction with the U.S. Automotive Partnership, is studying the use of magnesium alloys to reduce car body weight and potentially increase fuel efficiencies.
- The center is working with IntegenX to develop coatings used in components for advanced rapid DNA identification.

EXTREME TESTING PROVIDES IMPORTANT AND QUICK RESULTS TO GRAND FORKS COMPANY

If you're in a business dependent upon key metal parts, you want to ensure that they don't wear out too soon or lead to catastrophic failure – particularly when it comes to airplane or helicopter parts.

Technology Applications Group, Inc. (TAG) of Grand Forks developed and markets Tagnite, a coating used on metal equipment and parts that must withstand demanding and extreme environments. TAG developed Tagnite for a simple reason: existing magnesium coatings were inadequate for the demanding environments in which the metal was being used.

"Coatings such as these are often used in aerospace and power tool applications, including parts such as gearboxes, transmission cases and covers, and sump and oil pump housings," said Bill Elmquist, president of TAG.

North Dakota State University's Center for Surface Protection (CSP), a North Dakota Economic Development Center of Excellence, provided the expertise TAG sought to independently test the performance of

its products. Specialized equipment at the Center allows weathering to occur in a compressed amount of time for accelerated, corrosive atmosphere testing.

"Having a well-respected independent organization such as the CSP analyze and validate our coating's performance allows us to approach new customers with hard data that backs up our claims of Tagnite being the best anodized coating for magnesium metal," Elmquist said.

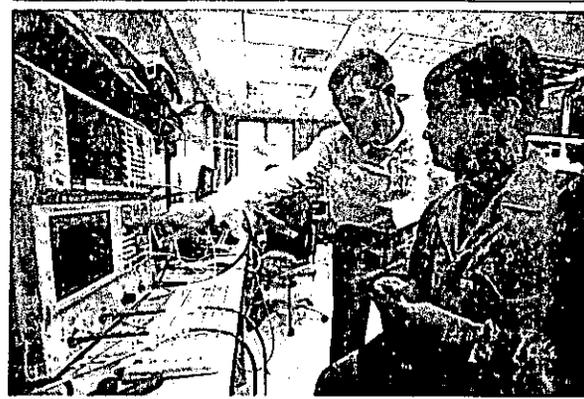
Sikorsky Aircraft, Boeing Helicopter, Orenda Aerospace and Pratt & Whitney are among the many global companies that have chosen TAG's Tagnite coating for their magnesium castings.

Philip Boudjouk, vice president for research, creative activities and technology transfer at NDSU, said the Center for Surface Protection and TAG represents a winning partnership. "Using the research and technical expertise of NDSU to help a North Dakota company succeed with international clients is just one beneficial outcome of this program," Boudjouk said.

**CENTER FOR ADVANCED TECHNOLOGY DEVELOPMENT
& COMMERCIALIZATION** North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
Fargo, ND 58108-6050 • 701.231.6660

The Center for Advanced Technology Development and Commercialization (CATCOM) will help private sector partners in commercializing new inventions, technologies and other intellectual property discovered or created by NDSU faculty, staff, students and/or private sector partners. The CATCOM will help private sector partners in a number of ways including conversion of inventions and technologies into commercial products and making product enhancements leading to better market penetration and market share.



STATE FUNDS

Launch Date: N/A
Award: \$3,900,000
Disbursed to the Center: \$0
Spent by the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$7,800,000

PRIVATE SECTOR PARTNERS

Triton Systems, Inc.

PROJECT NOTES AND HIGHLIGHTS

- This Center was approved by the Budget Section on June 22, 2010. As of June 30, 2010, the Center had not yet requested its initial disbursement of state funds.
- The CATCOM's initial project will be a partnership with Triton Systems, Inc. to develop product applications in solar energy, printable/flexible electronics and energy storage based upon NDSU's proprietary and patented liquid silicon technology.

ADVANCED MANUFACTURING

CENTER FOR SENSORS, COMMUNICATIONS, AND CONTROL North Dakota State University

1735 NDSU Research Park Drive North • P.O. Box 6050 – Dept. 4000
Fargo, ND 58108-6050 • 701.231.8956



The Center for Sensors, Communications and Control (CSCC) will provide much-needed expertise in core areas of JAVA programming, sensor integration and systems engineering that its partners are lacking. These areas of expertise are needed not only by the current partners, but also by other businesses in the region. The CSCC will be a product development partner with goals of stimulating job growth and economic development.

STATE FUNDS

Launch Date: N/A
Award: \$2,800,000
Disbursed to the Center: \$0
Spent by the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$5,600,000

PRIVATE SECTOR PARTNERS

Intelligent InSites
Pedigree Technologies
PureChoice Inc.
SNAPS Holding Company

PROJECT NOTES AND HIGHLIGHTS

- This Center was approved by the Budget Section on June 22, 2010. As of June 30, 2010, the center had not yet requested its initial disbursement of state funds.
- The CSCC and Intelligent InSites will partner on a number of projects including development of software to support an "applications store" where current InSites customers can view, purchase and download the available certified applications into their implementations.
- The Center will work with Pedigree Technologies to integrate sensors into the company's OneView commercial software platform, which is an asset tracking and monitoring solution.
- The CSCC will partner with PureChoice, Inc. to develop an updated version of its Nose hardware, an indoor air quality monitoring device, and to continue development of PureTrac, a building performance software application.
- The Center will work with SNAPS Holding Company on a project that includes developing a suite of software solutions for transportation, financial, insurance, public safety and contact center businesses. This software will be customized for rapid deployment in the fastest developing economies of the world.

UNMANNED AIRCRAFT SYSTEMS CENTER OF EXCELLENCE

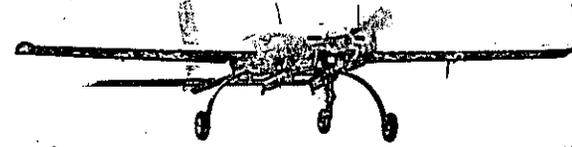
University of North Dakota

John D. Odegard School of Aerospace Sciences

3980 Campus Road, Stop 9007 • Grand Forks, ND 58202-9007 • 701.777.2615

www.uasresearch.org

The Unmanned Aircraft Systems Center of Excellence (UAS COE) performs research and development on UAS technologies, applications and UAS human factors issues. The UAS COE encourages commercialization of new UAS-related products and services and also focuses on education and training for UAS integration into national airspace.

**STATE FUNDS**

Launch Date: May 2006

Award: \$2,500,000

Disbursed to the Center: \$2,500,000

Spent by the Center: \$2,158,668

MATCHING & LEVERAGED FUNDS

Received: \$11,520,144

PRIVATE SECTOR PARTNERS

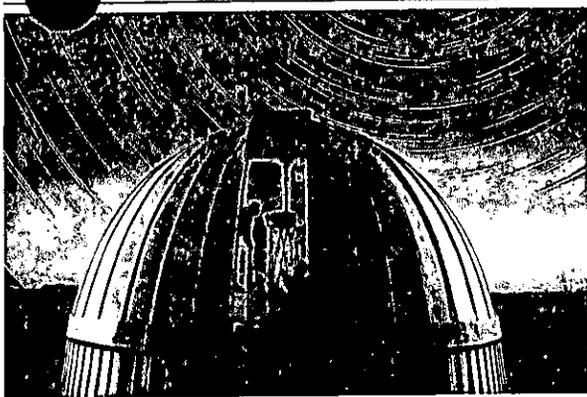
AAI Corporation, Aerovironment Inc., American Crystal Sugar Company, Appareo Systems, Boeing, BoldMethod, Cirrus Design Corporation, Composite Engineering Inc., Diamond Aircraft, Draganfly Innovations Inc., Evergreen International Aviation Inc., General Atomics, General Dynamics, Goodrich, Ideal Aerosmith, Killdeer Mountain Manufacturing, L3 Communications, Laserlith Corporation, Lockheed Martin, Machine Visionaries LLC, Mayo Clinic, Northrop Grumman, Science Applications International Corporation, SEO Precision, Statistical Methodology & Research Design Consultants

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the UAS COE and its partners have created 34 new jobs.
- The UAS COE provides cold weather testing ground for unmanned aircraft systems. Research in these cold weather climates must take place before UAS can be operated for civilian applications in the northern U.S. airspace.
- The Center is working to resolve the "sense and avoid" issue which is a critical barrier to opening national airspace to unmanned aircraft systems. The Center is developing the Automatic Dependent Surveillance-Broadcast (ADS-B) transceiver, a communication device for small UAS vehicles.
- UND is currently the only university in the world offering an undergraduate UAS degree. The program was initiated in fall 2009 and enrollment is growing rapidly as 68 students are enrolled in the program for fall 2010.
- The Center has developed the Air Drop payload for use in search and rescue operations which drops a half pound object at a target within a radius of 100 feet.
- Another product under development by the Center is the Laser Communications payload, a small UAS payload capable of laser communications with a ground-based receiver. Video captured by the payload will be transmitted to the ground via laser, which is very difficult to electronically jam in the battlefield.
- In addition to payload development, the Center is also researching the effects of human factors on UAS flight performance. Research focuses on how factors such as fatigue impact the performance of UAS pilots and sensor operators. This area is largely unexplored.

CENTER OF EXCELLENCE IN SPACE TECHNOLOGY AND OPERATIONS University of North Dakota

UND Center for People and the Environment
4149 University Avenue, Stop 9011 • Grand Forks, ND 58202-9011 • 701.777.3543



The Center of Excellence in Space Technology and Operations will conduct research using a network of satellites that take atmospheric measurements simultaneously in hundreds of places around the world on a continuous basis. This technique is new, yet well demonstrated, and will dramatically improve weather forecasts and provide valuable information to the military and other users of long-range radio communications.

STATE FUNDS

Launch Date: June 2009
Award: \$1,000,000
Disbursed to the Center: \$115,510
Spent by the Center: \$42,507

MATCHING & LEVERAGED FUNDS

Received: \$120,000
Total Anticipated: \$3,220,001

PRIVATE SECTOR PARTNERS

Broad Reach Engineering Inc.
GeoOptics LLC

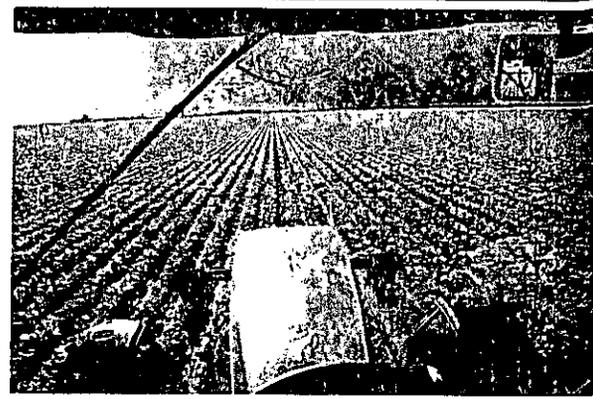
PROJECT NOTES AND HIGHLIGHTS

- A fleet of spacecraft known as CICERO is under development by Broad Reach Engineering and GeoOptics. CICERO will use radio occultation (RO), a remote sensing technique, to observe radio signals from Global Positioning System (GPS) satellites as they pass through the Earth's atmosphere. The resulting data will be used by the Center and other researchers to improve the accuracy of weather forecasts.
- A full-scale prototype of the CICERO spacecraft structure and related systems is anticipated to be completed in fiscal year 2011.
- The Center's initial efforts have focused on performing a comparative analysis between GPS-RO derived weather data and data obtained from standard radiosondes. The purpose of the comparison was to determine whether the quality of GPS-RO data from an existing prototype system was accurate and could be used in the Center's research activities. The GPS-RO data was found to be sufficient and will be integral for future research aimed at improving medium-range forecasts for the continental region and the upper Midwest.
- The Center also operates the International Space Station Agricultural Camera (ISSAC) aboard the International Space Station. Students perform ground operations control tasks, including interacting with NASA, that will develop the skills necessary to operate CICERO. During the last year, ISSAC experienced a sensor malfunction which halted its operations. However, a new ISSAC sensor is expected to be launched to the International Space Station in January 2011 allowing full operations to resume.
- Once fully operational, CICERO will generate data products that may be sold on a worldwide market with customers such as the U.S. government, international government agencies and private sector entities. Additionally, a CICERO mission operations and analysis center will be established in Grand Forks creating new, high-tech jobs.

DAKOTA CENTER FOR TECHNOLOGY-OPTIMIZED AGRICULTURE Lake Region State College

1801 College Drive North • Devils Lake, ND 58301-1598 • 701.662.1600
www.lrscc.edu/programs/default.asp?id=655

The Dakota Center for Technology-Optimized Agriculture (DCTOA) focuses on technological applications in agriculture and their effectiveness on the plains of North Dakota. Products generated by this Center are designed to help North Dakota farmers and ranchers lower input costs and increase profitability while having a positive impact on the environment.



STATE FUNDS

Launch Date: February 2006
Award: \$850,000
Disbursed to the Center: \$652,730
Spent by the Center: \$450,000

MATCHING & LEVERAGED FUNDS

Received: \$1,293,080
Total Anticipated: \$1,900,028

PRIVATE SECTOR PARTNERS

Agri ImaGIS Technologies Inc., AGVISE
Laboratories, Farmers Edge Precision
Consulting Inc., Twete Inc., Verdi-Plus

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the DCTOA and its partners have created 11 new jobs.
- The DCTOA has completed four years of trials on variable rate application of synthetic fertilizer at area "answer farms." Earlier results indicated farmers could save up to 16 percent on fertilizer costs by implementing these practices. A final report from the Center on its findings is expected.
- The Center is designing a slurry manure injection tool for use in its research on site-specific control technologies for manure application. In addition to the useful data that will be generated by the research, there may be market opportunities for the injection tool developed by the Center.
- DCTOA partner Agri ImaGIS, with contributions from the Center, has developed new precision agriculture imaging resources that have been implemented by agronomy service firms to the benefit of North Dakota agricultural producers.
- The Center contributed to the development of Verdi-PLUS, a spin-off company.
- The Center has developed precision agriculture educational/training modules that will be available in 2011 using the eCollege platform.

FARMERS BENEFIT FROM FARGO-BASED FIRM'S SKY-HIGH AG TECHNOLOGY

Agri ImaGIS has become a worldwide leader in using satellite technology to help farmers and others involved in agriculture be more efficient.

The company's products help farmers apply the right amount of seed, fertilizer and other crop inputs throughout a field. This holds down expenses for producers while also increasing yields. Agri ImaGIS products also can be used by insurance companies and their adjusters to map and manage crop loss claims.

The Fargo-based company offers customized services to a wide range of other organizations, including government agencies and engineering firms. The Dakota Center for Technology Optimized Agriculture is a partner with Agri ImaGIS.

Agri ImaGIS's newest product, Satshot3D, is an online system that allows customers to take a three-dimensional look at their crops, and then to apply inputs at variable rates. Satshot Mobile allows customers to make and view maps from any Internet-capable cell phone.

Agri ImaGIS has 14 employees and is growing rapidly. The company has its main office in Fargo, and a smaller branch office in Maddock, N.D.

According to company owner Lanny Faleide, farms of all sizes can use Agri ImaGIS products successfully. "Size is irrelevant to this technology. It's all based on attitude (and) how curious you are," he said.

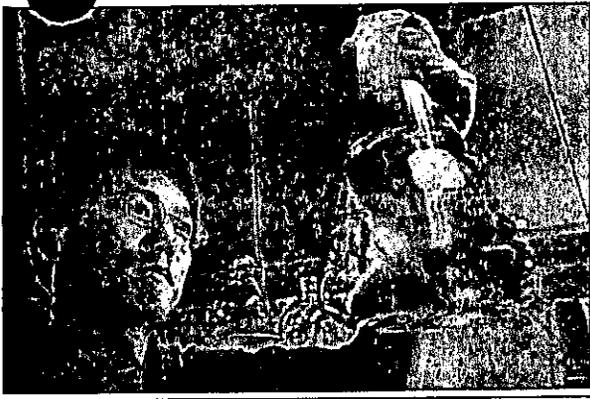


This story was adapted with permission from the Fargo Forum.

**CENTER OF EXCELLENCE FOR AGBIOTECHNOLOGY:
OILSEED DEVELOPMENT** North Dakota State University

P.O. Box 5636 • Fargo, ND 58105-5636 • 701.231.7472
www.ag.ndsu.edu/research/OilseedDevCE.htm

The Center of Excellence for Agbiotechnology focuses on expanding canola production and processing in North Dakota. The Center aims to improve oilseed genetics and develop enhanced processing techniques that increase efficiency in manufacturing products made from canola, such as biodiesel. The Center will also develop business strategies to improve profitability for canola producers, handlers and processors.



STATE FUNDS

Launch Date: May 2006
Award: \$3,500,000
Disbursed to the Center: \$2,367,500
Spent by the Center: \$1,757,315

MATCHING & LEVERAGED FUNDS

Received: \$12,000,000

PRIVATE SECTOR PARTNERS

Archer Daniels Midland Inc.
Monsanto Company

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Center of Excellence for Agbiotechnology has created six new jobs.
- The Center's objective of releasing canola varieties with enhanced oil content per acre is one key to making canola production more profitable. This is especially important as rising demand has led to a 35 percent increase in canola acreage this past summer.
- The Center has transitioned from an open-pollinated breeding program into a hybrid breeding program which is the major form of canola breeding today.
- In 2010, the Center approved one open-pollinated canola line for release. The line will be highly competitive with hybrids currently in production and is expected to help reduce production costs for North Dakota farmers. The Center is working to identify additional canola lines with improved performance.
- The Center is working to expand the traditional canola growing areas within the state to include central and southwestern North Dakota by identifying new canola lines that are suited for the growing conditions of these regions

NDSU AND MONSANTO COLLABORATE FOR HIGHER CANOLA YIELDS

The NDSU Center of Excellence in Agbiotechnology is a collaborative effort between plant breeders and geneticists at NDSU and Monsanto Company.

"The goal of the Center is to increase the wealth of North Dakota producers by developing new canola varieties that are better suited to our agricultural production environment," said Phillip McClean, professor of plant sciences. "We are also looking to increase the yield of oil per acre which will benefit the canola oil production industry."

The first test involved a large screening of advanced breeding lines provided by Monsanto Company in the major canola growing regions of North Dakota. This test was done primarily in the northeast and north central the state. In the first year researchers identified two promising lines.

"These new canola varieties consistently showed higher yield," McClean said. "And just as importantly, the oil content is three percentage points higher than the standard checks. Both of these performance traits are of value. The canola producer realized a higher yield, while the oil producer yields a greater volume of oil per truckload."

The modern canola industry is now using hybrids rather than open pollination, which requires pollination by insects, birds, wind, or other natural mechanisms. Because of this trend, the Center is now converting to a hybrid program.

"By working with our corporate partner, the hybrid program is ensuring that the newest traits will be incorporated into the first hybrid releases," McClean said. "This will ensure that North Dakota growers will continue to benefit from a traditional breeding program and the best new traits available on the market."



BEEF SYSTEMS CENTER OF EXCELLENCE
North Dakota State University

Department of Animal Sciences • 100 Hultz Hall • Fargo, ND 58105 • 701.231.7660
www.ag.ndsu.edu/research/BeefSystemsCE.htm

The Beef Systems Center of Excellence (BSCE) was established to create a model for a coordinated meat processing industry that could be implemented in other parts of the state, region or country. The BSCE enhances NDSU's ability to provide leading research in meat science and also provides training, education and outreach opportunities for students, businesses and beef cattle producers.



STATE FUNDS

Launch Date: October 2007
Award: \$800,000
Disbursed to the Center: \$800,000
Spent by the Center: \$800,000

MATCHING & LEVERAGED FUNDS

Received: \$2,000,000

PRIVATE SECTOR PARTNERS

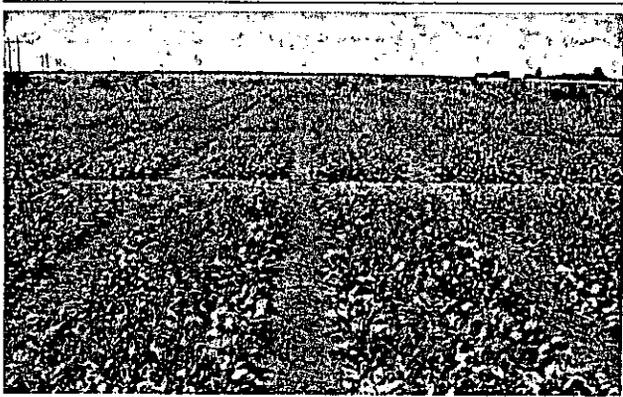
North Dakota Natural Beef LLC
North American Bison Cooperative

PROJECT NOTES AND HIGHLIGHTS

- A meat processing model has been developed where North Dakota-raised beef is slaughtered, processed and distributed all within the state.
- The BSCE is co-located at North Dakota Natural Beef's processing plant in Fargo which provides unique advantages such as availability and proximity of animal carcasses for research and educational purposes.
- The research being conducted by the BSCE includes studies on predicting meat tenderness and whether hormones in meat contribute to early puberty in children who eat meat.
- The 2009 Legislature determined the BSCE has met its funding requirements and is not subject to the accountability requirements of the Centers of Excellence program.

ENTREPRENEURIAL CENTER FOR HORTICULTURE
Dakota College at Bottineau

#22 Molberg Center • 105 Simrall Boulevard Bottineau, ND 58318 • 701.228.5649
www.dakotacollege.edu/ech.shtml



The Entrepreneurial Center for Horticulture is designed to grow the organic and specialty vegetable industry in North Dakota. The Center will research and demonstrate production methods and provide new opportunities for product commercialization and distribution in North Dakota and the region. This Center is pursuing its objectives, but has not yet received its first disbursement of state funds. The Center is working on securing the necessary matching funds to allow for the initial disbursement.

STATE FUNDS

Launch Date: N/A
Award: \$400,000
Disbursed to the Center: \$0

MATCHING & LEVERAGED FUNDS

Received: \$0
Total Anticipated: \$830,854

PRIVATE SECTOR PARTNERS

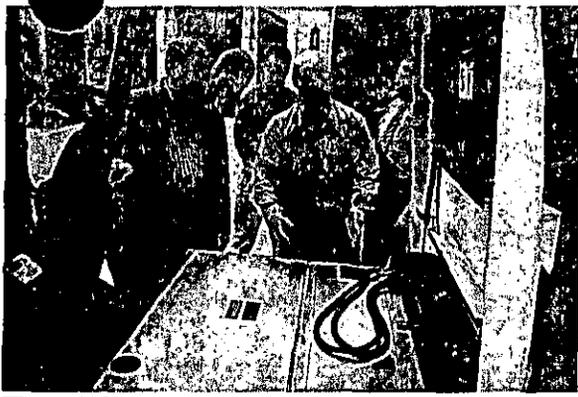
North Star Organic Farm, North Dakota
Farmers Market and Growers Association

NATIONAL CENTER FOR HYDROGEN TECHNOLOGY

University of North Dakota – Energy & Environmental Research Center

15 North 23rd Street, Stop 9018 • Grand Forks, ND 58202-9018 • 701.777.5000

www.undeerc.org/NCHT



The National Center for Hydrogen Technology (NCHT) conducts research, development, demonstration and commercialization projects for the production and use of hydrogen for power, fuels and chemicals. In conjunction with private sector partners, the NCHT developing technologies such as hydrogen on-demand fueling stations, hydrogen production from fossil and renewable fuels, and hydrogen usage in fuel cells, combustion engines and turbines.

PROJECT NOTES AND HIGHLIGHTS

STATE FUNDS

Launch Date: February 2006
 Award: \$2,500,000
 Disbursed to the Center: \$2,500,000
 Spent by the Center: \$2,500,000

MATCHING & LEVERAGED FUNDS

Received: \$50,333,060

PRIVATE SECTOR PARTNERS

Aboriginal Cogeneration Corporation, Advanced Biomass Gasification Technologies Inc., Agricultural Utilization Research Institute, Air Products and Chemicals Inc., Basin Electric Power Cooperative, Biomass Energy Solutions Inc., BMC Construction, Catacel Corporation, CH2M Hill Inc., Chippewa Valley Ethanol, Clean Earth Solutions Inc., Conoco Phillips, Diversified Energy Corporation, Electric Power Research Institute, Energy Conversion Devices Inc., EP Minerals, ePower Synergies, Franklin Fuel Cells, Great Point Energy, Great River Energy, IdaTech, Minnesota Corn Research Council, North American Coal Corporation, North Dakota Corn Utilization Council, PL Gasification, Porvair plc, Pratt & Whitney Rocketdyne Inc., Resurface Corporation, Rio Tinto, SGL Carbon Group, Siemens Power Generation Inc., Stelios Arvelakis, ThermoChem Recovery International Inc., TXU Generation Company, United Technologies Research Center, Westmoreland Coal Sales Company, Xcel Energy, Xethanol Corporation

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, research demands at the NCHT have led to the creation of 29 jobs. These positions are funded by hydrogen-related contracts – none of the jobs are supported by state funds.
- The Center is working to commercialize a variety of technologies including on-demand hydrogen, renewable fertilizers, biomass gasification and materials for hydrogen turbines.
- The Center is teaming with industry and government clients to demonstrate advanced clean coal gasification to produce hydrogen-rich gas from a variety of coals, with a special emphasis on North Dakota lignite. These projects are bringing together numerous players in the North Dakota energy industry and focus on providing efficiency, environmental and cost improvements for the production of power, fuels and chemicals from the hydrogen-rich gas.

ON-DEMAND HYDROGEN FUELING SYSTEM IN SCALE-UP

The EERC is scaling up its on-demand hydrogen fueling system for fuel cell vehicles and industrial applications. The system, designed and built with a variety of private sector partners, will be capable of full integration with existing gas station infrastructure, making refueling a fuel cell automobile as easy as refueling a combustion engine-powered car.

The system can produce high-purity, high-pressure hydrogen from a variety of hydrocarbon feedstocks, including alcohols and petroleum-based fuels such as jet fuel. The technology operates at high pressure and mixes water into the hydrocarbon feedstock to increase hydrogen yield.

The system process occurs in two steps. First, in the reformation step, a high pressure, H₂-rich gas is produced from the pressurized liquid feedstock. Next, in the purification step, the high pressure gas is stripped of impurities, in particular CO₂, to yield greater than 99.9 percent pure H₂ at high pressure.

This EERC hydrogen on-demand technology overcomes the infrastructure challenges associated with competing technologies by minimizing or eliminating hydrogen compression, storage and transport. Hydrogen can be produced on-site at the gas station or on the battlefield as needed, rather than being compressed and then shipped from a separate location. This EERC Foundation patented technology is moving toward commercial deployment.

“This state-of-the-art process has the potential to significantly reduce the cost of a new nationwide H₂ production and distribution infrastructure, so that H₂ refueling will be accessible and affordable,” said Ted Aulich, EERC senior research manager.

NATIONAL ENERGY CENTER OF EXCELLENCE

Bismarck State College

1200 Schafer Street • P.O. Box 5587 • Bismarck, ND 58506 • 800.852.5685

www.bismarckstate.edu/energy

The National Energy Center of Excellence (NECE) is a worldwide leader in energy education and training for the energy industry. Partnerships with the North Dakota energy industry allow the NECE to build a pipeline of multi-skilled workers to meet the 21st century demands of this industry. The efforts of this Center enable students and energy companies to succeed in a competitive, ever-changing industry.

**STATE FUNDS**

Launch Date: February 2006
 Award: \$3,000,000
 Disbursed to the Center: \$3,000,000
 Spent by the Center: \$3,000,000

MATCHING & LEVERAGED FUNDS

Received: \$6,622,000
 Total Anticipated: \$7,342,000

PRIVATE SECTOR PARTNERS

Archer Daniels Midland Co., Basin Electric Power Cooperative, Great Northern Power Development, Great River Energy, Headwaters Inc., Montana Dakota Utilities, North Dakota Biodiesel, Red Trail Energy, Spiritwood Station, Tesoro

PROJECT NOTES AND HIGHLIGHTS

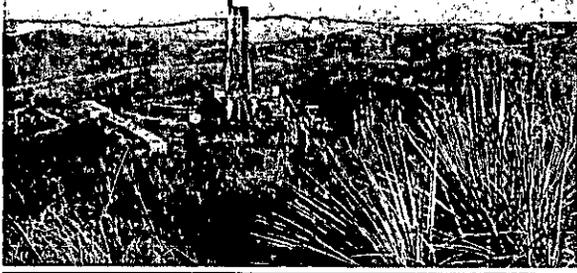
- As of June 30, 2010, the NECE has contributed to the creation of 101 jobs.
- The NECE has seen enrollment in its energy programs increase by 27 percent since the fall 2008 semester.
- In 2009, BSC awarded its first bachelor of applied science degrees in the energy management program. Currently there are over 150 students enrolled in the program which is designed for energy employees preparing for supervisory and management positions.
- In response to industry request, a Renewable Generation Technology program will be offered beginning in fall 2010. The program, available on campus and online, is designed to provide students with a broad background in the electrical generation industry and prepare them for employment in areas of wind, solar, geothermal, fuel cell, biomass, hydro and tidal generation.
- The NECE was awarded funding from the Department of Energy to establish a smart grid laboratory. The new lab is designed to assist education and training efforts in the areas of smart grid technology, distributed generation, demand response and consumer integration of smart technologies.
- BSC continues to find new ways to serve military personnel. BSC was recently approved to provide online education to military personnel serving in the U.S. Coast Guard. BSC now has agreements in place to provide its energy programs to members of the Army, Navy, Marines, Air Force and Coast Guard.
- The NECE is making energy education available around the world through its online programs. BSC recently established an agreement with a university in Istanbul to provide its online energy programs to students of Turkey. BSC is also exploring partnerships in Africa.

PETROLEUM SAFETY AND TECHNOLOGY CENTER

Williston State College

1410 University Avenue • Williston, ND 58801 • 1.866.938.6963

www.wsc.nodak.edu/Classes/TrainND/Petroleum-Safety-and-Technology-Center.html



The Petroleum Safety and Technology Center (PSTC) trains workers for the oil and gas industry. The Center works closely with its industry partners to develop and maintain state-of-the-art training programs. The hands-on training sessions are designed to help oil and gas production workers work safely and efficiently.

STATE FUNDS

Launch Date: May 2006

Award: \$400,000

Disbursed to the Center: \$400,000

Spent by the Center: \$400,000

MATCHING & LEVERAGED FUNDS

Received: \$1,183,044

PRIVATE SECTOR PARTNERS

Baker Oil Tools, Capital Safety, GC Products, Halliburton Energy Services, Hess Corporation, Hickman Sales and Service, Howard Supply, Interstate Powersystems (aka Interstate Detroit Diesel), Key Energy, Marathon Oil Company, Modern Machine, Nabors Drilling, Nabors Well Service, Nance Petroleum, National Oilwell Varco, Schlumberger, Stewart and Stevenson, VetcoGray, Weatherford Completion, Williston Fire and Safety¹

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the PSTC has contributed to the creation of 167 jobs.
- The PSTC provides training for 171 companies in the oil and gas industry.
- The Center conducted 498 oil and gas-related training sessions in the last year, training over 4,000 individuals.
- The COE grant initially allowed the PSTC to partner with industry companies to develop the floorhand program. Through this partnership, additional program needs were identified and new training courses were implemented including commercial drivers license training, well control classes, additional safety training classes, aerial lift training and lease operator training.
- The PSTC partners with several out-of-state colleges, sharing instructors and curricula. These partnerships allow the Center to provide more diverse training courses to North Dakota oil and gas companies.
- The Center has also partnered with Bismarck State College and Dakota College at Bottineau to deliver additional oil training programs within the state.

"The purpose of the Petroleum Safety and Technology Center is to provide the oil and gas industry with a trained and skilled workforce. This program allows the college to expand technical training programs for the industry. Ultimately, the impact is additional employees in the region, a skilled workforce for the oil and gas industry and economic growth for North Dakota."

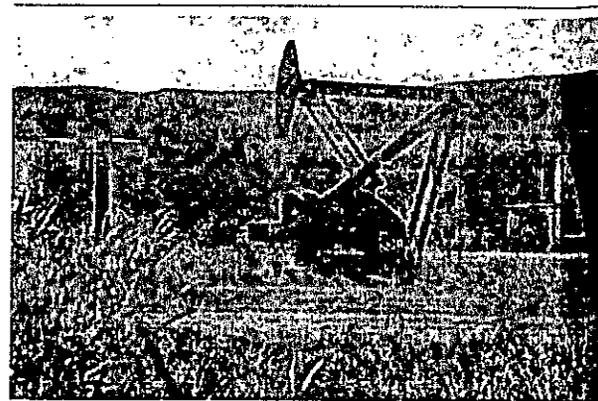
- Deanette Piesik, WSC Train ND Executive Director

¹ The private sector partners listed are companies that helped establish the PSTC training program. Many, but not all, of these companies are included in the 171 oil and gas companies for which the PSTC provides training.

**PETROLEUM RESEARCH, EDUCATION, AND ENTREPRENEURSHIP
CENTER OF EXCELLENCE** University of North Dakota

81 Cornell Street, Stop 8358 • Leonard Hall Room 101
Grand Forks, ND 58202-8358 • 701.777.4449
www.und.nodak.edu/org/preec

The Petroleum Research, Education, and Entrepreneurship Center of Excellence (PREEC) focuses on improving understanding of the Williston Basin oil deposits with special attention to the Bakken Formation. The Center aims to develop enhanced oil recovery techniques as well as address other challenges and opportunities relating to petroleum exploration and production such as CO₂ sequestration and geothermal energy.



STATE FUNDS

Launch Date: June 2009
Award: \$3,000,000
Disbursed to the Center: \$1,110,369
Spent by the Center: \$1,110,369

MATCHING & LEVERAGED FUNDS

Received: \$6,537,171
Total Anticipated: \$7,958,373

PRIVATE SECTOR PARTNERS

Calnetix, Inc., Continental Resources, Hess Corporation, Marathon Oil Corporation, Presco, LLC, St. Mary Land & Exploration Company, Whiting Petroleum Corporation

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the PREEC has created four new jobs.
- The U.S. Geological Survey estimates the Bakken Formation contains as much as 400 billion barrels of oil of which only 3.65 billion barrels are recoverable with today's technology. Researchers at the PREEC are investigating enhanced oil recovery techniques that could be used to increase the recovery rate of oil in the Bakken Formation as well as other formations in the Williston Basin.
- The PREEC has received a major grant from the U.S. Department of Energy to demonstrate the feasibility of geothermal power systems. The demonstrations will take place in western North Dakota oil fields. Goals of the grant are to demonstrate the technology can be replicated within a wide range of physical parameters and to allow for long-term operation of the original geothermal sites.
- The Center is collaborating with the University of Minnesota to develop CO₂ sequestration in concert with electricity-producing Enhanced Geothermal Systems (EGS). The concept is to use CO₂ rather than water as the working fluid in the EGS.
- The PREEC has applied for a patent on its Ballistic Ordinance Seismic Source (BOSS), a seismic shot gun mounted on a dolly for mobility. The BOSS is used as a seismic source in reflection and refraction surveying.
- The Center is working to improve understanding of the geology, geophysics and petroleum engineering characteristics of the Williston Basin. Potential benefits of such work may include optimizing development planning and identifying future targets for oil production or CO₂ storage.
- A petroleum engineering degree program has been implemented at the University of North Dakota. The program advances the PREEC's goal to educate North Dakota students in petroleum disciplines. Enrollment in this new program is growing.

SUNRISE BIOPRODUCTS: A CENTER OF EXCELLENCE FOR CHEMICALS, POLYMERS, & COMPOSITES FROM CROP OILS University of North Dakota

241 Centennial Drive, Stop 7101 • Grand Forks, ND 58202-7101 • 701.777.2958

www.und.edu/org/sunrise/index.html



The purpose of the SUNRISE BioProducts Center of Excellence is to invent, develop and commercialize green industrial chemicals, polymers and fiber composites using crop oils as the primary raw material. This Center of Excellence is administered by the North Dakota Sustainable Energy Research Initiative and Supporting Education (ND SUNRISE) program. The mission of ND SUNRISE includes conducting research that helps solve energy-related problems and enhance economic development in North Dakota.

STATE FUNDS

Launch Date: June 2009

Award: \$2,950,000

Disbursed to the Center: \$983,333

Spent by the Center: \$983,333

MATCHING & LEVERAGED FUNDS

Received: \$2,885,450

Total Anticipated: \$9,165,132

PRIVATE SECTOR PARTNERS

AbsoluteEnergy, Advanced Ceramics Manufacturing, Bayer Crop Science, Bayer Material Science, Chemera, Guardian Energy, Heartland Corn Products, Homeland Energy Solutions, Kadrmas Lee and Jackson, Karges-Faulconbridge, Inc., Kuehnle Agrosystems, LM Glassfiber, Marvin Windows, Menon & Associates, Northwood Oilseed Processing Company, Ogden Engineering & Associates, RPMG, SUNRISE Renewables, Sustainable Oils, Tecton Products

FACT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the SUNRISE BioProducts Center of Excellence has created 10 new jobs.
- The Center aims to use crop oils to produce products that are nearly identical to existing petroleum-based products and accepted as green replacements for those existing products.
- The Center is conducting a considerable amount of research on lab and bench-scales. The objectives of this research are to optimize cracking conditions, develop extraction and recovery processes for the chemicals and by-products, and develop conversion processes to convert materials into high value by-products.
- The research performed by the Center produces a considerable number of chemicals and by-products. A market study was performed to identify those that have the greatest commercialization potential. This data contributes to the Center's overall development and commercialization strategy.
- The Center is also preparing for the scaling-up of its research projects. Design planning has commenced for pilot and demonstration-scale facilities. These facilities may be located in Grand Forks or Northwood, N.D.
- The activities of this Center combine the efforts of researchers at UND, NDSU and Mayville State University.

Center of Excellence in Life Sciences & Advanced Technologies
 University of North Dakota Research Foundation

4201 James Ray Drive • Grand Forks, ND 58202 • 701.757.5100
 www.undrf.org

The Center of Excellence in Life Sciences and Advanced Technologies (COELSAT) focuses on commercializing research and intellectual property. The facility provides research laboratories including Biosafety Level 3 (BSL-3) enhanced laboratories, "wet" laboratories, and office and production space to tenants. The COELSAT provides the necessary infrastructure to serve North Dakota life science and technology companies, and to attract new companies to the state.



STATE FUNDS

Launch Date: March 2007
 Award: \$3,500,000
 Disbursed to the Center: \$3,500,000
 Spent by the Center: \$3,500,000

MATCHING & LEVERAGED FUNDS

Received: \$11,911,286

PRIVATE SECTOR PARTNERS

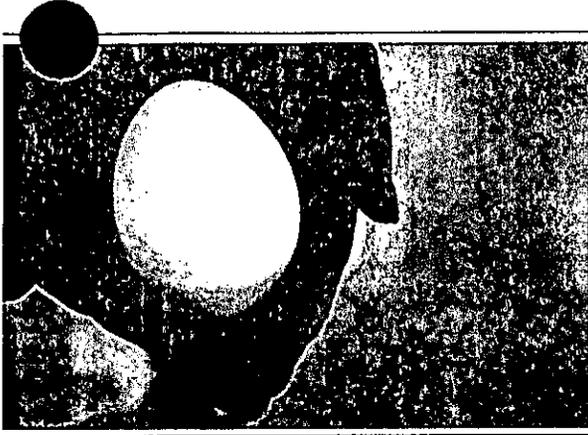
Alion Science and Technology, Avianax, Dakota Harvest, DMD, Ideal Aerosmith, Intraglobal Biologics Laserlith Corporation, Novadigm, SUNRISE Renewables

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the COELSAT and its partners have created 16 new jobs.
- The COELSAT, also known as Research Enterprise and Commercialization 1 or REAC1, is a state-of-the-art facility which boasts the only BSL-3 labs in North Dakota. The BSL-3 labs will allow tenants to perform research on infectious diseases, such as West Nile Virus and Avian Influenza, once the biological safety program is completed in early 2011.
- The Center has contributed to the establishment of a new spin-out business, Avianax, which is developing therapeutic antibody treatments against the West Nile virus. Another start-up company working in biofuels research is currently being fostered and in the final stages of incorporation.
- Alion Science and Technology, a REAC1 tenant, is an existing company that expanded into North Dakota. Alion uses industrial laser and other technologies to improve the reliability and function of engineered surfaces.
- Ideal Aerosmith, another REAC1 tenant, expanded into Grand Forks from Minnesota. The company uses its space in the facility to accelerate its research capability, a key to maintaining its technical leadership.
- NovaDigm Therapeutics, another REAC1 tenant, is developing innovative vaccines to protect patients from fungal and bacterial infections, which can be life-threatening and drug resistant. Novadigm is another existing company that has expanded into North Dakota.

CENTER OF EXCELLENCE FOR PASSIVE THERAPEUTICS
University of North Dakota Research Foundation

4201 James Ray Drive • Grand Forks, ND 58202 • 701.757.5100
www.undrf.org



The Center of Excellence for Passive Therapeutics (COEPT) will develop passive (antibodies) therapeutics from agriculture products for people exposed to or infected with viral infections or diseases. Once shown effective in pre-clinical and clinical trials, therapeutic products using antibodies from goose sera or eggs will be produced in their entirety in North Dakota.

STATE FUNDS

Launch Date: June 2009
Award: \$2,650,000
Disbursed to the Center: \$2,134,236
Spent by the Center: \$1,657,429

MATCHING & LEVERAGED FUNDS

Received: \$6,556,472
Total Anticipated: \$8,400,000

PRIVATE SECTOR PARTNERS

Avianax, Intraglobal Biologics, Mayo Clinic,
Schiltz Goose Farms-North, Schiltz Goose R&D

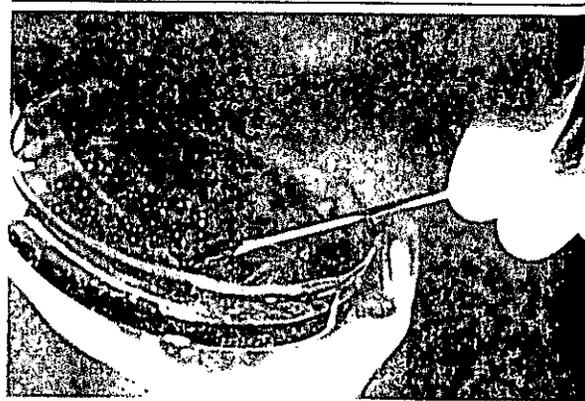
PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the COEPT and its partners have created 22 new jobs.
- The COEPT and partner Avianax are performing pre-clinical trials to advance therapeutic antibody products. The first product targeted is an antibody to West Nile Virus.
- The Center will collaborate with NDSU's Center for Biopharmaceutical Research and Production, which will provide quality assurance and quality control for the therapeutic antibody products that are being developed.
- One objective of the grant was to complete lab space within the REAC1 facility at UND. Construction was completed on a BSL-3 enhanced lab and a BSL-3 suite comprised of three labs and an animal facility. Such labs are needed for research on infectious diseases that pose an elevated risk for humans, such as the West Nile Virus.

CENTER FOR BIOPHARMACEUTICAL RESEARCH AND PRODUCTION
 North Dakota State University

1401 Albrecht Blvd • Fargo, ND 58105 • 701.231.7609

The Center for Biopharmaceutical Research and Production (CBRP) will design, develop and produce biopharmaceutical product candidates including vaccines. The Center will work with biopharmaceutical and life sciences sectors in North Dakota to discover and develop new vaccines and other biopharmaceuticals to treat some of the most challenging diseases facing humankind. The Center's long-term goal is to develop vaccines and biopharmaceutical products as well as advance product candidates through pre-clinical and clinical studies in conjunction with its private sector partners.



STATE FUNDS

Launch Date: June 2009
 Award: \$2,000,000
 Disbursed to the Center: \$1,151,350
 Spent by the Center: \$51,654

MATCHING & LEVERAGED FUNDS

Received: \$2,120,268
 Total Anticipated: \$4,742,000

PRIVATE SECTOR PARTNERS

Aldevron, Altravax, Avianax, Cetero, Clinical Supplies Management Inc., SamahLution, Sanford Health

PROJECT NOTES AND HIGHLIGHTS

- Center partner Altravax is working on developing vaccines against HIV and Hepatitis-B.
- Avianax has partnered with the Center of Excellence for Passive Therapeutics to develop passive immunotherapy against the West Nile Virus, pandemic influenza virus infections and others. Avianax will now also partner with the CBRP, which will assist in the development of product concepts and the FDA approval processes. The collaboration extends to UND's School of Medicine.
- The CBRP is collaborating with SomahLution to develop RNAi-based products for use in transplant medicine.
- The Center is developing partnerships with companies such as Aldevron, Clinical Supplies Management, Sanford and Cetero in the manufacture, clinical supply and clinical trials of products developed through the collaborative efforts of the CBRP and its partners.

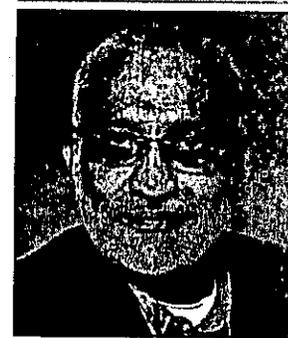
PFIZER SCIENTIST JOINS NDSU CENTER OF EXCELLENCE

A former high-ranking Pfizer biotechnologist will bring immediate recognition to a new North Dakota State University Center of Excellence.

Dr. Satish Chandran will direct NDSU's Center for Biopharmaceutical Research and Production, which will focus on identifying and producing DNA vaccines and other biopharmaceuticals.

Dr. Chandran is the former chief technology officer of the Nucleic Acid-Based Therapeutics Unit of the Biotherapeutics Division at Pfizer Inc. "This is great addition for our program," said Charles Peterson, NDSU dean of pharmacy, nursing and allied sciences. "Satish will immediately bring international and national expertise and distinction to our program and to North Dakota."

According to Peterson, Dr. Chandran is known worldwide for his expertise in biopharmaceuticals, nucleic acid-based therapeutics and vaccines and brings with him opportunities to work with pharmaceutical companies and other private sector partners.

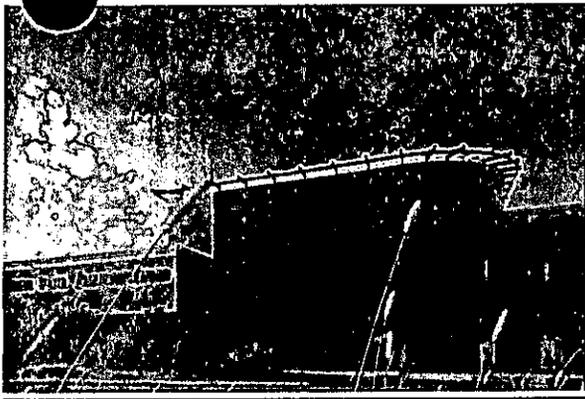


Dr. Satish Chandran

CENTER FOR INNOVATION
University of North Dakota

4200 James Ray Drive • Grand Forks, ND 58203 • 701.777.3132

www.innovators.net



The Center for Innovation operates two technology incubators, the Skalicky Tech Incubator and the Ina Mae Rude Center, which was constructed using Centers of Excellence funds. The Center for Innovation supports entrepreneurs by helping launch new ventures, commercialize new technologies and secure access to capital from private and public sources. The Center's primary goals include growing entrepreneur ventures and fostering innovation.

STATE FUNDS

Launch Date: January 2005
Award: \$800,000
Disbursed to the Center: \$800,000
Spent by the Center: \$800,000

MATCHING & LEVERAGED FUNDS

Received: \$3,565,000

PROJECT NOTES AND HIGHLIGHTS

- Since January 2005, the Center for Innovation has contributed to the creation of 195 jobs.
- The Center currently houses and services 38 businesses and student ventures. The Center has an average occupancy rate of 85-90 percent.
- The Center has assisted in the development of nine angel funds around the state engaging more than 110 angel investors.
- Each year since 2006, the Center has been designated as a Soft Landings International Incubator by the National Business Incubation Association. The designation identifies incubators that provide a "soft landing" for international firms wishing to expand into new markets.
- The Center provides educational content for the Innovate ND program and assists program participants with entrepreneur development.

SOFTWARE COMPANY IMPROVING AND RE-INVENTING ITS TECHNOLOGY

Ntractive was launched in 2003 when co-founder Justin Bartak of Grand Forks designed a software product to boost enterprise productivity. In 2006, Bartak teamed up with fellow programmer Dale Jensen, now the CEO of Ntractive, to turn the innovation into a business venture.

After assembling a talented team and preparing to enter the market, they moved their business to the UND Center for Innovation's Ina Mae Rude Entrepreneur Center, the state's first Center for Excellence for Economic Development. This high-tech incubator provides entrepreneur coaching, advanced server room technology, and turnkey office space to ventures like Ntractive. The incubator specializes in high-tech start-ups that can benefit from its IT infrastructure, wet labs and access to entrepreneur coaches and other talent from the University of North Dakota.

Ntractive's software product, Elements Customer Relationship Management (CRM), enables Mac users to communicate and operate more efficiently. Customers use these seamless, streamlined applications to manage clients, email, calendars and much more with their iPhones or Apple computers. The information is stored in a cloud computing system which allows users to access Elements CRM virtually anywhere.

Bartak and Jensen have reached many successful milestones as their company has grown. They entered North Dakota's InnovateND



Justin Bartak & Dale Jensen of Ntractive

competition to develop their business plan, taking home one of five \$5,000 awards in 2007. Also in 2007 they gave their first investment pitch to Dakota Venture Group (DVG). Four other angel funds joined the DVG student-managed venture fund and the North Dakota Development Fund as investors in Ntractive.

In July 2009, Ntractive unveiled the latest version of the product, Elements CRM 2.0, and sales soared. This Grand Forks enterprise has gained recognition at an astounding rate because of the strong appeal Elements CRM brings to Mac-based businesses.

TECHNOLOGY INCUBATOR
North Dakota State University

1854 NDSU Research Circle North • Fargo, ND 58102 • 701.499.3600
www.ndsuresearchpark.com/incubator

The Technology Incubator is located in the NDSU Research & Technology Park and provides technical and business assistance to high-growth start-up companies. The goal of the Technology Incubator is to provide a wide range of programs and services that foster the formation of technology ventures, accelerate their time to market, and ultimately increase their chance for long-term success.



STATE FUNDS

Launch Date: March 2007
Award: \$1,250,000
Disbursed to the Center: \$1,250,000
Spent by the Center: \$1,250,000

MATCHING & LEVERAGED FUNDS

Received: \$5,037,600

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, Technology Incubator clients and graduates have created 191 jobs.
- To operate in the Technology Incubator, a company must advance and develop new technology, establish a working relationship at NDSU, and work in one or more of the following technology fields: material sciences, biosciences and life science technology, information technology/nanotechnology, advanced manufacturing or sensors/microelectronics.
- Examples of current incubator tenants include Triton Systems, an advanced materials and systems engineering product development firm; Larada Sciences, which markets a breakthrough medical device that offers the fastest way to cure the global problem of head lice; and Avenue Right, which is building a platform that will change the way online and offline advertising is bought and sold.
- Three clients - Appareo Systems, Intelligent InSites, and Pedigree Technologies - have graduated from the Technology Incubator and have greatly expanded their operations in Fargo.
- Technology Incubator graduate Appareo Systems was named the 2010 Outstanding Incubator Graduate - Technology Category by the National Business Incubation Association.
- The Technology Incubator partners with the North Dakota Department of Commerce to host Innovate ND, a statewide innovation competition. The Technology Incubator provides technical assistance on business planning, financial projections and pitching to investors.

ENTERPRISE UNIVERSITY
Valley City State University

101 College Street SW • Valley City, ND 58702 • 800.532.8641



Enterprise University specializes in customized training curricula designed to meet the specific needs of its business partners. Enterprise University focuses on SAP, Microsoft Dynamics, Microsoft SharePoint and Oracle Siebel training but has the capacity to develop and deliver training for any other major enterprise software. The training delivered by Enterprise University is designed to enhance employees' skills and efficiencies, and increase company profitability. Students who complete the training have the skills to pursue careers in high-demand technology fields.

STATE FUNDS

Launch Date: May 2006
Award: \$1,000,000
Disbursed to the Center: \$1,000,000
Spent by the Center: \$819,929

MATCHING & LEVERAGED FUNDS

Received: \$5,140,039

PRIVATE SECTOR PARTNERS

Eagle Creek Software Services²

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Enterprise University has helped create 64 new jobs.
- Enterprise University helped launch Eagle Creek Software's Valley City location by training employees on Siebel Customer Relationship Management software.
- VCSU Division of Business Information Technology has implemented enterprise systems and project management classes in its business administration degree as well as its computer information system degree. This will provide students with a strong background in enterprise systems to make them productive employees right out of college.
- Certificate programs in customer relationship management and enterprise applications have been established and are available to the public through Valley City State University.
- The Center belongs to the America's SAP Users Group. Among the benefits this group provides are student internship and employment opportunities.

"This partnership with the community and VCSU provided support to our customers who immediately embraced the new model. The VCSU partnership helped the company to develop critical mass and a core group of highly competent, globally competitive consultants who serve Fortune 2000 companies, these consultants deliver service excellence within a competitive cost structure demanded by our customers. As a result, Eagle Creek is the largest Tier II software service company providing CRM services. We are the dominant company in this market, while nearly half of our competition has gone out of business since we opened the Center."

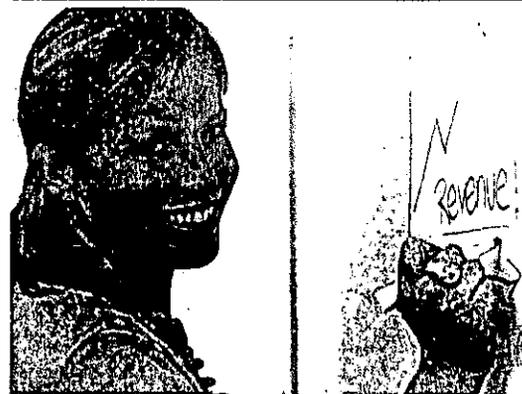
- Ken Behrendt, president of Eagle Creek Software Services

Eagle Creek Software Services was an initial Enterprise University partner. Eagle Creek now performs its own training.

**STROM CENTER FOR ENTREPRENEURSHIP & INNOVATION -
INSTITUTE FOR TECHNOLOGY AND BUSINESS** Dickinson State University

1679 6th Avenue West • Dickinson, ND 58601 • 701.483.2756
www.dickinsonnd.com/Business_StromCenter.asp

The Strom Center for Entrepreneurship and Innovation – Institute for Technology and Business is focused on helping businesses start or expand in rural North Dakota. The Institute offers services in marketing, human resources, and business technology with an emphasis on helping area businesses adapt and implement new technologies. The Institute is equipped to assist companies ranging from manufacturers to small businesses and entrepreneurs.



STATE FUNDS

Launch Date: October 2006
Award: \$1,150,000
Disbursed to the Center: \$1,150,000
Spent by the Center: \$887,242

MATCHING & LEVERAGED FUNDS

Received: \$5,106,186
Total Anticipated: \$5,299,686

PRIVATE SECTOR PARTNERS

Badlands Integrity, Cedar Canyon Spa, DLN Consulting, Faith Expressions, Kadmas Lee and Jackson, Killdeer Mountain Manufacturing (KMM), Patriot Trucking, Rhustic Photography, Spa Studio, WildInspire

PROJECT NOTES AND HIGHLIGHTS

- As of June 30, 2010, the Center and its partners have created 160 new jobs.
- The Center offers a wide range of services to regional companies including website development, feasibility studies, leadership training, marketing plans, branding, social networking and advertising.
- The Center is well suited to work with companies of any size, but a regional survey conducted by the center has identified start-ups, aspiring entrepreneurs and small businesses as target markets. The Center is working to provide an “incubator” atmosphere in western North Dakota.
- In the past year, the Center has seen a considerable growth to its client/partner base. This can be attributed to the Center’s initial successes and a focused effort by the Center to increase awareness of its services within western North Dakota.
- The Institute has helped KMM implement supply chain transparency technology which allows for efficient coordination of KMM’s five facilities in rural North Dakota.
- The Institute’s efforts have helped KMM create 150 jobs and open facilities in Dickinson, Hettinger and Regent, N.D.



CENTERS OF EXCELLENCE ENHANCEMENT GRANTS

In 2009, the Legislature directed that \$10 million of the funds appropriated to the Centers of Excellence program be used for Centers of Excellence Enhancement Grants during the 2009-11 biennium. The Enhancement Grants are available to the state's research universities for use in infrastructure or enhancement of economic development and employment opportunities.

Appropriate use of funds include a grant to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base; infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base; and infrastructure and economic development projects or programs to enhance the capacity of a research university to interface and collaborate with private industry on research, development, demonstration and commercialization of technology.

The Centers of Excellence Commission approves proposals based on the extent to which they meet the following criteria:

- Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state.
- Create high-value private sector employment opportunities in this state.
- Leverage other funding.
- Create infrastructure and economic development projects or programs to enhance the capacity of a research university to interface and collaborate with private industry on research, development demonstration, and commercialization of technology.
- Positively impact economic development in the state.

Additional criteria to be considered for applications relating to the Grand Forks Air Force Base:

- Enhance economic development and employment opportunities associated with the Grand Forks Air Force Base resulting from action by the federal defense base closure and realignment commission.
- Provide infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base.

The approval process for Enhancement Grants does not include the Board, Foundation or Budget Section. The approval process concludes with the Centers of Excellence Commission.

As of June 30, 2010, the Centers of Excellence Commission has approved four Enhancement Grant applications totaling \$7,954,000. Three of the projects – Grand Forks Air Force Base Realignment Business Transition Program, the Research 1 Expansion, and the Materials and Nanotechnology Center – are in the development process and have not yet made their initial disbursement request. All three are expected to request their initial disbursement of award funds in fiscal year 2011. A fourth grant, the Center for UAS Research, Education, and Training, did receive its initial disbursement in June 2010 with activities expected to commence in fiscal year 2011.

Research 1 Expansion

North Dakota State University

Award: \$4,000,000

Disbursed: \$0

Summary: NDSU will build a facility adjacent to the existing Research 1 building with the primary function of expanding research, development and technology transfer capabilities in core competency areas with demonstrable success and that have significant growth potential for commercialization. This project will also receive \$5 million in federal funding.

Materials and Nanotechnology Center at NDSU

North Dakota State University

Award: \$1,000,000

Disbursed: \$0

Summary: Research at the Materials and Nanotechnology Center (MNT) will focus on nanoscale properties of soft materials. In addition to increasing the fundamental understanding of the nanoscience that underpins all advances in nanotechnology, such research has potential for applications in areas such as biosensing, biomaterials, nanotribology and solid polymer batteries.

Center for UAS Research, Education, and Training Enhancement

University of North Dakota

Launch Date: June 2010

Award: \$2,754,000

Disbursed: \$2,120,000

Spent: \$0

Summary: This grant will facilitate the initial steps toward building a cutting-edge UAS training and research facility at the Grand Forks Air Force Base. The program will include the new Predator Mission Aircrew Training System (PMAT) which will be used to train new UAS pilots to fly the Predator and Reaper style aircraft. The Center will be the first civilian operator of the PMAT system and will place them at the forefront of the UAS training arena.

Grand Forks Air Force Base Realignment Business Transition Program

University of North Dakota

Award: \$200,000

Disbursed: \$0

Summary: This grant will serve as matching funds for a U.S. Small Business Administration grant intended to provide technical assistance services to businesses in states affected by military base realignment or closure. In North Dakota, this will entail preparing and training businesses wanting to pursue subcontract opportunities presented as a result of the Grand Forks Air Force Base realignment.



The Centers of Excellence program is overseen by a Commission comprised of members from the State Board of Higher Education and the North Dakota Economic Development Foundation. The Centers of Excellence Commission, with assistance from the North Dakota Department of Commerce, manages the application process, makes funding recommendations for projects and oversees the post-award monitoring of the centers.

NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION



Mark Nisbet
*Chairman, North Dakota
Principal Manager
for Xcel Energy, Fargo*



Tim Hennessy
*Vice Chairman, Regional President
for U.S. Bank in Western
North Dakota, Bismarck*



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Michael Haugen
*President, M.J. Haugen &
Associates, Inc.*

FUNDING PROCESS

Funding requests are made to the Centers of Excellence Commission which determines whether applicable funding requirements and conditions have been met before approving requests. In order to receive its initial disbursement, a Center must demonstrate private sector participation in the project and availability of the statutorily required matching funds.

As of 2008, award funds were distributed in disbursements consistent with a Center's budget and timeframe outlined in the approved award. This process allows the Commission to review a Center's progress and level of matching funds received prior to distributing subsequent disbursements, thus increasing the accountability of the program. Prior to 2007, award funds were distributed to a Center in one lump sum at the outset of the project.

SELECTION PROCESS

Each proposed Center must complete an extensive application and approval process. The Centers of Excellence Commission reviews each proposal first, recommends whether or not it should be funded and stipulates any conditions for funding. The Centers of Excellence Commission approves proposals based on the extent to which they meet the following criteria:

- Uses university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state.
- Creates high-value private sector employment opportunities in this state.
- Provides for public and private sector involvement and partnerships.
- Leverages other funding, including cash from the private sector.
- Increases research and development activities that may involve federal funding from the National Science Foundation & Experimental Program to Stimulate Competitive Research.
- Fosters and practices entrepreneurship.
- Promotes the commercialization of new products and services in industry clusters.
- Becomes financially self-sustaining.
- Establishes and meets a deadline for acquiring and expending all public and private funds specified in application.
- Has community support.
- Includes collaboration among institutions.

Proposals must include detailed documentation of private sector participation and the availability of \$2 in matching funds for each \$1 of state funds. Of the \$2 of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. Matching funds may include dollars raised in collaboration with private sector partners and other funding entities and may include cash and in-kind assets with itemized private sector participation may be established through equity investments or through contracts for services with private entities. In making recommendations, the Commission, Board, Foundation and Budget Section will give major consideration to the portion of the matching funds provided in cash by the private sector.

Each approved proposal is passed to the North Dakota Economic Development Foundation Board, the State Board of Higher Education, and the Legislature's Budget Section for approval.

ACCOUNTABILITY

A Center must use the funds to enhance capacity and leverage state, federal and private funding sources. A Center may not use the funds for infrastructure, to supplement funding for current operations or academic instructions, or to pay indirect costs. Each Center is allowed only one award per biennium.

The Centers of Excellence Commission is responsible for monitoring the Centers with assistance from the North Dakota Department of Commerce. The process includes site visits, third party audits and an in-depth annual review of each Center. Additionally, the Centers provide quarterly reports on major developments, timelines and substantial variations from their proposal to the Department of Commerce.

The University of North Dakota Center for Innovation in Grand Forks and the North Dakota State University Center for Technology Enterprise and the Beef Systems Center of Excellence in Fargo were approved and appropriated funds prior to the creation of the Centers of Excellence Commission. These Centers do not fall under the jurisdiction of the Centers of Excellence Commission but have voluntarily submitted information to be included in this report in order to provide a more complete picture of the Centers of Excellence program.

ECONOMIC IMPACT OF NORTH DAKOTA CENTERS OF EXCELLENCE PROGRAM, 2007-2010

By Leistritz, Dean A. Bangsund, and Nancy M. Hodur¹

In recent years, economic development has become increasingly linked to technology and information. As a result, policy makers have attempted to facilitate partnerships between universities and private sector businesses. The success of public-private partnerships in areas like the Silicon Valley of California, the Research Triangle of North Carolina, and the Austin, Texas area offers support for the concept of technology-based development. The Centers of Excellence program is North Dakota's initiative to participate in technology and information-based economic development.

The 2003 Legislative session authorized funding for three pilot Centers of Excellence projects. In 2005, the Legislature approved Senate Bill No. 2032 expanding the concept into the Centers of Excellence in Economic Development program. The legislation called for a \$50 million state investment over multiple biennia, to be leveraged on a 2-to-1 basis with private sector and other funds. Additionally, \$10 million has been authorized for enhancement grants at the research universities including projects associated with the realignment of the Grand Forks Air Force Base. As of June 30, 2010, 20 Centers had been approved by the COE Commission through a competitive process since 2005.

The purpose of this report is to estimate the economic impacts of the Centers of Excellence program for the period January 1, 2007–June 30, 2010. The analysis is based on payroll and associated expenditures reported by each Center.²

METHODS

The initial task in any impact assessment is estimating the direct impacts (or "first-round effects") of the activity being studied. In this study, information on in-state expenditures as well as direct employment, were drawn from reports submitted by each Center. The North Dakota Input-Output Model was used to estimate the secondary economic impacts based on these data.

The North Dakota Input-Output Model consists of interdependence coefficients or multipliers that measure the level of business activity generated in each economic sector from an additional dollar of expenditures in a given sector. (A sector is a group of similar economic units, e.g., the firms engaged in retail trade make up the retail trade sector.) For a complete description of the input-output model, see Coon and Leistritz (1989). The model estimates the changes in gross business volume (gross receipts) for all sectors of the area economy resulting from the direct expenditures associated with the Centers of Excellence program. The increased gross business volumes are used to estimate secondary employment and tax revenues based on historic relationships. The procedures used in the analysis are parallel to those used in estimating the impact of other facilities and activities (Leistritz and Coon 2008; Bangsund and Leistritz 2004 & 2007; Hodur et al. 2006). Empirical testing has confirmed the model's accuracy in estimating changes in levels of economic activity in North Dakota. Over the period 1958-2006, estimates of statewide personal income derived from the model averaged within four percent of comparable values reported by the U.S. Department of Commerce (Leistritz et al. 1990, Coon and Leistritz 2008).

The authors are respectively professor, research scientist, and research assistant professor in the Department of Agribusiness and Applied Economics, North Dakota State University, Fargo.

In 2009, the Centers reported their expenditures for the period January 1, 2008 to June 30, 2009. This was because of a change in reporting period from calendar to fiscal years.

LTS

Period Review (July 1, 2009 - June 30, 2010)

The economic impacts associated with the Centers of Excellence program for July 1, 2009-June 30, 2010 are summarized in Table 1. The direct economic impacts of Center and partner activities total \$25.7 million, based on expenditures from 18 centers.³ The total economic impact (contribution) was \$77 million. Direct employment by Centers and partners totaled 1,017.2 full time equivalent positions.

Cumulative Review (January 1, 2007 - June 30, 2010)

The cumulative economic impacts of the program for January 1, 2007- June 30, 2010 are summarized in Table 2. The total direct impact was \$141.2 million and the gross business volume (direct and secondary effects) was \$406.5 million. Direct employment increased over 240 percent in 2.5 years from about 296 positions in 2007 to about 1,017 jobs in fiscal year 2010 (Table 2). Over the period, a number of secondary jobs also were supported as outlined in Table 2.

DISCUSSION

The Centers of Excellence program is North Dakota's major initiative to participate in technology and information-based economic development. Although the stage of development varies for many of the Centers, the economic effects of the program to date are encouraging. With a direct economic impact of \$141 million and total impact of \$406 million for the period January 1, 2007-June 30, 2010, the program's contribution to the North Dakota economy is already considerable. Further, the jobs resulting from Center activities are relatively high paying. The Centers reported direct employment totaling 1,017 and a payroll of \$53,359,023, for an average of \$52,467 per job – substantially above the state average. Another measure of the Centers' success is their ability to obtain matching and leveraged funds. To date, the Centers have obtained \$152.9 million of matching and leveraged funds, an amount far exceeding the state funds dispersed to the Centers to date. As of June 30, 2010, the centers had spent \$26.2 million of the state funds that have been disbursed.

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³ No expenditures were reported for the NDSU Beef Systems Center of Excellence as that center was specifically exempted by the 2009 Legislature from reporting requirements of the COE program. The UND Center for Innovation did not provide information for this economic analysis.

TABLE 1

**Period Review – Direct, Secondary, and Total Impacts
of North Dakota Centers of Excellence and Partner Activities
July 1, 2009 - June 30, 2010**

Economic Sector	Expenditures/Receipts		
	Direct	Secondary	Total
	\$000		
Construction	2,696	2,137	4,833
Communications & public utilities	266	2,580	2,846
Retail trade	618	17,626	18,244
Finance, insurance & real estate	339	3,952	4,291
Business & personal services	689	1,430	2,119
Professional & social services	527	2,279	2,806
Households	20,605	14,935	35,540
Other ¹	0	6,284	6,284
Total	25,740	51,223	76,963
Employment	1,017.2	318	1,335.2

¹ Includes agriculture, mining, transportation, manufacturing, and government.

TABLE 2

**Cumulative Review – Direct, Secondary, and Total Impacts
of North Dakota Centers of Excellence and Partner Activities
January 1, 2007 - June 30, 2010**

Economic Sector	Expenditures/Receipts		
	Direct	Secondary	Total
	\$000		
Construction	38,211	9,985	48,196
Communications & public utilities	2,277	13,036	15,313
Retail trade	8,713	83,253	91,966
Finance, insurance & real estate	12,563	23,631	36,194
Business & personal services	4,926	6,998	11,924
Professional & social services	2,679	10,197	12,876
Households	70,986	85,314	156,300
Other ¹	850	32,869	33,719
Total	141,205	265,283	406,488
Employment Review ²	full-time equivalent positions		
July 1, 2009 — June 30, 2010	1,017.20	318	1,335.2
January 1, 2008 — June 30, 2009	921.50	492	1,413.5
January 1, 2007 — December 31, 2007	296.25	408	704.25
Estimated State Tax Collections	\$000		
Personal Income Tax	1,065	1,280	2,345
Sales and Use Tax			4,258
Corporate Income Tax			701
Total			7,304

¹ Includes agriculture, mining, transportation, manufacturing, and government.

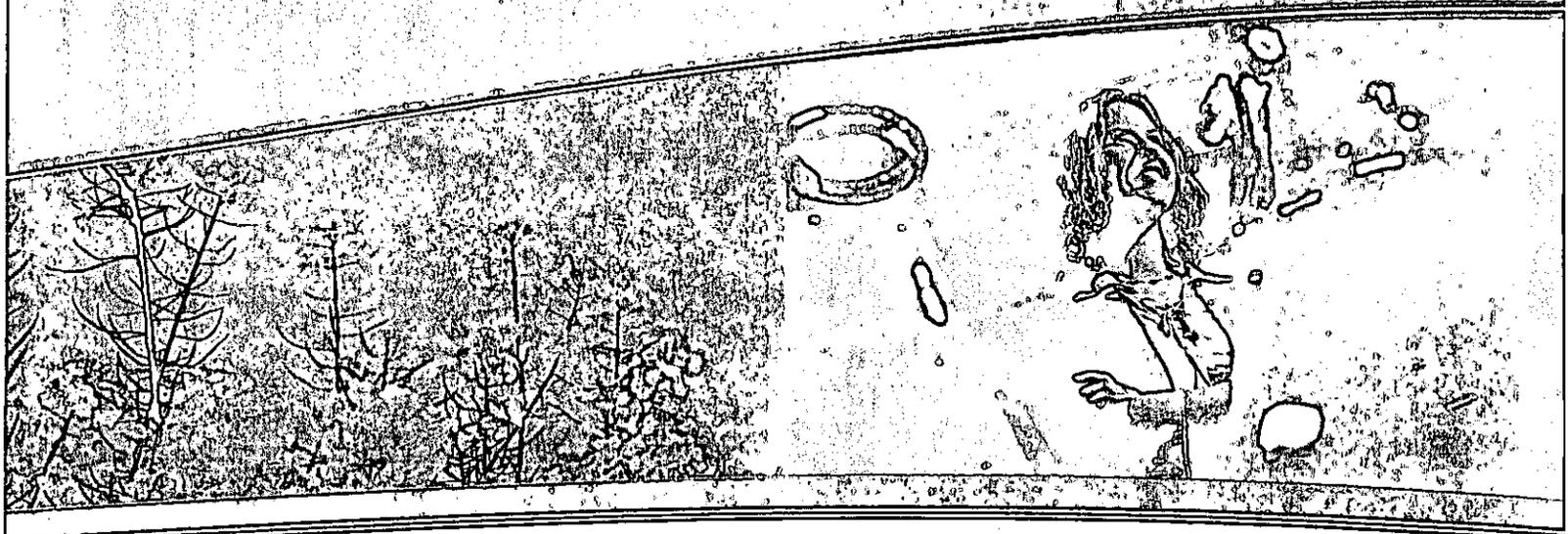
² Employment cannot be summed across years. Employment figures were presented for each analysis period for sake of comparison over time. Secondary employment for the January 1, 2008-June 30, 2009 figure represents an annualized estimate for the period.

the concept:

The **Centers of Excellence** program is built on the concept of **partnering** the research capacities of public colleges and universities with private sector companies to **generate** jobs and new business opportunities.

As of June 30, 2010, the **Centers of Excellence** had spent \$26.2 million of the awarded funds, resulting in the following economic benefits:

\$406.5 million total economic impact	18 new or expanded businesses	1,017 direct jobs created	190 private sector partners
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Centers of Excellence Testimony for Senate Bill 2057

Mark Nisbet, Chairman, Centers of Excellence Commission

January 27, 2010

Mr. Chairman and members of the committee. My name is Mark Nisbet and I serve as the chairman of the Centers of Excellence Commission, which I have done so since the program was launched in 2005.

Today I will be providing information concerning the monitoring of the current centers and the proposed modification of the program.

Monitoring

The Centers of Excellence Commission, with assistance provided by the Department of Commerce, has responsibility to monitor each center for a period of six to ten years. Information is gathered by the Department of Commerce from each of the centers on a quarterly basis and then presented to the Commission. The Department of Commerce gather the information in three ways: 1) through a functional review that is completed annually by each center, 2) by conducting a site visit of each center at least annually, and 3) by a quarterly updated provided by each center during the quarters that they are not completing the functional review or site visit.

Centers of Excellence Proposal

The Centers of Excellence Commission is in support of the proposed changes to Centers of Excellence. These changes were included in both House Bill 1018 and in Senate Bill 2057. Both proposals create three separate Centers of Excellence: Centers of Research Excellence, Centers of Workforce Excellence, and Centers of Entrepreneurship Excellence.

Centers of Research Excellence

Section 11 creates a new chapter for the creation of a Centers of Research Excellence program. This section includes eminent researcher recruitment grants as part of the Centers of Research Excellence program. This section roughly mirrors HB 1018 with the following change:

- The eminent researcher recruitment grants included in HB 1018 is a matching grant for recruitment and startup costs associated with eminent researchers. SB 2057 creates matching grants to endow eminent researcher chairs.

The two research institutions would be eligible to apply for funding under the Centers of Research Excellence program. This program would be administered by the Centers of Excellence Commission and would have criteria similar to the current Centers of Excellence program, including a two-to-one matching require.

The total budget for Centers of Research Excellence in SB 2057 is \$16 million and is broken down for the following components:

- \$2 million for eminent researcher recruitment grants.
- \$4 million for Centers of Research Excellence Infrastructure grants.
- \$10 million for the general Centers of Research Excellence grants.

The governor's budget included a total of \$13 million for Centers of Research Excellence.

Centers of Entrepreneurship Excellence Grants

Section 2 establishes the Center of Entrepreneurship Excellence program. This program would be administered by the Centers of Excellence Commission and would provide funding to certified entrepreneurial centers in order to assist entrepreneurs in four key areas:

- 1) Access to capital
- 2) Marketing assistance
- 3) Entrepreneur infrastructure
- 4) Entrepreneur talent

Current entrepreneurial centers certified by the Department of Commerce include the UND Center for Innovation, the NDSU Research & Technology Park, the I.D.E.A. Center in Bismarck, the DSU Strom Center for Entrepreneurship & Innovation, the Southern Valley Innovation Center in Wahpeton, the MiSU Severson Entrepreneurship Academy, and the Standing Rock Entrepreneurial Center. Each of these centers would be eligible to apply for funding for either specific projects associated with an identified entrepreneur or to develop programs to assist entrepreneurs in the four key areas.

The total budget for Centers of Entrepreneurship Excellence grants is \$5 million, which is the same level of funding included in the governor's budget.

Centers of Workforce Excellence

Section 1 amends the workforce enhancement grant statute to rename it to Centers of Workforce Excellence. Under this program, grant awards would be recommended by a Centers of Workforce Excellence Council, with the final determination made by the Commissioner of Commerce. The two year colleges would be eligible to apply for these funds and would need to secure at least one dollar of private industry matching funds for each dollar of state funds.

There is \$2 million in funding provided for Centers of Workforce Excellence in section 8 of the bill, which is the same amount recommended by the governor in HB 1018.

I would encourage your support for Centers of Research, Entrepreneurship, and Workforce Excellence included in SB 2057. I would be happy to answer any questions you may have.

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I would encourage your support for Centers of Research, Entrepreneurship, and Workforce Excellence included in SB 2057. I would be happy to answer any questions you may have.

SB 2057, Centers of Excellence

Kevin McKinnon, Greater Fargo Moorhead Economic Development Corporation

1/27/2011

Chairman Holmberg, members of the committee, I am Kevin McKinnon, President of the Greater Fargo Moorhead Economic Development Corporation. We are a public/private EDC made up of more than 100 investors that is focused on retaining, expanding and attracting primary sector businesses. I am pleased to be here to discuss the Center of Excellence program and what it has meant to our community and the state of North Dakota.

The Center of Excellence program has played an important role in diversifying and defining our economic base. It has also acted as a catalyst for establishing new expertise, enhancing existing research activities and leveraging the capacity of our business community on a statewide basis to solve complex business problems. This is important because these are many of the characteristics that are defining economic development and what is driving business location decisions.

From a local economic development perspective, more than five years ago our organization began a strategic planning process that involved private sector businesses, academia and government representatives. We recognized the need to build the infrastructure that was necessary to participate in new emerging technology fields. The foundation of this was to leverage the intellectual capacity at our higher education institutions while at the same time, specializing in order to become a national leader and a destination for knowledge.

As a result of our planning, three main components emerged to help drive where we, as a business community wanted to go. These components included:

1. Increasing research capacity - secure a "star researcher" to bring in additional talent, provide credibility and contacts in a specific target technology area and utilize the regional assets to support the commercialization process
2. Workforce development - developing a pipeline of talent necessary to capitalize on the work being done by our research institutions, aligning our curriculum to support the needs of employers in practical applications and preparing K-12 students for science, engineering and math careers.
3. Entrepreneurship - developing the next generation of entrepreneurs and the ecosystem of funding and mentoring needed to support

This strategy has become a reality with the latest Center of Excellence at North Dakota State University, the Center for Biopharmaceutical Research and Production. We were able to secure one of the leading researchers in vaccine development from the private sector who has a successful track record of commercialization and creating businesses. He also recognizes the importance of utilizing the existing assets and resources of the state (such as the University of North Dakota). Finally, he has played a catalytic role with our Tri-College system and business community, to provide curriculum alignment and training resources for workforce development. This is one of several examples and I know my colleagues from Grand Forks would reiterate similar results.

The Center of Excellence proposal contains all of these critical components that are required in building effective research and commercialization strategies. This program has helped to make North Dakota a destination for technology development and has allowed us the opportunity to compete for projects that previously would not have considered our state.

Thank you Chairman Holmberg and members of the committee, I would be happy to answer any questions at this time.



Testimony of

Economic Development Association of North Dakota

SB 2057

January 27, 2011

Chairman Holmberg, members of the committee, my name is Keith Lund, Vice President of the Grand Forks Region Economic Development Corporation. I am providing testimony today in my capacity as a board member of the Economic Development Association of North Dakota (EDND).

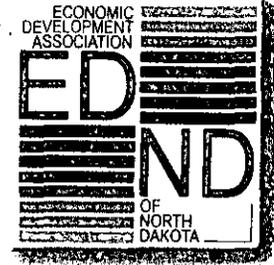
EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

Key issues faced by North Dakota in terms of economic growth include research and development of new and innovative technologies, the ability of individuals to commercialize those technologies, and the organizational talent needed to deliver these technologies to the market. SB 2057 addresses these challenges through the creation of Centers of Research Excellence, Entrepreneurship Excellence, and Workforce Excellence. EDND supports the development of these three distinct Centers proposed in the legislation.

The Centers of Excellence program, as envisioned by SB 2057, is included in EDND's 2011 Legislative Agenda and has placed it among its top three priorities for this session. EDND urges a **DO PASS** on SB 2057.

Thank you for the opportunity to address the committee. I would be happy to answer your questions.

Legislative Agenda 2011



North Dakota is well-positioned to take advantage of current state economic trends and global events to continue and expand efforts to create future economic opportunities. North Dakota's current financial strength, portfolio of economic development incentives, high-quality human capital, technology infrastructure and availability of natural resources are all in place to leverage these opportunities.

EDND recognizes factors such as safety, education, opportunity, and recreation and culture are what makes living, working, and conducting business in a community worthwhile and support legislation that enhances quality of life.

State of North Dakota economic development policy and resources should be limited to primary sector activities that create wealth for the state as a whole. The State of North Dakota should place the highest priority on the development of high-wage career opportunities that will retain state workforce and attract labor from areas outside the state.

State of North Dakota community development policy and resources should be focused on infrastructure, tourism and non-primary sector business activities that may improve a community's competitive position in capturing future revenue sources, or otherwise impact local quality of life.

LEGISLATIVE PRIORITIES

North Dakota has an effective economic development program that has brought success to our state. Our economy is strong but needs further diversification. As North Dakota expands its economy into knowledge- and technology-based areas of the global marketplace, the state's economic development policy must also expand to support these opportunities. The Economic Development Association of North Dakota supports key legislative initiatives designed to support North Dakota's traditional manufacturing sector, to assist North Dakota companies in attracting out-of-state investment, and to assist the state in expanding and attracting new technology development throughout North Dakota.

Automation Tax Credit

North Dakota businesses are challenged by a highly competitive global business environment characterized by excess capacity in many industries and by historically low in-migration of skilled workers. This is a particularly difficult challenge for manufacturers. North Dakota needs a tool that will help our manufacturers realize efficiencies that will level the playing field for them in terms of overall productivity.

The proposed automation tax credit is supported by EDND because it will be a cost-effective way to realize an attractive competitive position for our manufacturing base.

and marketing and distribution to customers.

EDND supports the development of these distinct Centers as proposed by the Interim Workforce Committee.

Centers of Research Excellence, Entrepreneurship Excellence Grants and Workforce Excellence Grants

Three of the key issues facing North Dakota in terms of economic growth are the development of new and innovative products, the ability of individuals to commercialize those products, and the talent needed to create companies that will be successful in further development of those products.

Angel Fund and Seed Capital Investment Tax Credit

The attraction of out-of-state investment in North Dakota ventures is critical to the growth of the State's economy. The State is uniquely positioned to address this long-standing challenge as North Dakota continues to expand its positive profile.

EDND supports strategic modifications to Angel Fund Investment Tax Credit legislation that will provide that these credits can be refundable to non-North Dakota investors in the State's network of Angel Funds. These modifications will increase the availability of critical funding for rapidly growing and early- to mid-stage companies in North Dakota. EDND also supports similar changes to existing Seed Capital Investment legislation to stimulate direct out-of-state investments into North Dakota ventures.

Value Statements

North Dakota currently has an excellent economic development program which has brought great success to our state. EDND supports continued use of the economic development tool chest and recognizes that enhancements are occasionally necessary. The economic development profession is one that seeks to put into action programs and policies that enhance the economic well-being and quality of life for our constituents. The value statements listed inside are intended to affirm the EDND's passion for improving the sustainability and growth of North Dakota's economy.

Economic Development Value Statements

Infrastructure Development

A new perspective is necessary for addressing infrastructure needs in North Dakota. Infrastructure investment across the state has for many decades been limited to maintaining the status quo and addressing a few targeted new investments. North Dakota now has turned the corner from being a state with a gradually diminishing population to a state with a growing population with sophisticated expectations. To continue to capture this growth North Dakota must meet those expectations.

Planning for perpetual growth, and budgeting for it, will challenge our decades-old behaviors. Judicious yet progressive investment strategies are needed to not only maintain existing physical infrastructure, but to build for future broad-based growth. Communities and counties need to develop comprehensive plans that will carry them to a more prosperous tomorrow. EDND believes statewide support is necessary to promote planning by local units of government.

Business Development & Entrepreneurship

Entrepreneurship and the successful growth of small businesses are important to North Dakota's economic future. EDND views entrepreneur assistance as crucial and supports consistent and stable funding to maintain or expand these services. By matching funding available from the federal government and by partnering with our higher education system North Dakota can leverage its investment to assure accessible entrepreneur/small business assistance across every region of the State. EDND supports providing the necessary funding to encourage entrepreneurship and small business development.

Business Financing

Appropriate financing tools are essential to the success of any business. North Dakota's menu of financing options has served the state well. We have worked over the years with those agencies in North Dakota, particularly the Bank of North Dakota, to sculpt detailed yet flexible financing options. Few changes are needed in this area. The array of business financing tools available from the Bank of North Dakota, the North Dakota Department of Commerce and others are appropriate and have the support of EDND.

PACE and Flex-PACE, business financing programs of the Bank of North Dakota, are tremendously successful tools for expanding and attracting businesses to North Dakota. The Bank of North Dakota has done an excellent job of delivering and customizing the PACE and Flex-PACE programs to meet the needs of businesses and localities. Continued management and promotion of the PACE and Flex-PACE programs by the Bank of North Dakota is encouraged and supported by EDND.

Tax Increment Financing (TIF) is an important and often misunderstood tool that is very valuable to the process of economic development nationwide. Wide-spread use of TIF as a familiar economic development tool for new and expanding businesses translates into a desire by those businesses to use TIF in North Dakota. As it stands in North Dakota, the TIF process reduces the uncertainty of proposed financing arrangements for companies considering new or expanded investment in our state. Proposal of changes to the existing TIF rules in North Dakota will diminish the desirability of North Dakota as a place to do business. EDND opposes changes to existing TIF legislation in North Dakota.

Pro-Business Climate

EDND is committed to improving the state's economic and business climate. We believe the best way to accomplish this is to support freedom of enterprise and allow the free market system to function in an attractive tax and regulatory climate.

Workforce Development

EDND supports workforce development and training programs that address the comprehensive workforce needs of North Dakota companies. As North Dakota companies face increasingly greater domestic and international competition the state's workforce programs must support company's needs to increase throughput through greater efficiency and automation, as well as traditional workforce expansion initiatives. EDND supports modifications to programs such as Workforce 20/20 and North Dakota New Jobs Training Grant Program to reflect these needs. EDND also supports the continuation and expansion of Operation Intern as a means to introduce young North Dakotans to the vast array of career opportunities available in the State.

STATEMENTS

Community Development Value Statements

Community Investment

North Dakota communities have had a difficult time attracting the capital necessary to maintain and grow. There are few investment tools that allow North Dakota citizens to consolidate their capital and then invest jointly in projects that enable state growth and fill critical needs of our communities.

A Renaissance Zone can be a very important and beneficial tool for community redevelopment and economic investment if properly developed, implemented, and managed. Continued support of the Renaissance Zone will provide opportunities for business growth from within the community, attracting new business growth and community sustainability for both rural and urban areas.

Housing

EDND recognizes that the availability of housing, particularly affordable housing, is a fundamental element that provides North Dakota communities the ability to foster economic development. EDND supports the efforts of North Dakota communities and regions to advance legislation that will promote the development of affordable housing in areas where the lack of affordable housing is limiting primary sector growth.

Leadership Development

EDND recognizes the importance of leadership development and supports the continued funding for the Center for Community Vitality, NDSU Extension Service programs, and Rural Leadership North Dakota.

It is also important that professional development programs be accessible to economic development practitioners to increase their effectiveness and develop strong leadership in this profession. EDND supports a continued appropriation in the North Dakota Department of Commerce budget so that the department and the association can partner to provide training.

Quality of Life

EDND recognizes that the growth potential of North Dakota communities is frequently dependent upon the quality of life perceived to exist in those communities. This is also true on a broader geographic basis for all of the rural areas across North Dakota. EDND supports the development/maintenance of local amenities that support a pleasant and attractive living environment and local activities which people have the opportunity to enjoy.

Mission

It is the mission of the Economic Development Association of North Dakota to increase economic opportunities for residents of the state by supporting;

- primary sector growth.
- professionalism among economic development practitioners.
- cooperation among development organizations.

The Association will support the membership in furthering primary sector economic growth in the state of North Dakota.

EDND is the voice of the state's economic development community. It provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. EDND is a highly regarded source of information on economic development issues and connects legislators with professionals across the state.

Economic Development Association of North Dakota Executive Committee

MR. GAYLON BAKER, *President*

Stark Development Corporation
Dickinson, ND
Phone: 701-225-5997
Email: gaylon@starkdev.com

MS. MARIA EFFERTZ HANSON, *Director*

Black Butte Communications and Consulting
Velva, ND
Phone: 701-626-2226
Email: bbcommunications@srt.com

MR. KEITH LUND, *Secretary/Treasurer*

Grand Forks Region Economic Development Corp.
Grand Forks, ND
Phone: 707-746-2722
Email: keithl@grandforks.org

MR. KEVIN MAGSTADT, *Immediate Past President*

Wenck Associates, Inc.
Mandan, ND
Phone: 701-751-3370
Email: kmagstadt@wenck.org

MS. BECKY MEIDINGER, *Director*

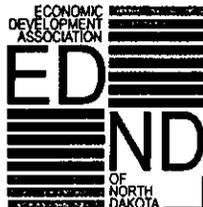
Cooperstown-Griggs Economic Development Corp.
Cooperstown, ND
Phone: 701-797-3712
Email: cooperedc@invismax.com

MS. CONNIE OVA, *Director*

Jamestown/Stutsman County Development Corp.
Jamestown, ND
Phone: 701-252-6861
Email: connie@growingjamestown.com

MR. JOHN PHILLIPS, *Vice President*

Beulah Jobs Development Authority
Beulah, ND
Phone: 701-793-1999
Email: jphillips@lssnd.org



Economic Development Association of North Dakota
PO Box 2639 • Bismarck ND 58502
Phone: 701-222-0929 • Website: www.ednd.org

January 2011

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COMPARISON OF CENTERS OF EXCELLENCE FUNDING AND PROVISIONS IN HOUSE BILL NO. 1018 AND SENATE BILL NO. 2057

The schedules below provide a comparison of funding and provisions for centers of excellence included in House Bill No. 1018--the Department of Commerce appropriation bill--to funding and provisions for centers of excellence included in Senate Bill No. 2057 recommended by the Legislative Management interim Workforce Committee.

House Bill No. 1018	Related Bill Sections ¹	General Fund	Special Funds
Centers of excellence	4-8, 26		
Centers of research excellence	1, 2, 9	\$8,000,000	
• Eminent researcher recruitment grant program	1, 2, 26	2,000,000	
• Infrastructure grants	1, 2, 30	3,000,000	
Centers of workforce excellence	1, 2, 9, 15-17, 25, 27	2,000,000	
Centers of entrepreneurship excellence	9, 14, 21		\$5,000,000 ²
Total		\$15,000,000	\$5,000,000

¹A description of related bill sections is provided in Appendix A.

²Section 21 authorizes the department to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

Senate Bill No. 2057	Related Bill Sections ¹	General Fund	Special Funds
Centers of research excellence	3, 9	\$10,000,000	
• Eminent researcher recruitment challenge grant program	3, 10	2,000,000	
• Infrastructure grants	4, 7	4,000,000	
Centers of workforce excellence	1, 8	2,000,000	
Centers of entrepreneurship excellence	2, 5	5,000,000	\$0
Total		\$33,000,000 ²	\$0

¹A description of related bill sections is provided in Appendix B.

²In addition, Senate Bill No. 2057 includes a \$10 million general fund appropriation to the North Dakota University System for the Experimental Program to Stimulate Competitive Research (EPSCoR).

ATTACH:2

HOUSE BILL NO. 1018 - CENTERS OF EXCELLENCE - RELATED SECTION DESCRIPTIONS

Sections 4 through 8 extend the expiration of the centers of excellence program from July 31, 2011, to July 31, 2021.

Section 8 amends North Dakota Century Code Section 15-69-05 to provide an alternative review methodology other than requiring an annual audit on centers of excellence programs and to remove the limit on the amount available for administrative expenses from the centers of excellence fund.

Section 9 changes the purpose of the centers of excellence fund to include implementing and administering the centers of excellence, centers of research excellence, and centers of entrepreneurship excellence programs.

Section 11 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program.

Section 14 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.

Sections 15 through 17 reestablish the Workforce Enhancement Council as the Centers of Workforce Excellence Council.

Section 21 allows the unexpended \$5 million from the 2009-11 biennium appropriation for the Great Plains Applied Energy Research Center (2009 S.L., ch. 46, §1) to continue into the 2011-13 biennium and be transferred to the centers of excellence fund for the purpose of providing funding for centers of research excellence and centers of entrepreneurship excellence awarded projects.

Section 25 provides for a transfer from the centers of workforce excellence line item in Section 1 of House Bill No. 1018 to the centers of workforce excellence fund.

Section 26 provides for a transfer from the centers of excellence line item in Section 1 of House Bill No. 1018 to the centers of excellence fund for the purpose of implementing and administering the centers of research excellence grants (up to \$2 million for eminent researcher recruitment grants) and centers of research excellence infrastructure grants.

Section 27 provides for a transfer of any unexpended funds from the workforce enhancement fund to the centers of workforce excellence fund at the end of the 2009-11 biennium.

Section 30 allows the department to use up to \$3 million from the centers of excellence fund for centers of research excellence infrastructure grants in the 2011-13 biennium.

SENATE BILL NO. 2057- CENTERS OF EXCELLENCE - RELATED SECTION DESCRIPTIONS

Section 1 amends North Dakota Century Code Section 54-60-22 to provide that grants recommended by the Workforce Enhancement Council be changed to the centers of workforce excellence grants.

Section 2 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.

Section 3 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program, as well as provide a continuing appropriation for the centers of research excellence fund.

Section 4 provides that the Department of Commerce use \$4 million of the funds transferred to the centers of research excellence fund for centers of research excellence infrastructure grants.

Section 5 provides an appropriation from the general fund of \$5 million for the purpose of funding centers of entrepreneurship excellence grants.

Section 7 provides an appropriation from the general fund of \$4 million which the Office of Management and Budget (OMB) shall transfer to the centers of research excellence fund for the purpose of providing centers of research excellence infrastructure grants.

Section 8 provides an appropriation from the general fund of \$2 million which OMB shall transfer to the workforce enhancement fund for the purpose of implementing and administering Sections 54-60-21 and 54-60-22.

Section 9 provides an appropriation from the general fund of \$10 million which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants provided for under Section 3 of Senate Bill No. 2057.

Section 10 provides an appropriation from the general fund of \$2 million which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the eminent researcher recruitment challenge grants provided for under Section 3 of Senate Bill No. 2057.



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Severson Entrepreneurship Academy

The Severson Entrepreneurship Academy (SEA) was created in 2010 with a \$1 million donation from Clint Severson, CEO of Abaxis and a 1973 graduate of Minot State University and opened in a newly renovated section of the third floor of Old Main. It was designed to serve as the entrepreneurial leader in university based rural economic development in the northwestern section of North Dakota.

SEA ACCOMPLISHMENTS TO JANUARY 2011:

- SEA is the newest affiliate of Innovate ND with two student projects submitted.
- 11 Small Business Institute projects completed.
- Four students working on starting businesses.
- Filled more than 90 volunteer slots for Høstfest.
- Currently working with Høstfest board on Høstfest Forever.
- 10 papers presented domestically with 28 MSU student coauthors [four for Academy of Entrepreneurship, three for the Academy for Studies in International Business, two for the Academy of Health Care Management, one for the Academy of Strategic Management].
- Two student papers presented in Malaysia at the Academy for Global Business Advancement conference with six student coauthors.
- One paper coauthored by three students accepted for the Cambridge Business and Economics conference. Three papers coauthored with faculty accepted as well.
- Two papers and one case presented at the Baltic Management Development Research Association International Conference sponsored by the EU.

SMALL BUSINESS INSTITUTE®

Through the Small Business Institute® (SBI) program at Minot State University, university students participate in hands-on learning experiences by conducting field case studies and providing consulting services to local small business owners. The SBI program uses students, under faculty supervision, to provide business consulting and technical assistance to a small business client that may include classmates.

The purpose of the SBI program is to provide high quality business consulting to small business clients requesting assistance while providing an extraordinary learning experience for North Dakota students through the field case consulting model. Studies conducted on hypothetical businesses are not within the scope of this program. Hypothetical cases are defined as textbook or imagined businesses or business situations.

High quality business consulting — the object of the SBI program — is comprised of direct contact between the student team and the client, detailed analysis of the client's business, thorough research, and a useful case/project report. Each report — the ultimate product of the program — is tailored to the individual client's business and embodies sound business management principles. In evaluation the merit of each case/project report the SBI Director is guided by the client's actual business needs. It is understood that sound analysis of a business may not always yield a positive outlook to the client; however, the goal of this program is to improve the economic health of client businesses whenever possible.

When SBI teams engage in special community/economic development projects, the intended client is often an entity other than a small business person. These special project clients may include local governments, chambers of commerce, non-profit organizations, local merchants' associations, and the university itself. Examples of special projects include, but are not limited to, research on developing business opportunities in international trade, innovation research, technology commercialization, incubator facilities, franchising, and other business development projects.

The SBI program at Minot State University makes use of qualified business students who, as part of their academic curriculum, work in teams with selected businesses on specific management assistance projects. Owners of small businesses, local business communities, and students benefit from the program. Students receive an opportunity to put their classroom knowledge and problem solving skills to work while the businesses obtain quality consulting services that they might not otherwise be able to afford. At present, 11 projects have been completed by the MSU SBI.

A. Benefits to the College or University

There are several benefits available to the college or university involved with an SBI program. Foremost of these would be the faculty/student/client interaction that takes place in a learning environment focused upon the "live" business problem. For faculty, perhaps the greatest reward is seeing students completely involved and motivated - truly learning how to start and operate successful businesses. For students, there is an immediacy and relevancy that can be engrossing. The problems of the client tend to become the students' own problems. The resulting problem-solving atmosphere may provide a rewarding learning experience.

B. Benefits for Potential Businesses

Before investing savings or borrowed funds in a new business, the potential entrepreneur should do considerable research to ensure that the investment decision is justified. The Small Business Institute® consultation can assist with one or more of the following areas:

- check the accuracy of the data being used in the investment decision;
- determine if local market conditions are favorable;
- conduct feasibility studies or site location studies;
- develop operating systems such as record keeping, inventory controls, or promotional policies;
- develop pro forma, income, balance sheet, and cash flow statements; and/or
- develop a well thought out business plan.

C. Benefits for Existing Businesses

SBI teams can work on most business-related problems and can provide recommendations tailored to the specific needs of the business. Frequently encountered problems are in the areas of accounting, market research, advertising and promotion, inventory control, personnel, or site location. Increasingly, businesses want SBI teams to develop a complete working business plan developed.

At the core of our program is the integration of theory, practice, and work. The classes possess academic rigor while at the same time having students involved in at least one live case in each class. Special emphasis is placed in the program on understanding the global environment of entrepreneurship and on how to open and operate successful entrepreneurial businesses. In the past 14 years the Director of the SEA, Dr. Shawn M. Carraher, has directed over 600 projects. With additional financial support, the SEA would like to provide assistance to at least 30 business clients per year in North Dakota.

LEGISLATIVE TESTIMONY SB 2057

The Strom Center for Entrepreneurship and Innovation was created as the result of a Center of Excellence application approved on August 12, 2005. The initial project focused on a partnership with Killdeer Mountain Manufacturing. The original grant application focused on assisting KMM in three areas: 1) developing a customized leadership program, 2) assisting with the infusion of cutting edge technology into the work process, and 3) assisting with a special project related to supply chain technology. As the project developed the Strom Center also worked with KMM in the area of intra and inter plant communication, distance learning, and developing human resource practices that facilitated KMM's need to attract, recruit, and retain employees necessary to meet the company's opportunities for growth.

In the last COE functional review the Strom Center efforts contributed to the creation of 150 jobs with annual wages of \$3,581,611 and annual benefits of \$585,180 for Killdeer Mountain Manufacturing. In addition to these jobs the Strom Center assisted with the creation of an additional 20 jobs in 2010 totaling \$517,200 in annual wages and \$4680 in annual benefits.

The Strom Center initially targeted area manufacturers and medium to large businesses. Although well received, many of these entities are well established and did not need the center's services or had existing relationships with other service providers. Although not necessarily a change in the project scope, the center has begun to target small businesses, start-up companies and aspiring entrepreneurs. The center has found that these entities have a greater need for services.

Today the center revolves around these six lines of effort:

STROM CENTER FOR ENTREPRENEURSHIP AND INNOVATION **"Inspire Leadership, Develop Business, Advance Community"**

Vision of the Strom Center began with a \$1,000,000 pledge from Jerome and the late Rosie Strom

SIX LINES OF EFFORT

Center of Excellence

- Received \$1,150,000 in Legislative funding in 2006
- Original focus was commercial application of technology
- Focus has shifted to assist aspiring entrepreneurs as well as start-up and small businesses

Economic Development Administration

- Received a \$50,000 planning grant in 2008
- Recently were awarded \$175,000 in the University Center Program to develop a virtual business incubator

Stark Development Corporation

- SDC has been a Strom Center partner since the inception
- Recently allocated an additional \$62,000 in funding to assist entrepreneurs and business owners as well as develop a strategic skilled workforce recruitment plan

Small Business Development Center

- The Dickinson regional office is housed in the Strom Center
- Currently have over 200 clients and have infused over \$5,000,000 in capital into the local economy

Community Development Project

- \$500,000 Bush Foundation grant to implement their Home Town Competitiveness model
- Four pillars: Entrepreneurship, Leadership, Youth, Transfer of wealth
- Dickinson, Williston, Medora, Hettinger, Bowman, Killdeer, Three Affiliated Tribes
- COCO: Coalition of Charitable Organizations
Came under the direct supervision of this project in 2009
Membership has increased from 17 to 31

Business Challenge

- Week long entrepreneurship camp for educators, university and high school students
- Office is housed at the Strom Center
- BC 2010 high school enrollment increased by 18%
- Recently awarded a \$50,000 Tech-based Entrepreneurial Grant through a Legislative initiative with the Department of Commerce

Services

- Business Technology
- Technical evaluations and research; both industry and product specific
- Project management
- Business requirements analysis
- Business plans
- Marketing plans and strategies
- Product/service branding
- Target market identification
- Website design, development and maintenance
- Social networking tools

The Strom Center has assisted in the creation of 170 jobs that pay \$4,098,811 in annual wages along with \$589,860 in annual benefits. The center has raised \$4,492,409 in matching funds with \$586,085 coming in the form of cash and the remainder as in-kind funds through Killdeer Mountain Manufacturing's SCOUT (Supply Chain Optimization Universal Toolkit) program. In addition to the matching funds the center has generated an additional \$1,126,000 in leveraged funds. These funds have come from Stark Development Corporation, Bush Foundation, Tech-based Entrepreneurial Grants through the Department of Commerce, revenue from services provided and a recent EDA University Center grant to develop a Business Incubation Program. **(Refer to handout.)**

The Strom Center collaborates with Bismarck State College to deliver TrainND opportunities in Dickinson. Training have been offered in the areas of CDL, CNA, leadership, communication styles, coaching for success and Microsoft courses.**(Refer to handout)**

The center recently collaborated with the City of New England and the Small Business Development Center for a \$73,253 Rural Business Opportunity Grant to develop and conduct a glass recycling feasibility study. The project is driven by the opportunity to bring additional jobs and economic development to southwestern North Dakota and to help bring recycling to the area to preserve our environment.

In closing, I want to thank you for the opportunity to speak today and let you know how appreciative we are of the original Center of Excellence support and we are looking forward to future COE opportunities to continue and expand on all of the good work that has been established in western North Dakota.



STROM CENTER
FOR ENTREPRENEURSHIP
AND INNOVATION

DICKINSON STATE UNIVERSITY

STROM CENTER BUSINESS INCUBATION PROGRAM

The Strom Center for Entrepreneurship and Innovation will develop a virtual regional business incubator and entrepreneur coaching initiative. This incubation model will develop and deliver marketing, consulting, training, and research programs to strengthen entrepreneur's personal, professional, organizational and financial development. This business model will have the ability to reach entrepreneurs in remote areas and serve those who are not in need of physical space.

The incubator will employ three innovative economic development strategies (virtual incubation, community collaboration and entrepreneur coaching) to increase the economic competitiveness of growth oriented entrepreneurs in western North Dakota. This initiative will expand the capacity of the Strom Center and its partners to support entrepreneur-focused economic development and enable growth and success in the global economy.

The Strom Center will deliver fundamental services to business clients seeking to start a business or to assist current businesses to move toward further growth beyond the scope of work of the Small Business Development Centers. This model will incorporate personalized business coaching guidance, suggesting strategies to move them toward future growth. The Strom Center staff and university faculty/coaches will provide services to clients and facilitate connections to outside providers for additional needed services. Coaches will work closely with clients in areas such as business and marketing plans, human resource development, and accounting and finance.

Virtual educational modules will be designed to augment the client's knowledge growth. Module topics may include: developing a business plan; industry specific research; finding financing; accounting principles; legal guidance; human resource assistance; sales and marketing; and technology tips including web and social networking tools.

Strategic targets of our incubator's services will be to focus on: 1) the next generation of growth entrepreneurs including university students; 2) helping the new generation of business owners, ensuring a greater percentage of existing businesses transition to new ownership rather than closer; 3) increasing the number of entrepreneurs who provide essential services to fill gaps in services; 4) youth and young adults building on current efforts and creating greater entrepreneurial activity.

NORTH DAKOTA WORKFORCE NEEDS

In December of 2008 a cooperative agreement between Dickinson State University and Bismarck State College was signed to provide for the development of procedures and the sharing of resources to deliver associate degree technical programs and workforce training to Dickinson and the surrounding region. The delivery of complete college credit associate programs to an off-campus site (Dickinson) will require Bismarck State College to gain approval from the Higher Learning Commission and the State Board of Higher Education. Bismarck State College is in the process of seeking these approvals. However, there has been substantial activity to expand the non-credit workforce training component of the agreement to Dickinson and other types of collaboration between DSU and BSC.

- BSC sponsored the Certified Drivers License (CDL) training program through DSU's Strom Center in February and May of 2009. In the two sessions, ten (10) individuals became certified to drive heavy duty trucks which are vital for the booming energy industry in southwestern North Dakota. The ramps and driving range at DSU were utilized for this training.
- Certified Nursing Assistant (CNA) classes were offered by BSC through the Strom Center in July, October, and November 2009 and in January of 2010. Twenty-two (22) individuals became licensed CNAs and were employed by local long term health care facilities in the Dickinson area.
- During July 2009, BSC and the Strom Center offered a series of leadership training sessions for Killdeer Mountain Manufacturing that involved three (3) KMM employees.
- In the spring of 2010 courses through collaboration between BSC and the Strom Center the following workforce training courses were offered: Communications Styles - twenty-two (22) in attendance, Essentials of Leadership -eighteen (18) attendees and Coaching for Success - twenty (20) in attendance.
- BSC also offered three Microsoft courses in May Hall at Dickinson State University. In January of 2010 there were twenty (20) attendees, March of 2010 – twenty (20) attendees and May 2010 – nineteen (19) attendees.
- BSC in collaboration with Williston State College offered three OSHA trainings at the Strom Center. These trainings were held in May and June of 2009 and November of 2010 with a total of 19 individuals taking the trainings.

The Strom Center offered a series of Web and Social Networking Boot Camps in the fall of 2009. Following is a breakout of those courses:

Web Boot Camps

Dickinson – four courses with 34 individuals taking the course
Beach – one course with 11 individuals taking the course
Bowman – one course with 11 individuals taking the course
Medora – one course with 7 individuals taking the course
Hettinger – one course with 5 individuals taking the course

Social Networking Boot Camps

Dickinson – two courses with 22 individuals taking the course

Beach – one course with 6 individuals taking the course

Also in the fall of 2009 Professor Kostas Voutsas offered a Communications and Customer Service course at the Strom Center with 25 individuals taking the course.

Jeanne Macdonald also taught a couple of courses at the Strom Center in the fall of 2009. Her Work Styles course had 6 individuals take the course and her Myers Briggs and Leadership trainings were attended by employees from the City of Dickinson including the Dickinson Police Department and St. Joseph's Hospital. Here is a breakout of attendance at these sessions:

Myers- Briggs Type Indicator		Leadership Training	
9/14/09	13	11/04/09	24
9/15/09	10	1/13/10	27
9/16/09	12	4/14/10	31
9/17/09	28	5/12/10	17
9/18/09	9	6/9/10	19
		7/14/10	20
		8/11/10	5

The last workforce training opportunities offered through the Strom Center were held fall of 2010. QuickBooks trainings were held in Dickinson (9 in attendance) and Belcourt (12 attendees). There was also a marketing course offered in Fort Yates (5 in attendance) and Belcourt (9 attendees).

The Strom Center also facilitated a workforce needs survey for Stark County in the fall of 2010. Based on the results of this survey a strategic recruitment strategy will be developed and implemented. The Strom Center also plans to attend a job fair in Minneapolis in May of 2011. The Strom Center is working in partnership with the Stark Development Corporation on this initiative.

SB 2057
1-27-11

12

STROMCENTER

FOR ENTREPRENEURSHIP & INNOVATION

QUARTERLY NEWSLETTER Quarter 1, 2011

Strom Center Awarded 2nd Tech-based Entrepreneurial Grant

The Strom Center has been awarded another Tech-based Entrepreneurial Grant through the Department of Commerce. This fall the Strom Center was awarded a \$50,000 grant in support of Business Challenge and this new grant is to addresses small business recovery, technology training, knowledge access, and intern support.

The small business recovery plan defines how the Strom Center's marketing, web, and business operations consultants will work with small businesses in danger of closing, and assist with recovery. Interns will also be actively involved in this process. Technology training will provide training to entrepreneurs in southwest North Dakota so they may fully utilize computers, internet access, and build competitive businesses based on current technology. Training formats will include both short courses and more thorough training delivered through "boot camps." The final project enhances both small business recovery as well as technology training by providing the necessary tools to provide entrepreneurs access to software and online resources.

"We greatly appreciate the support from Department of Commerce," stated Steve Glasser, Strom Center Executive Director. "This grant provides several opportunities for aspiring entrepreneurs as well as start-up and small businesses to receive technical assistance in a variety of ways. We are excited to be able to deliver all three projects to the region."

The first two phases of the grant initiative, the business recovery plan and the technology training have already begun implementation. A couple of regional businesses are being assisted in their efforts to return to profitability and marketing and QuickBooks trainings have been held in both Fort Yates and Belcourt.

ALSO IN THIS ISSUE

A message from the President of Dickinson State University

Information on the SBDC's upcoming Small Business Workshop

Tips on Using Email Marketing

Leadership 20/20

Updates from COCO, CDP, and Business Challenge

Message from the President of Dickinson State University

Dear Friends and Business Leaders,

As we begin this New Year, it is truly a pleasure to extend my personal greetings and best wishes to you. We have many exciting efforts underway at the Strom Center, and the context of this newsletter provides us with an opportunity to share this great news.

I believe the next two or three years will witness remarkable economic growth in western North Dakota. Most certainly, the Strom Center is playing a major role to support and enhance this economic vitality throughout our region. With several major lines of educational effort underway, our Strom Center programs have emerged as one of the key pillars that continue to define DSU as an innovative and relevant University.

We believe higher education has a role to play in the process that fosters the spirit of entrepreneurship. We believe our programs can teach the knowledge, attitudes, skills and aspirations that encourage young innovators to start their own small business or become business leaders. With your continued support and guidance, our collaborative efforts are making a difference and advocating economic vitality.

Thank you for your friendship, and your commitment to the Strom Center and DSU. By working together, we are forging the boundaries of our collective future while advancing the quality of life within our communities and across our great state.



Richard J. McCallum
Richard J. McCallum, Ph.D.
President, Dickinson State University

Strom Center Professional Services

Marketing, Web, & Social Media

Product and Service Branding	Website Creation & Maintenance
Logo and Visual Identity Design	Improve Search Engine Rankings
Target Market Identification	Social Media Training
Strategic Marketing Plans	

Email Clay at
Clayton.Kraby@DickinsonState.edu

Business Support

Business Solutions
Project Management
Competitive Analysis

Email Susan at
Susan.i.Miller@DickinsonState.edu

Visit www.StromCenter.com/services for more information

Small Business Marketing Tip: Try Email Marketing

Email marketing can be a very effective advertising tool for your business or organization. It can be used to help establish relationships, allows you to stay 'top of mind' with your customers, helps distribute news and event information, and focuses on maintaining contact with your existing client base.

The important distinction between email marketing and the spam email we all delete is that email marketing is permission based. Legally, your customers have to sign up to receive emails from you before you can add them to any promotional mailing lists. This can be achieved during the checkout or billing process, through a sign-up form on your website, or by adding a link to your Facebook page.



Once you have created a mailing list, you can send along regular emails to your customers. These should be filled with event information, coupons, or interesting articles. For instance, a hardware store could send out a monthly email with home improvement tips, weekend projects, and product recommendations. The key is to ensure that your content is beneficial for your customer and not just a digital advertisement. Still send out sale and product information, but not exclusively.

There are several online services which make email marketing fast, easy, and effective. I recommend the uniquely-named MailChimp (www.MailChimp.com). This service has several professional templates to customize for your business, or you can create one from scratch. The site is loaded with great videos and articles on how to use email marketing to help grow your business, and it allows you to create sign up forms and manage your email lists online. Best of all, MailChimp is completely free for those with under 1,000 subscribers and send less than 6 emails per month (once a month is plenty). All of these features make this email marketing service definitely worth looking into for any small business.

Get the most out of your email marketing campaigns

Build a 'Resource Relationship'

Don't just send ads to their inbox, give out high-value content they would be interested in. This can be in the form of newsletters, articles, or links to interesting and helpful websites.

Use a recognizable 'From' name on the email

This can be customized in email marketing services such as Mail Chimp, and is an important aspect of your campaigns. 60% of users say that this alone is a reason to open or not open an email. Be consistent with this, and stick to your branding. As a general rule, use the name of your business or organization.

Put thought into the subject line

You only have about 3 seconds to convince someone to open up your email. Be sure that the subject line explicitly states the benefit of reading the email in 5-8 words, with the most important information in the first 2 words. In doing so you should answer the question "Why does this matter today?"

That being said, be sure not to over-emphasize the subject line. Using excessive exclamation points and words such as 'free' and 'guarantee' can get your email snagged by spam filters. It's best to avoid them altogether. The same is true of dollar signs and the words 'click here' within the body of an email. These can both be used, but try to keep it to three times or less to avoid the chance of getting filtered out as junk mail.

When to Send

Statistics show that Tuesday and Wednesday from 10 - 3 is the best time, but that is a generic rule. In MailChimp you can actually test to see what works best with your subscribers. Using what they call an A/B Split Campaign, you can experiment by sending to different segments of your email database at different times. Whichever time has the highest number of open rates lets you know the best time to reach your audience.

Strongly recommend looking into an email marketing service such as MailChimp, and as always am happy to assist small businesses and organizations in developing successful marketing strategies.

- Clay Kraby, Strom Center Marketing Specialist

LEADERSHIP 20/20

perfect vision for guiding our community

Join current and emerging leaders to:

- Deal with community change positively
- Understand how leaders can make a difference
- Learn how to broaden community participation
- Communicate your message
- Help turn vision into action
- Learn the basics of fund-raising

Classes will be held at the Strom Center from 9:30 am - 3:30 pm on every other Thursday in March, April, and May.

March 10

Community Leadership and Change

March 24

Leadership Styles and Practices

April 7

Broadening Community Participation

April 21

Communicating Your Message

May 5

Vision into Action

May 19

Fund Raising Strategies

Visit www.StromCenter.com/events to learn more

BUSINESS

SMALL BUSINESS DEVELOPMENT CENTER

Ray Ann Kilen, *Regional Director NDSBDC*
 rayann.kilen@dickinsonstate.edu
 Office: 701-483-2470 Fax: 701-483-2062
www.NDSBDC.org

SBDC and the Strom Center to Host Small Business Workshop

The North Dakota Small Business Administration (SBA) is conducting an educational workshop to provide useful information in starting and managing a small business. **"Starting Your Own Business: A Plan for Success,"** will be held Tuesday, February 8, 2011, from 8:30 am until 3:30 pm MST in the Conference Room here at the Strom Center (1679 6th Ave. West, Dickinson, ND).

The six-hour seminar will help entrepreneurs plan for success and avoid the pitfalls commonly encountered by those starting a business. Entrepreneurs will be introduced to local experts and specialists in the small business field. Topics to be covered during the seminar are: financial records, organizational structure, registering a business name, marketing, business plans, and tax and legal information.

The workshop is targeted towards small business owners or those who are in the process of starting a new small business, or any individual who has responsibility for developing parts or all of a business plan including: marketing, staffing, financing, and other areas of small business management.

Those interested in attending this workshop can register online at www.TrainingND.com or call the SBA in Fargo at 1-800-776-9144 Ext 3. The registration fee is \$30 per individual if you register in advance or \$35 at the door. Pre-registration is encouraged for planning purposes. Lunch will be provided.

The Community Development Project

CDP continues to work with individuals from all over western North Dakota to build sustainability strategies for their communities. The project utilizes the HomeTown Competitiveness Model, a 4 pillar approach to community capacity building. These pillars are entrepreneurship, leadership, resources for development/charitable assets, and youth. These pillars look to strengthen and build community's assets from within.

The Community Development Project has many events planned in these communities and has just recently announced details for a new leadership training course called "**Leadership 20/20.**" This program, created by the Strom Center and facilitated by local experts, is designed to assist current and emerging leaders in further developing their skills.

This program is built on principles and practices from successful community leadership programs around the country and is organized with assistance from the Heartland Center for Leadership Development and the RUPRI Center for Rural Entrepreneurship, both of which are independent nonprofits with national experience in the field.

To learn more about the Leadership 20/20 program, visit www.StromCenter.com/events

Business Challenge

We are pleased to announce that our new website has now gone live! While you can still find us at www.GoBusinessChallenge.com, the website has been completely redone to update information, make the site more user friendly, and match the new branding.



Visitors can learn about Business Challenge, view photos, find out about volunteer opportunities, and register for this year's program. It is fully integrated with our Facebook page (www.Facebook.com/GoBusinessChallenge) and now incorporates our Twitter account as well. Stop by the website and let us know what you think by posting on our Facebook page!

Be sure to visit the new website at www.GoBusinessChallenge.com



The Coalition of Charitable Organizations (COCO)

COCO would like to invite you to attend two Audio Conferences coming up this quarter. The first is being held February 16th and is titled "**The Stalled Campaign.**" Those who attend will learn how to change fundamentals to 'fix' a broken or stalled fundraising campaign. This conference will be presented by Julia Ingraham Walker and is sponsored by Dickinson Catholic Schools.

On April 20th, COCO will be presenting "**Passion and Partners: The Truth About What Nonprofit Boards Want.**" This audio conference will teach you the 9 truths about what makes board members happy, productive, engaged, and generous.

The audio conference on April 20th is sponsored by ABLE, Inc. Both conferences begin at 4pm at the Strom Center and are free to COCO members. Non-members can attend for \$25 per audio conference.

For more information or to register one week in advance, contact Julie Raatz at 701-483-2757 or Julie.Raatz@dickinsonstate.edu



STROM CENTER EXECUTIVE DIRECTOR, STEVE GLASSER

The past quarter has been a busy one at the Strom Center. During the months of November and December we were busy organizing and facilitating five Listening Sessions in partnership with the Bush Foundation and DLN Consulting. Three sessions were held in Dickinson and one each in Killdeer and Medora. Participants learned about North Dakota data, increased connections to other citizens, generated ideas to address tough problems and hopefully will have some influence in community and state decision making.

A major focus of the New Year is to develop a business incubation program in alliance with our EDA University Center grant. The first plan of action was to facilitate focus groups in southwest North Dakota. In partnership with Roosevelt Custer Regional Council focus group sessions were held in Dickinson, Beach, Bowman, Killdeer and Mott. A short survey also went out to area SBDC clients to gather their input regarding the incubation program. Once all of the surveys are submitted a formal report will be generated to identify the services that entrepreneurs feel are needed to assist with the start up of a new business or the expansion of existing businesses. Based on the data from the focus groups and the surveys, the Strom Center will work closely with the Dickinson State University business department, the Small Business Development Center, area Economic Developers and entrepreneurs to develop the business incubation program.

We are excited to get the report back and begin the development and implementation of this program. We hope to have the program developed by the end of February and begin implementation in late February or early March.

I would like to close by thanking everyone for all of their support during the past year. 2010 was an exciting year at the Strom Center and we are looking forward to 2011. I would like to wish everyone a healthy and happy New Year.

Inspire

The Strom Center's *Eleventh Annual*

ENTREPRENEURSHIP CONFERENCE

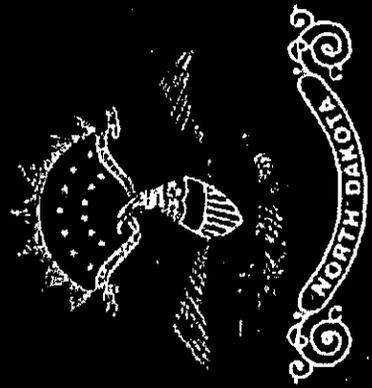
SAVE THE DATE
11TH ANNUAL STROM CONFERENCE

APRIL 19TH 2011
Dickinson, ND

www.StromCenter.com

| 701-483-2756

| info@StromCenter.com



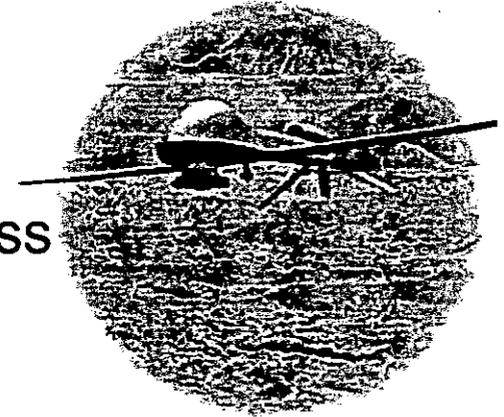
Limited Deployment-Cooperative Airspace Project (LD-CAP)

January 27, 2011



APPAREO
SYSTEMS

Opportunity Overview



- Enabling Unmanned Aircraft Systems (UAS) Access Into the US Airspace is of Vital Importance to our State and to the Nation
- A Special COE Project Called “Limited Deployment- Cooperative Airspace Project” (LD-CAP) is Proposed to Address this Problem
- Involves ND Research Universities in Partnership with Private Sector



- A REMI Model Completed by the North Dakota Department of Commerce Projects \$38.09 Million (2011-2020) in ND Tax Revenue as a Result of this Program

Agenda

- Problem Background

- Project Background

- Opportunity

- Economic Impact

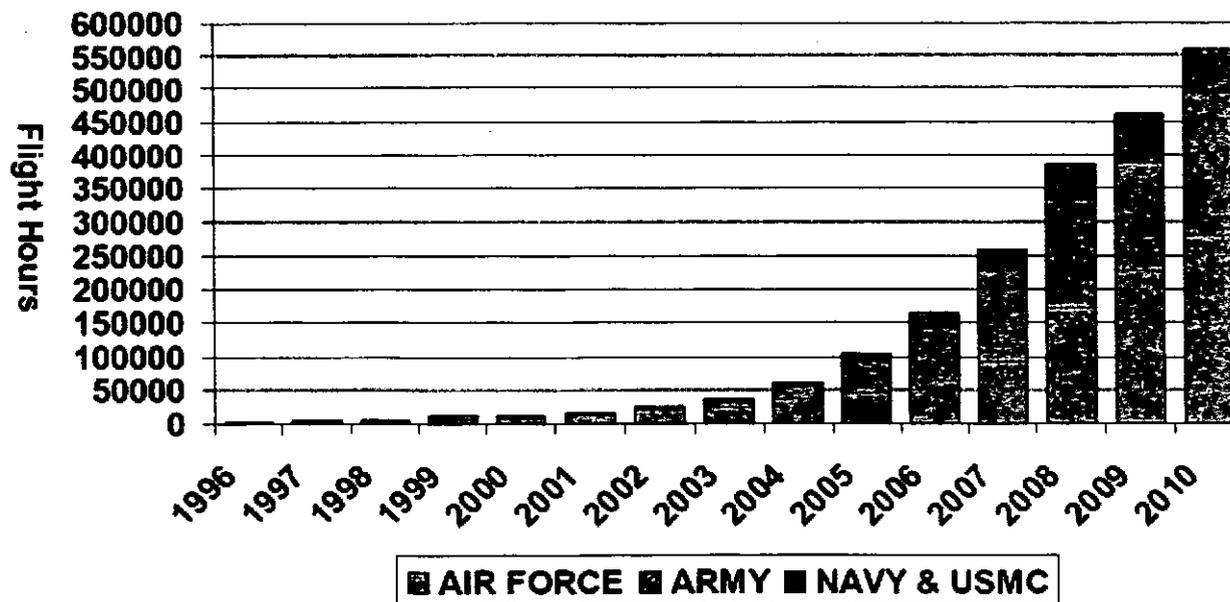


Problem Background

- Our Adoption and Dependence on UAS is Accelerating



As of September 30, 2010



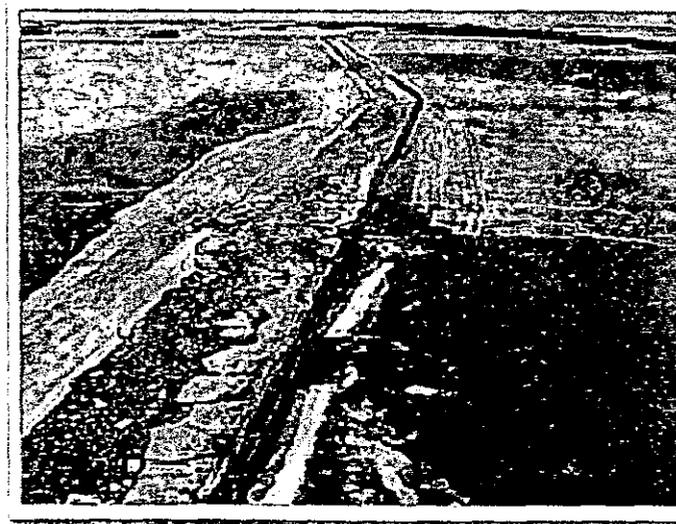
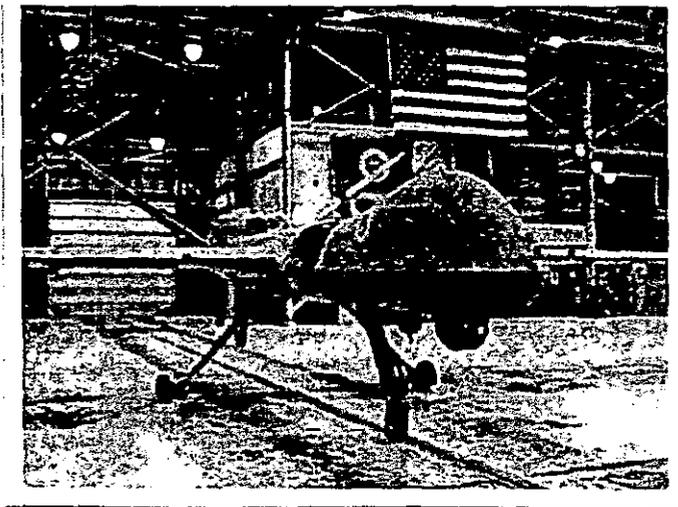
Does not include Group 1 UAS

Cleared for Open Publication
11-S-0516



Problem Background

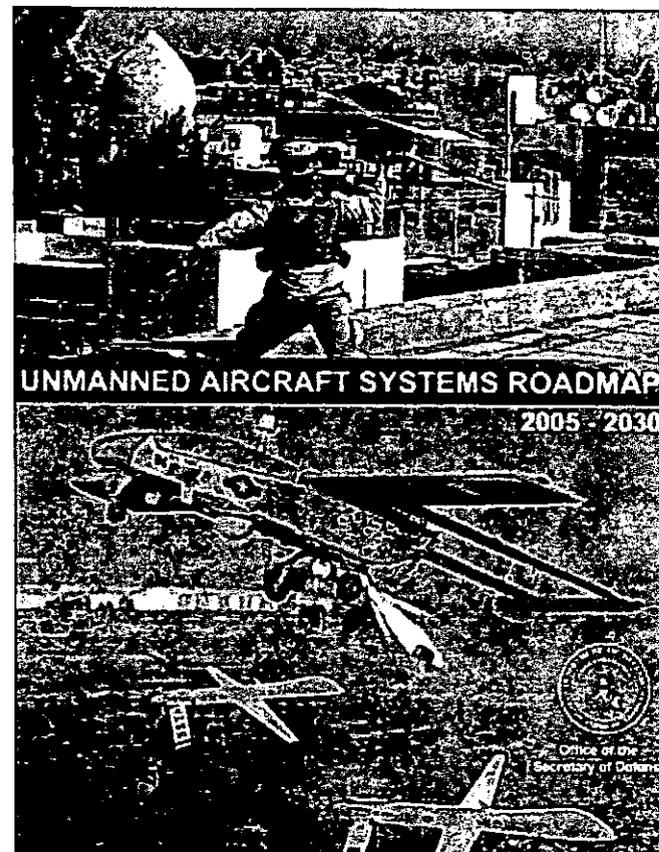
- Today DoD UAS are Denied Routine Access to the US National Air Space
 - Training
 - Border Patrol
 - Flood Surveys



Problem Background

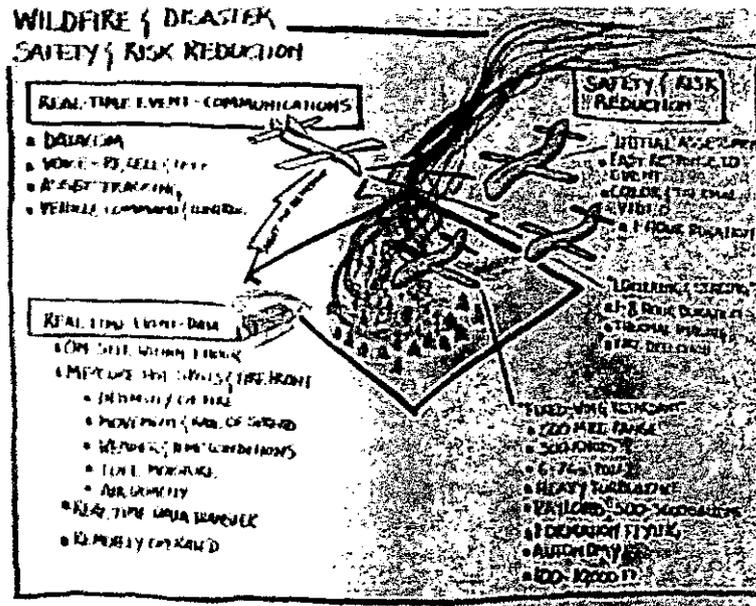
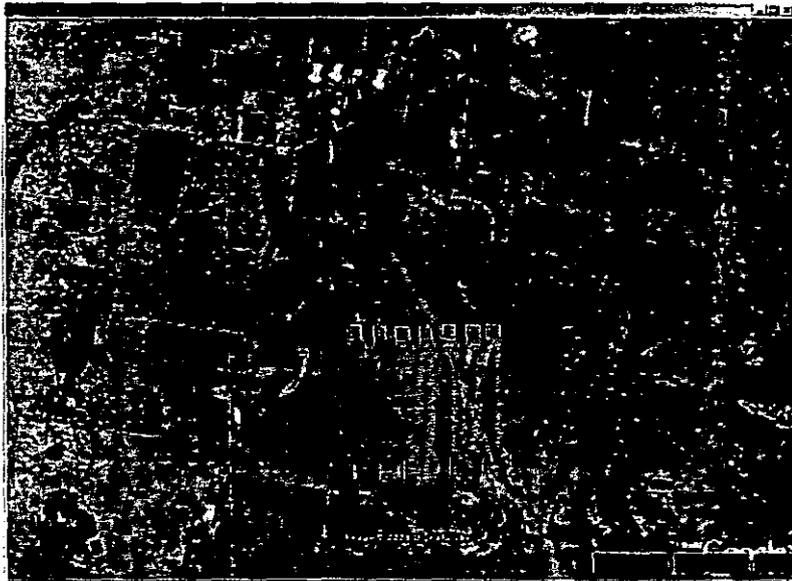
Airspace Integration is a Key Priority Called Out
in the DoD's 25 Year UAS Roadmap

“the development of
policies, standards, and
procedures that enable
safe, timely, routine
access by UA to
controlled and
uncontrolled airspace”



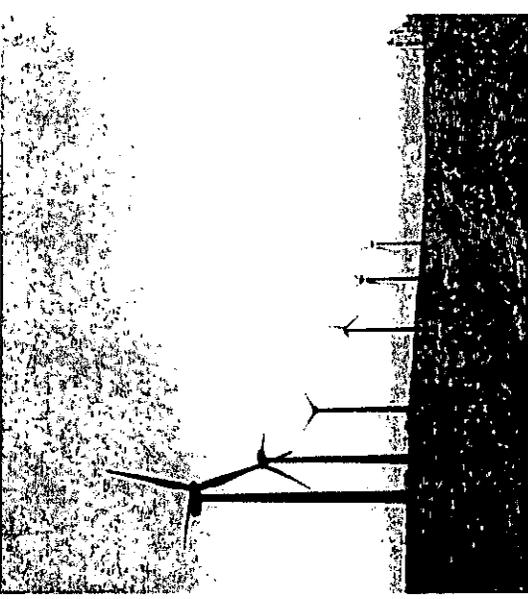
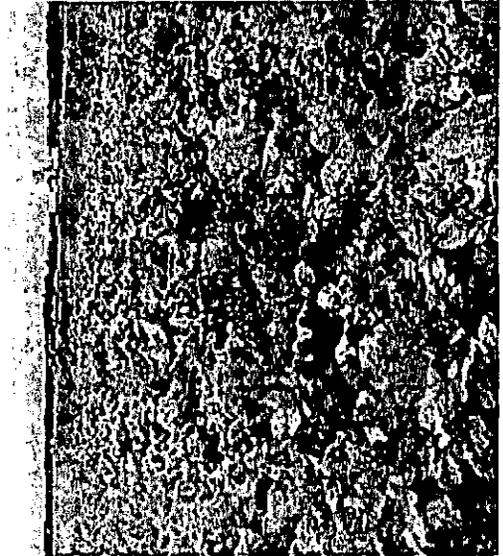
Problem Background

- State & Local Law Enforcement Denied Use of UAS
 - Search and Rescue
 - Fire Detection



Problem Background

- Industry Denied Use of UAS
 - Crop Surveys
 - Pipeline Patrol
 - Wind Turbine Monitoring



Problem Background

- UAS Being Denied Access to the National Airspace is Limiting a Key Growth Industry

“UAV spending will more than double over the next decade from current worldwide UAV expenditures of \$4.9 billion annually to \$11.5 billion, totaling just over \$80 billion in the next ten years”

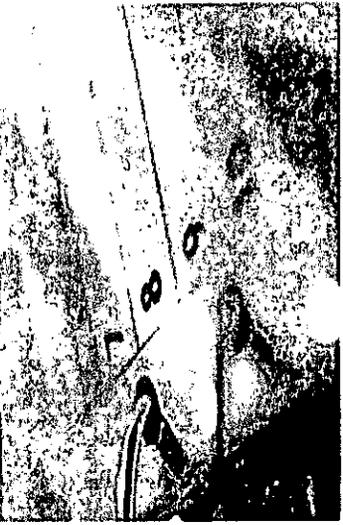
Teal Group 2010 market study

- The UAS Enterprise is Not Being Allowed to Reach Its Full Potential



Agenda

- Problem Background
- Project Background
- Opportunity
- Economic Impact



Project Background

– The US Air Traffic Control System is Undergoing a Fundamental Transition called “NextGen”

- Uses GPS Instead of Ground-based Navigation Aids
- Tracks Aircraft by Electronic Beacons vs. Just Radar
- Goals Are to Improve Safety and Airspace Capacity



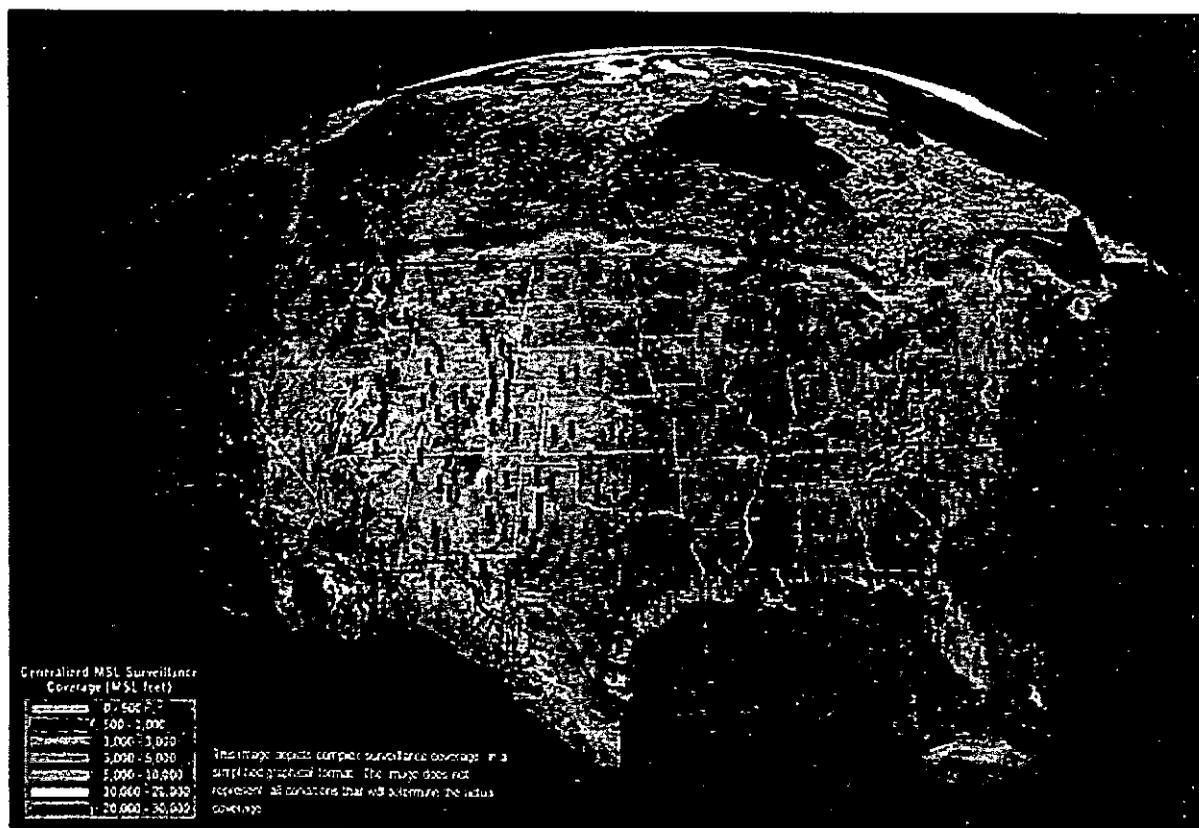
– FAA Project in Alaska Called “Capstone” Tested Effectiveness of New Approach 1999-2006

- FAA and MITRE Worked with the State and Alaska Aviation Industry
- Safety Equipage Incentive Program for 150 Local Pilots
- Funding From a Variety of Sources, Mostly Driven by Alaska
- Project Resulted in Long Term Economic Benefits to the State



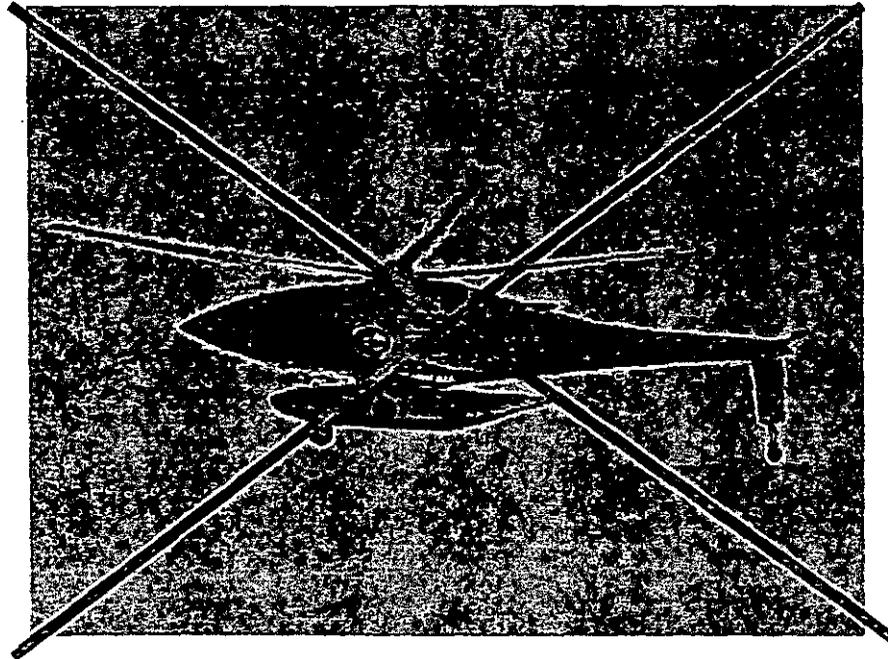
Project Background

- FAA's NextGen Rule was Approved in 2010
- Aircraft in the U.S. Must Add New Equipment by 2020 to Comply
- The System Will Be Fully Operational by the End of 2013



Project Background

- UAS Were Left Out of the FAA's NextGen Testing and Rule
They Still Are Not Permitted to Fly in US Airspace



- What is Needed is LD-CAP in ND to Finish the Job

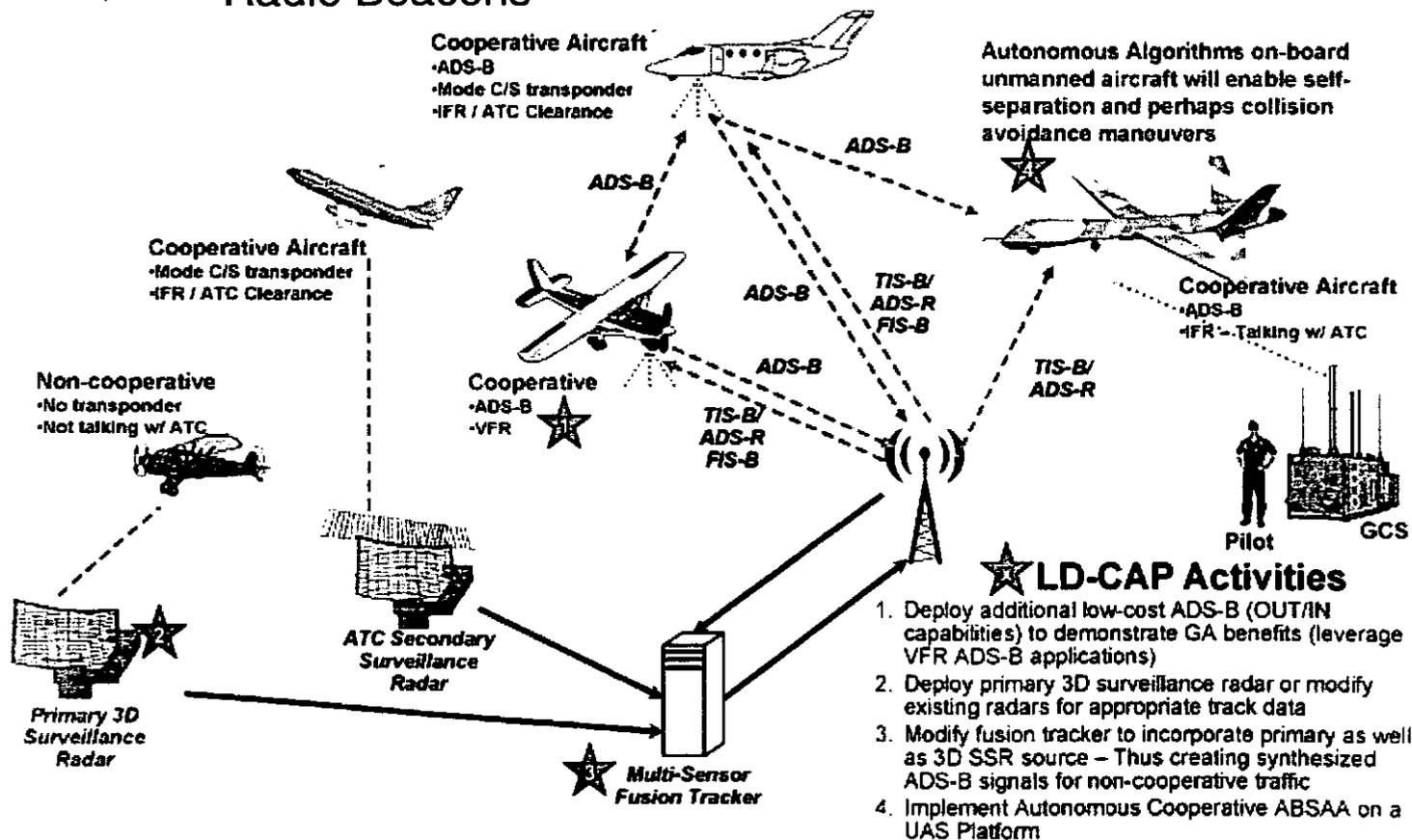


Project Background

– Project Design

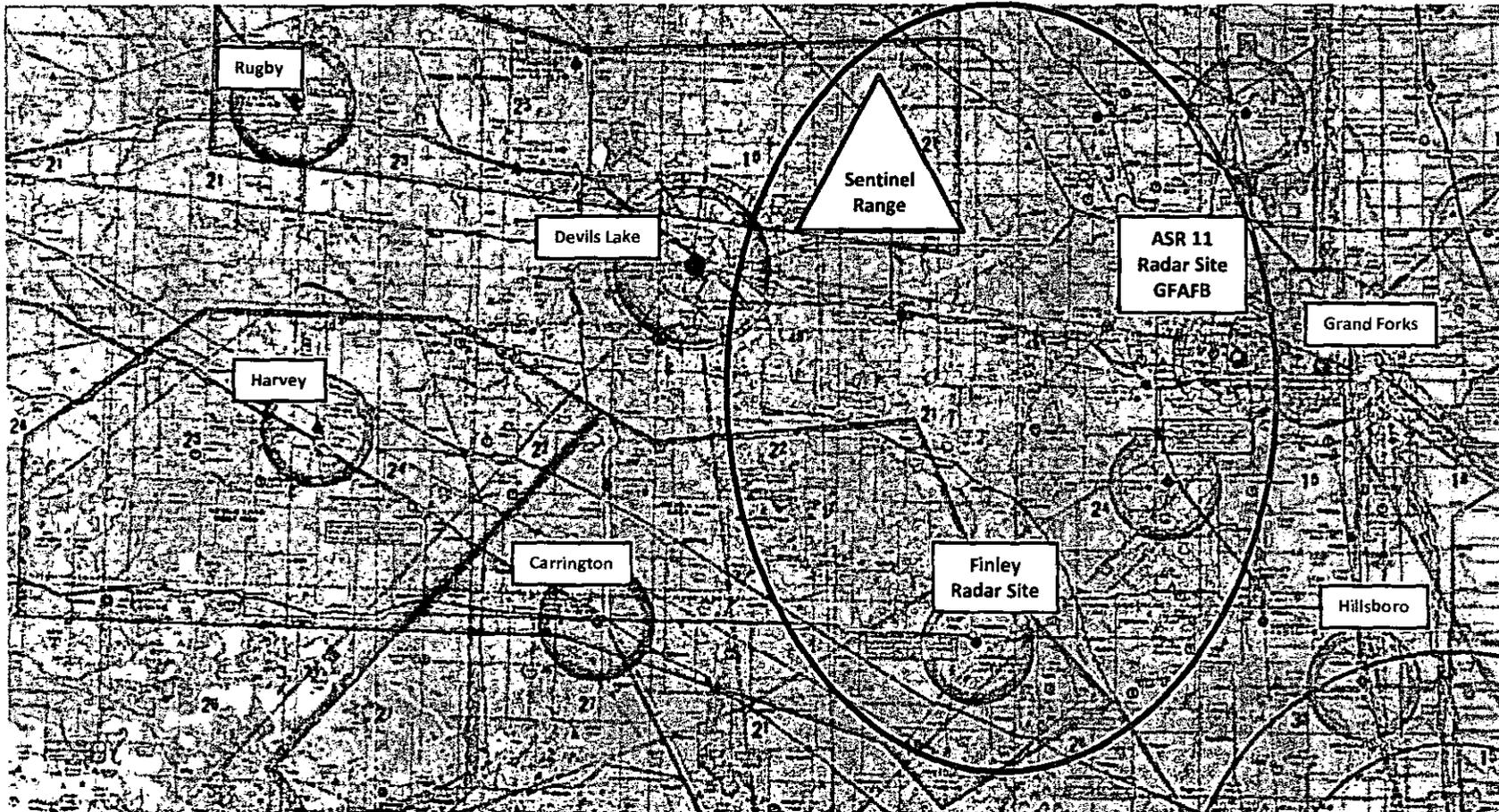
- Aircraft
- Radars
- Radio Beacons

Source: MITRE



Project Background

– Notional Airspace

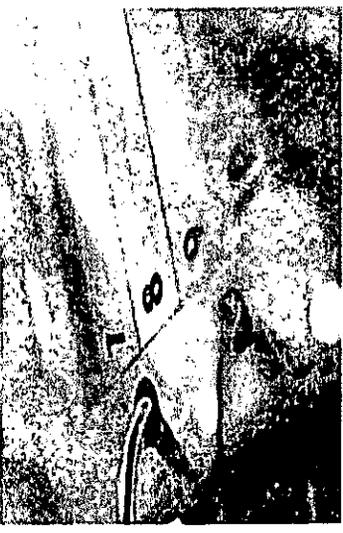


LD-CAP requires no additional airspace restrictions and no changes to airspace rules



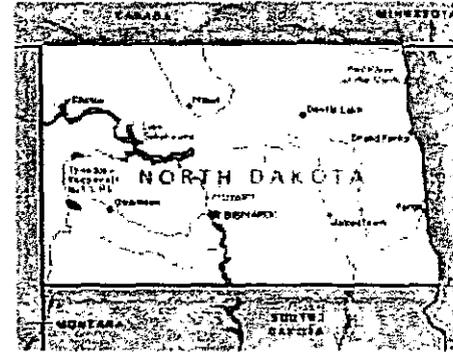
Agenda

- Problem Background
- Project Background
- Opportunity
- Economic Impact



Opportunity

- Position North Dakota for LD-CAP



- Data are Needed to Determine Which Technologies and Procedures Enable Integration of UAS in the Airspace
 - Required by FAA
- Other States are Vying for the Project



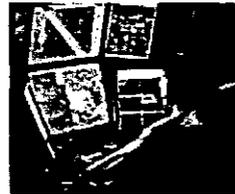
LD-CAP Benefits Accrued to North Dakota

- Enhance ND's Leadership Position in Unmanned Aerial Systems R&D

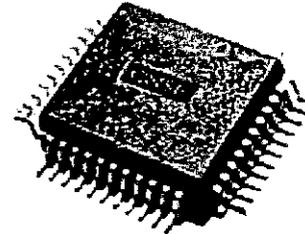


- Strengthen University Research and Educational Programs:

- UAS Studies (UND)



- Microelectronics (NDSU)



- Attract National Airspace Initiatives to Take Place in ND



- Provide New Sources of Ongoing University Revenue From IP



LD-CAP Benefits Accrued to North Dakota

- Foster State University Partnerships

NDSU ↔ UND

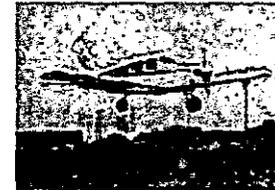
- Foster Public – Private Partnerships



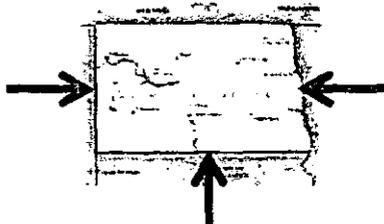
- Collaborative Partnership With DoD



- Provide Equipment and Safety Enhancements for ND's General Aviation Pilots



- Opening a Portion of Airspace for UAS Integration Will Result in Significant Economic Development in the State



CNSE NDSU
Center for Nanoscale
Science and Engineering

Proposed Partnership

UND

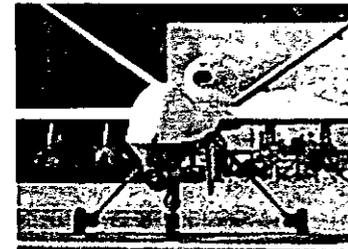
- Acquire Data From Existing FAA Radars



- Manage Operations of ND National Guard Sentinel Radars



- Aircraft Operations
(Manned and Unmanned)

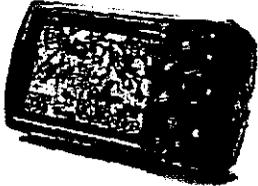


- NextGen Training Curriculum Development for Pilots and Mechanics



Proposed Partnership

UND (Continued)

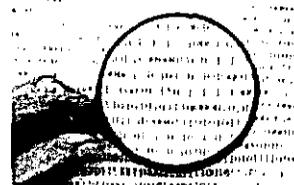
- Administer an Equipage Incentive Program for Participating Local Pilots
 - NextGen Radio Beacons for Their Aircraft 
 - Display for Weather and Other Air Traffic 
 - Equipment Installed by ND Avionics Shops



- Work With MITRE

MITRE

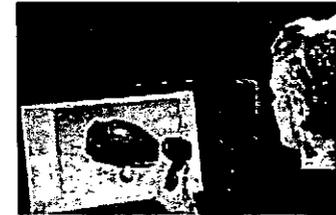
- Collect and Analyze Data From Tests



Proposed Partnership

Appareo

- Supply Radio Beacon Avionics
 - Designed and Engineered in ND



- Manufactured in ND



- Provide Design to NDSU Center for Nanoscale Science and Engineering

APPAREO
SYSTEMS



CNSE NDSU
Center for Nanoscale
Science and Engineering

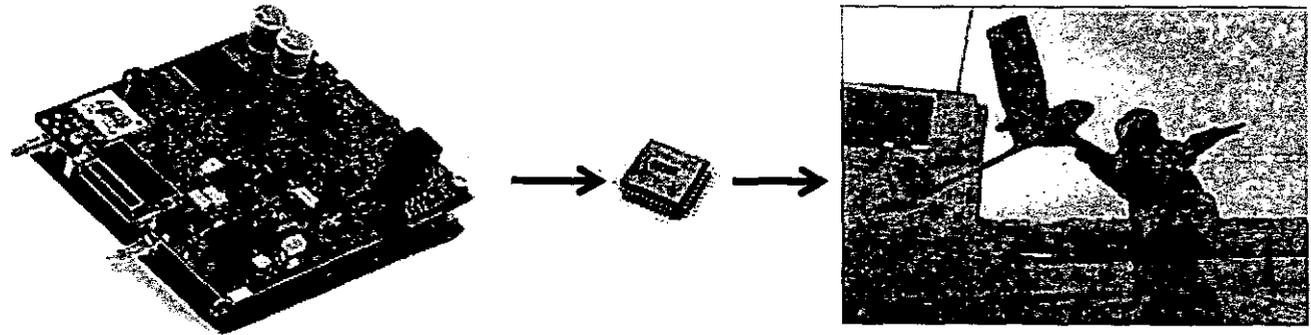
APPAREO
SYSTEMS

Proposed Partnership

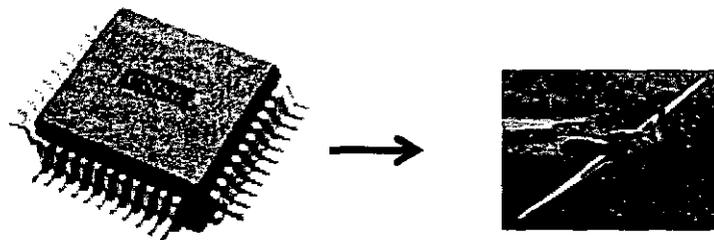
NDSU

- Design an Original, Proprietary Microelectronic Radio Chip Based on the NextGen Radio Beacon

- Miniaturize
- Low Power
- Low Cost
- Light Weight



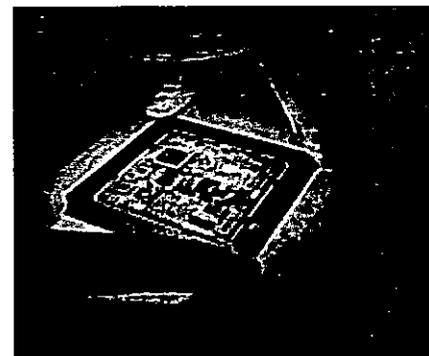
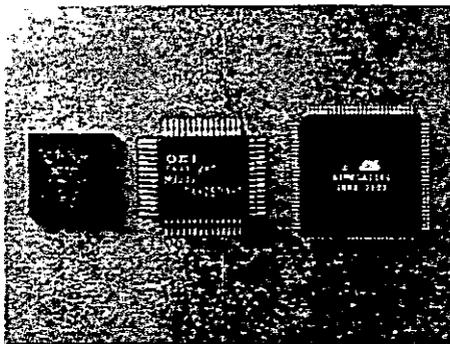
- NDSU Licenses New Radio Chip Design to the Global Avionics Market



NDSU's role in LD-CAP Project

Through COE-Funding, NDSU Will:

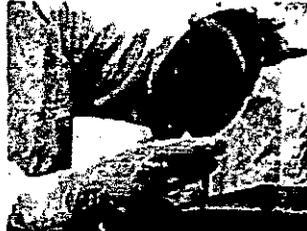
- Partner with Appareo to Perform Research and Design of Microradio Chips for UAS and Global Avionics
- Assist with Production of Prototypes of Such Chips
- Assist Private Sector in Commercializing Chip Technology
- Add New Microelectronics Infrastructure and Intellectual Capital to Existing Capabilities



Outcomes from NDSU's role in LD-CAP Project

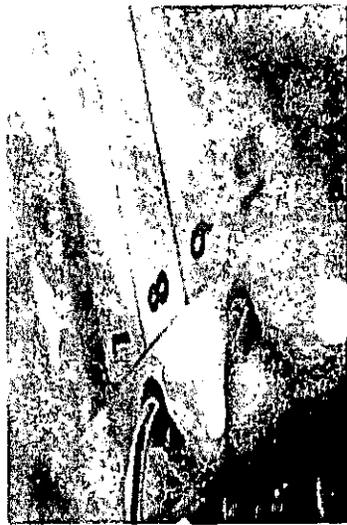
Through COE-Funding, NDSU will:

- License Technology to Private Sector Which Will Result in Revenue Leading to Center Sustainability
- Be Better Positioned to Assist N.D. Private Sector in Research, Development, and Commercialization of Microelectronics
- Help Stimulate Technology-Based Economic Development (“TBED”) in N.D.
- Enhance N.D. High Tech, Advanced Manufacturing Cluster
- Provide NDSU Students with Knowledge and Training in Advanced Microelectronics and Avionics



Agenda

- Problem Background
- Project Background
- Opportunity
- Economic Impact



North Dakota Economic Impact

Benefit	2011-2020 Aggregate
Direct Jobs Created	142
Indirect Jobs Created	301
Total Jobs Created	443
Economic Activity Generated	\$ 766,930,000
Personal Income Generated	\$ 179,016,000
State Tax Revenue Generated	\$ 38,090,000

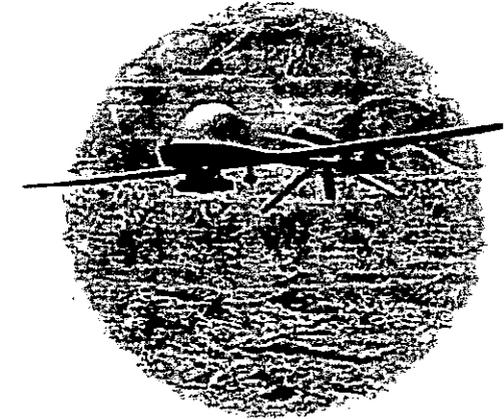
Source: REMI Model Completed by the North Dakota Department of Commerce



Q&A

Opportunity

- Pioneer in ND the Opening of US Airspace for Unmanned Aircraft Systems



Action

- Legislative Support for the LD-CAP COE
- Public – Private Partnerships

Reward

- UAS Airspace Access / Enhanced UAS Operations
- Enhance ND Leadership in Unmanned Aircraft Systems
- New Capabilities in Microelectronics
- Safety and Equipment Benefits for ND Pilots
- New Short and Long-Term Sources of Economic Development



OFFICE OF THE PRESIDENT
TWAMLEY HALL ROOM 300
264 CENTENNIAL DRIVE STOP 8193
GRAND FORKS ND 58202-8193
(701) 777-2121
FAX (701) 777-3866

January 25, 2011

North Dakota Senate Appropriations Committee
Centers of Excellence Hearing – January 27th
Bismarck, ND

Dear Members of the Senate Appropriations Committee:

I would like to express my support for the Limited Deployment-Cooperative Airspace Project (LD-CAP). The establishment of a test-range under this project has the potential to significantly hasten the integration of unmanned aircraft into the national airspace system. Such a feat would not only strengthen North Dakota's leadership role in the unmanned aircraft systems field, it would result in significant economic development within the state of North Dakota and, eventually, the rest of the country.

The LD-CAP effort involves an exciting partnership between public institutions, at both the state and federal levels, and private industry. The partnership between UND and NDSU is especially exciting as it highlights the enthusiasm both institutions have for making significant progress on issues that matter to the people of North Dakota. This partnership is part of what makes LD-CAP such a compelling concept. I sincerely hope that together we will be able to make LD-CAP a reality.

Sincerely,



Robert O. Kelley
President

*Office of the President**NDSU Dept. 1000**P.O. Box 6050**Fargo, ND 58108-6050*

January 26, 2011

State of North Dakota Senate Appropriations Committee
Centers of Excellence Hearing – January 27, 2011
State Capitol
Bismarck, North Dakota

Dear Chairman Holmberg and members of the Senate Appropriations Committee:

On behalf of North Dakota State University, I would like to express my support for the Limited Deployment Cooperative Airspace Project ("LD-CAP"). I was personally involved in initial stakeholder exploratory conversations and have been following the project closely since that time.

This project involves a unique public-private research and development partnership between University of North Dakota, NDSU, and Appareo Systems LLC to accelerate the safe and timely integration of unmanned systems (UAS) into the national airspace. This exciting new project will capitalize on the extensive capabilities of North Dakota's research universities in concert with the private sector to deliver critical technology needed to assure safe and harmonious utilization of the airspace in North Dakota as well as the nation.

In concert with the State of North Dakota, UND, NDSU, and Appareo will lead in the delivery of new high technology to advance aviation industry and utilization of UAS systems for the safety, security, and economic benefit of all. It is my hope that we have the opportunity to bring LD-CAP to fruition.

Best regards,



Dean Bresciani, Ph.D.

President

North Dakota University System

SB 2057 – Senate Appropriations

Thursday, January 27, 2011

Dr. Marsha Krotseng, Vice Chancellor for Strategic Planning

Good morning, Chairman Holmberg and members of the Senate Appropriations Committee. For the record, my name is Marsha Krotseng, Vice Chancellor for Strategic Planning and Executive Director of CTEC, North Dakota University System. On behalf of the NDUS, I am pleased to offer support for SB 2057, in particular the proposed changes to the Centers of Excellence program.

- The “next generation” Centers of Excellence program proposed by this bill creates three distinct types of centers: Centers of Research Excellence, Centers of Entrepreneurial Excellence, and Centers of Workforce Excellence.
- The University System supports this concept because it aligns very closely with our three overall sectors in higher education: research universities, regional universities, and community colleges. This is a good fit with their distinct missions and the unique contributions each type of campus can offer.
- Through its Strategic Plan, the NDUS is committed to increasing economic development of the state. The plan includes measurable objectives that relate to the three types of centers:
 - Centers of Research Excellence: Research universities will demonstrate overall progress on specified metrics, including knowledge transfer and commercialization.
 - Centers of Workforce Excellence: Increase the numbers of businesses served by TrainND workforce training.
 - Centers of Entrepreneurial Excellence: Increase the numbers of students participating in entrepreneurial resources and activity.
- The NDUS Strategic Plan directly aligns with the following goals in the state’s Economic Development Strategic Plan:
 - Create, attract and retain quality jobs and workforce in targeted industries and high-demand occupations.
 - Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
 - Enhance the state education and training system’s ability to meet business and workforce needs of the future.

The Centers of Excellence proposed in SB 2057 position the state to accomplish these important goals and objectives. Mr. Chairman, Thank you for this opportunity to provide comments in support of this bill. I will be pleased to address any questions.

ORGANIZATION	REQUEST	LEVERAGE	USE	STATEWIDE IMPACT	AMOUNT SUPPORTED	MEMO
UND UAS Center for Education, Training & Research	\$2,750,000	\$1,750,000	Purchase PMATS and PTT; Remodel the facility at GFAFB; utilities; lease the GFAFB space for two years; and initial staffing needs		\$ 2,754,000	Allows UND to be first educational institution to own a PMATS. Creates a partnership with L3Comm & General Atomics.
UND UAS Center for Education, Training & Research	733,936	\$234,845	UAS Software & Curriculum Development		\$ 600,000	Creates a partnership between UND & Bold Method. Builds upon the UAS training center at GFAFB.
SBDC	\$200,000	\$200,000	Hire procurement officer	X	\$ 200,000	
UND VPR	\$100,000	\$4,894	ND UAS Airspace Access Initiative	X	\$ 100,000	
UND Center of Innovation Foundation	\$230,000	\$482,520	GF Housing Authority -- Military Housing Privatization Initiative -- Northern Group	X	\$230,000	
UND Center of Innovation Foundation	\$500,000	\$735,000	Sarissa -- Multi Function Dome -- \$500,000 contingent on raising \$130,000 by 1/31/11		\$370,000	
UND Center of Innovation Foundation	\$850,000	\$917,000	UAI -- Development of Intelligence Training Center	X	\$746,000	
Total requested funds (all projects) = \$14,313,100			Total Funds Recommended		\$ 5,000,000	
			Remaining Balance of Funds		\$ -	
			Total Leverage Funds		\$4,324,259	

Base Realignment Impact Committee (BRIC)

SB 2057
1-27-11

15

DEPARTMENT OF COMMERCE TESTIMONY ON SB 2057
MARCH 7, 2011, 2:15 P.M.
HOUSE APPROPRIATIONS COMMITTEE, EDUCATION & ENVIRONMENT DIVISION
SAKAKAWEA ROOM
REPRESENTATIVE BOB SKARPHOL, CHAIRMAN

SB 2057
Centers Grants
attachment #1
3/7/11

PAUL GOVIG, ACTING COMMISSIONER, ND DEPARTMENT OF COMMERCE

Mr. Chairman and members of the committee, I'm Paul Govig acting commissioner of the North Dakota Department of Commerce.

We support and appreciate the North Dakota Centers of Excellence program. It's an important component of the state's economic development strategic plan.

Centers of Excellence is a real success story. It's built on the concept of partnering the research capabilities found in our public colleges and universities with private sector companies to generate jobs and new business opportunities.

The program is now in its 5th year and is having a significant impact in our state. According to a 2010 study by NDSU, the North Dakota Centers of Excellence program has leveraged \$26.2 million in state funding into an economic impact of \$406.5 million through June 30, 2010.

The Centers program is built on the concept of partnerships. Our colleges and universities are filled with many resources that are valuable to private sector companies.

190 companies have formed partnerships with North Dakota Centers of Excellence. These partnerships have leveraged \$152.9 million of matching funds, an amount far exceeding the \$33.9 million of state funds disbursed to the Centers.

These partnerships are generating results. The Centers of Excellence program has helped create a total of 1,017 direct jobs at an estimated payroll of \$53.4 million, with direct employment increasing more than 240 percent since 2007.

The Centers of Excellence program is nurturing the pioneers of the future. Initiatives like this will help our private sector businesses uncover the promising new opportunities that will continue to build a strong future for North Dakota.

Supporting the Centers of Excellence program increases our competitiveness now and will enhance our competitiveness in the future.

Mr. Chairman and members of the committee, that concludes my testimony and I'd be happy to answer any questions you have.

SB 2057
Centers Grants
attachment # 2
3/7/11

Testimony of Andy Peterson
North Dakota Chamber of Commerce
SB 2057
March 7, 2011

Chairman Skarphol and members of the House Appropriations Committee Education and Environment Division, my name is Andy Peterson, president of the North Dakota Chamber of Commerce. I am here today representing the North Dakota Chamber of Commerce, the principal business advocacy group in North Dakota. Our organization is an economic and geographical cross section of North Dakota's private sector and also includes state associations, local chambers of commerce, development organizations, convention and visitors bureaus and public sector organizations. The North Dakota Chamber of Commerce would like to voice its support of the Centers of Excellence program and the funding recommended in the Governor's budget, and urge the committee to support this funding in SB 2057.

The legislature, university system and business community struggled for many years with the problem of finding a valuable way to convert research at the university level to jobs in the private sector. The initial effort was in a technology transfer initiative dating back to the Business and Industry Development Division, which headed our economic development efforts at the time. However, these initial efforts garnered little success.

The Centers of Excellence program, supported by the North Dakota Chamber since its inception, started in 2005 and began to lay the groundwork for a successful means of converting university research to private sector jobs. In 2007, the program was transferred from the North Dakota University System to the Department of Commerce and has made significant progress in reaching an objective that we believe is essential to long-term economic success in North Dakota.

The program has continued to improve with the changes made each legislative session as participants in both the university and private sector levels have gained a better understood of the legislative requirements and objectives for the program.

Economic development at this level requires patience and a long-term commitment. We urge the committee to show that patience and hold the course proposed in the Governor's budget by supporting the Centers of Excellence program in the budget and in SB 2057.

Thank you for your consideration and I would be happy to answer any questions at this time.

Testimony in Favor of SB 2057

Mr. Chairman, members of the Education & Environment Division, I am Joel Gilbertson from Bismarck and I appear on behalf of the Biotechnology Industry Organization or BIO particularly in support of the Center of Excellence for Research portion of SB 2057.

BIO represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products. Corporate members range from entrepreneurial companies developing a first product to Fortune 500 multinationals. We also represent state and regional biotech associations, service providers to the industry and academic centers.

Bioscience is an area where we lead the world because of our strong emphasis on innovation, entrepreneurship and science – and we would like to keep it that way.

In this past year, the BioScience Association of North Dakota (BIO ND) was established to further assist in the growth of this industry. It's goals:

1. Create more bioscience industry jobs in North Dakota;
2. Create more awareness of the industry generally;
3. Work with government and with academic institutions to further develop the industry and bring further economic development and scientific success to the state.

The bioscience industry typically has three general areas of emphasis:

1. Food and agriculture;
2. Renewable energy biotechnology; and
3. Human health.

All involve substantial research.

Most of the growth in North Dakota historically has been in food and agriculture research and there continue to be incredible projects now underway in those areas. However, a huge future growth area is in human health bioscience research and product development. For example, we are developing a strong national reputation in vaccine research.

1. Aldevron, based in Fargo with operations in Madison, Wisconsin and Germany, recently opened a new lab in Fargo and is working with biotechnology clients on numerous projects, including production of the therapeutic Hepatitis B medicine.

2. Altravax, a company with headquarters in Fargo and research laboratories in California, is doing research and is soon to develop clinic trials for a new vaccine.

3. Avianax is based in Grand Forks has has therapeutic antibodies in development for West Nile virus and avian flu. They are working with NDSU and the University of North Dakota School of Medicine.

4. NovaDigm is based in Grand Forks near the UND campus and is developing innovative vaccines to protect patients from fungal and bacterial infections.

The bioscience industry traditionally includes a partnership that includes private business, academic institutions and government. It is an industry that has more overlap and interaction than most of people from all of those areas. Passage of SB 2057 would greatly assist in expanding the bioscience industry in North Dakota and we strongly support the bill.

Joel Gilbertson
On behalf of BIO

BIOSCIENCES & JOB GROWTH

In the 21st century, the biosciences are already shaping up to be a key engine of economic growth in the United States. Major advancements are taking place on a host of bioscience fronts, ranging from high precision personalized human biomedical applications to widespread biomass-based innovations in agbioscience, bioenergy, and industrial biotechnology. The biosciences promise solutions to many of the global challenges facing the developed as well as the developing world.

Next Generation Medicines: Bioscience tools and techniques open new research avenues for discovering how healthy bodies work and what goes wrong when problems arise. Countless breakthroughs in biotechnology, such as vaccines, medications and diagnostic testing, have revolutionized health care and changed the way we think about and treat disease.

Improving Agriculture: The biosciences are helping to provide for the world's seven billion people by generating higher crop yields and improved animal genetics, developing biotech crops that better resist threats with fewer pesticide applications, and enhancing the nutrition profile of crops and animals. These advances are being developed in an environmentally sustainable way, while also fueling the economy.

Fueling Our Future: The bioscience industry is developing technologies to reduce waste, improve industrial processes and develop alternative sources of energy. These measures are helping conserve natural resources, stabilize the climate and clean up the environment.

Engine for Economic Growth: The biosciences are helping to diversify and grow the US economy. Bioscience innovations in health, energy and agriculture are creating high-skill, high-wage jobs, driving economic growth, improving economic output and helping to improve the quality of life across the United States.

BIOSCIENCE INDUSTRY & DEVELOPMENT TRENDS

- The bioscience industry has continued to grow, even through the recent recession
- Total employment in the US bioscience sector reached 1.42 million jobs in 2008.
- The total employment impact of the bioscience sector is over 8 million jobs. On a national basis, for every new bioscience job, another 5.8 jobs are created.
- Bioscience employment growth greatly outpaced national employment growth from 2001–2008
- Rapid job growth in the biosciences has been fueled primarily by growth in research, testing, and laboratories.
- The bioscience sector continues to be a source of high-wage jobs. In 2008 the average annual wage for bioscience jobs was \$77,595 which is \$36,366 more than the average annual wage of the total US private sector.
- The bioscience sector operates in all 50 states, Washington, DC, and Puerto Rico, with many states developing a niche in certain specializations

ABOUT BIO

Bio BIO represents more than 1,100 biotechnology companies, academic institutions, state biotechnology centers and related organizations across the United States and in more than 30 other nations. BIO members are involved in the research and development of innovative healthcare, agricultural, industrial and environmental biotechnology products. Corporate members range from entrepreneurial companies developing a first product to Fortune 500 multinationals. We also represent state and regional biotech associations, service providers to the industry, and academic centers. BIO's hallmark event, the BIO International Convention, is the world's largest gathering of the biotechnology industry, along with industry-leading investor and partnering meetings held around the world. The mission of BIO is to be the champion.

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science for Life



Sunday, March 06, 2011

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About Biotechnology

overview

healing the world

feeding the world

fueling the world

Biotechnology: Healing, Fueling, and Feeding the World

At its simplest, biotechnology is technology based on biology - biotechnology harnesses cellular and biomolecular processes to develop technologies and products that help improve our lives and the health of our planet. We have used the biological processes of microorganisms for more than 6,000 years to make useful food products, such as bread and cheese, and to preserve dairy products.

Modern biotechnology provides breakthrough products and technologies to combat debilitating and rare diseases, reduce our environmental footprint, feed the hungry, use less and cleaner energy, and have safer, cleaner and more efficient industrial manufacturing processes.

Currently, there are more than 250 biotechnology health care products and vaccines available to patients, many for previously untreatable diseases. More than 13.3 million farmers around the world use agricultural biotechnology to increase yields, prevent damage from insects and pests and reduce farming's impact on the environment. And more than 50 biorefineries are being built across North America to test and refine technologies to produce biofuels and chemicals from renewable biomass, which can help reduce greenhouse gas emissions.

Recent advances in biotechnology are helping us prepare for and meet society's most pressing challenges. Here's how:

Heal the World

Biotech is helping to heal the world by harnessing nature's own toolbox and using our own genetic makeup to heal and guide lines of research by:

- Reducing rates of infectious disease;
- Saving millions of children's lives;
- Changing the odds of serious, life-threatening conditions affecting millions around the world;
- Tailoring treatments to individuals to minimize health risks and side effects;
- Creating more precise tools for disease detection; and
- Combating serious illnesses and everyday threats confronting the developing world.

Fuel the World

Biotech uses biological processes such as fermentation and harnesses biocatalysts such as enzymes, yeast, and other microbes to become microscopic manufacturing plants. Biotech is helping to fuel the world by:

ValueOfBiotech.com
Healing Fueling Feeding
How Biotechnology Is Enriching Your Life.

BIO
Guide to Biotechnology

- Streamlining the steps in chemical manufacturing processes by 80% or more;
- Lowering the temperature for cleaning clothes and potentially saving \$4.1 billion annually;
- Improving manufacturing process efficiency to save 50% or more on operating costs;
- Reducing use of and reliance on petrochemicals;
- Using biofuels to cut greenhouse gas emissions by 52% or more;
- Decreasing water usage and waste generation; and
- Tapping into the full potential of traditional biomass waste products.

Feed the World

Biotech improves crop insect resistance, enhances crop herbicide tolerance and facilitates the use of more environmentally sustainable farming practices. Biotech is helping to feed the world by:

- Generating higher crop yields with fewer inputs;
- Lowering volumes of agricultural chemicals required by crops-limiting the run-off of these products into the environment;
- Using biotech crops that need fewer applications of pesticides and that allow farmers to reduce tilling farmland;
- Developing crops with enhanced nutrition profiles that solve vitamin and nutrient deficiencies;
- Producing foods free of allergens and toxins such as mycotoxin; and
- Improving food and crop oil content to help improve cardiovascular health.

Source: Healing, Fueling, Feeding: How Biotechnology is Enriching Your Life

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THE CONTRIBUTION OF THE BIOSCIENCE INDUSTRY TO THE WISCONSIN ECONOMY ... A CALL TO ACTION FOR MAXIMUM POTENTIAL

STRONG TODAY, FUTURE GROWTH POTENTIAL

A SIGNIFICANT AND POSITIVE IMPACT ON WISCONSIN'S ECONOMY

- Wisconsin can and should properly leverage the substantial economic advantages it has with this dynamic industry. The study finds credible evidence of the growing impact of bioscience throughout the state in the health, energy and agriculture sectors.

STABILITY AND GROWTH

- Wisconsin's bioscience industries expanded the number of business establishments by 19 percent during 2004-2009. Average earnings per worker jumped 22 percent in current dollars during the same five-year period.
- Bioscience employment increased 3 percent with a high rate of pay, while Wisconsin's economy shrunk 3 percent in terms of employment.

EMPLOYMENT AND EARNINGS POTENTIAL ARE STRONG

- Direct bioscience employment in Wisconsin generates 23,919 private sector workers and creates enough economic activity to be responsible for up to 63,300 jobs. This number grows to 72,240 if the 4,470 jobs at academic institutions are included.
- Bioscience jobs are high-paying. The average earnings per worker in the Wisconsin bioscience industries were \$69,096 in 2009. This is significantly higher than the state average of \$42,117.

STATEWIDE IMPACT OF NEARLY \$7 BILLION IN INCOME GENERATED, \$614 MILLION IN TAXES PAID

- Bioscience companies can be found in 53 counties and in all seven of the state's economic development regions. Activity is in all four sectors: agriculture, feedstock and chemicals; drugs and pharmaceuticals; medical devices and equipment; and research, testing and medical labs.
- Medical devices and equipment account for the greatest number of jobs, while research and testing; drugs and pharmaceuticals; and agriculture, feedstock and chemicals follow.
- Total economic impact of direct and indirect activity for the Wisconsin bioscience sectors is nearly \$7 billion in income generated. This includes more than \$614 million in taxes paid.
- Biggest gains are in the Milwaukee 7 counties and the Thrive region, which encompasses Dane County and 7 nearby counties. The combination of those two regions makes up 77 percent of the biosciences jobs added in the state and 80 percent of the total income generated by biosciences employers.
- The 18-county region known as New North has an estimated 2,500 bioscience jobs.

For complete report go to www.bioforward.org

Strategic Alliance Program Event with Merck & Co., Inc.

Executive Summaries due March 9, 2011

Get involved in this fantastic opportunity to meet one-on-one with Merck representatives to discuss your research and technology.

As a result of the collaborative efforts between the Wisconsin Department of Commerce and Wisconsin's biotechnology community, Merck will be visiting Madison to meet with Wisconsin companies and researchers to explore opportunities for strategic partnerships.

Merck's External Scientific Affairs Group is actively seeking partners in multiple therapeutic areas and research technologies and invites you to discover more about [Merck](#). Whether you are working for a biotechnology company or an academic institution, Merck welcomes the opportunity to discuss shared interests and potential partnerships.

Merck is actively seeking new alliances that accelerate the discovery and development process, improve R&D productivity, and increase the probability of successfully commercializing novel therapeutics and vaccines.

Merck is interested in the following:

- Novel patented chemical or biological entities and vaccines in discovery and development
- Targets with proof of concept
- Molecules with a defined mechanism of action or testable hypothesis
- Technologies with patent protection that provide a competitive advantage
- Compounds that have a large market potential for unmet medical needs
- Late-stage clinical compounds with proven therapeutic value (Phase III-ready or later) are of particular interest in any therapeutic area

For additional information on these areas, review [Merck's Areas of Interest](#).

To begin a discussion with Merck about partnering opportunities:

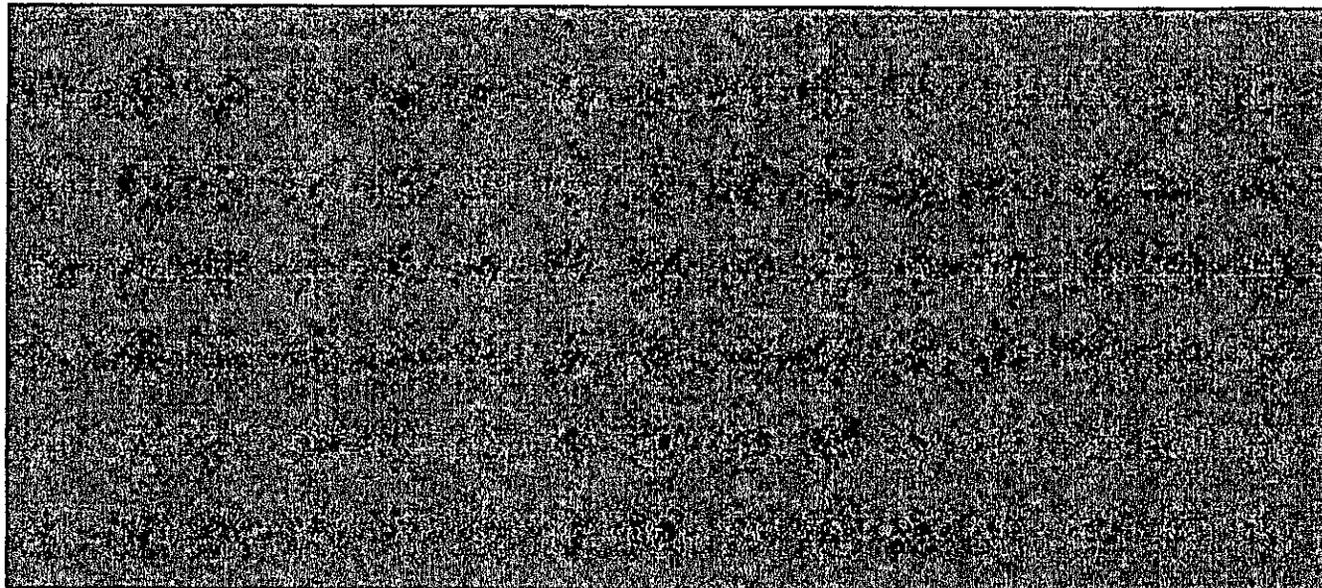
- Download a non-confidential executive summary form as a [*.pdf](#) or [*.doc](#)
- Complete the summary and email it to StrategicAlliances@Wisconsin.gov by 5:00 p.m. on March 9, 2011

Those of interest will be invited for a one-on-one meeting with Merck in Madison on March 29 or 30, 2011.

Sponsored by:

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UW-Madison Office of Corporate Relations
Wisconsin Technology Council
Blood Center of Wisconsin
UW-Milwaukee and UW-Milwaukee Research Foundation

Bioforward
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Wisconsin Institute for Discovery
University Research Park
Wisconsin Entrepreneurs' Network
Marshfield Clinic
Aurora



UPCOMING EVENTS

February 16, 2011

[Omaha Science Cafe](#)

February 25, 2011

[Nebraska Summit on Entrepreneurship](#)

March 8, 2011

[Omaha Science Cafe](#)

March 10, 2011

[Benchmark Biolabs Lunch Meeting and Tour](#)

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[Ethanol 2011: Emerging Issues Forum](#)

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CU at Lunch Resumes on January 14

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Omaha Science Cafe Scheduled for...

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NEBRASKA'S LIFE SCIENCES ADVOCATE

There are few areas of science and technology that hold greater promise for the 21st century than life sciences. Our ability to understand and manipulate living materials can help us solve some of the most significant challenges facing society today.

In Nebraska, the life sciences industry is thriving because its workforce has a flair for technology and the [state's tax incentive programs](#) make it profitable for internationally known companies to expand. Nebraska is home to production facilities for Novartis, Pfizer, Intervet/Schering-Plough Animal Health, and Novozymes. The above, combined with Nebraska's major medical centers in Omaha, the University of Nebraska bioscience research centers in Lincoln, and two technology parks, make Nebraska an appealing place for the life sciences community to do business.

Bio Nebraska Life Sciences Association (Bio Nebraska) was formed in 2005 as a nonprofit trade association dedicated to the development and growth of Nebraska's bioscience industry through:

- Supporting basic research in the life sciences
- Aiding in the development of a highly educated work force; and
- Providing a welcoming environment for attracting new and expanding businesses

Join us in our effort to expand the life sciences in our state. Click here to see the [benefits of membership](#) or [contact us](#) to discuss the opportunities Bio Nebraska may be able to provide for you.

9290 West Dodge Rd ☐ Suite 303 ☐ Omaha, Nebraska 68114



bione@bionebraska.org



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Dear Colleagues,

In 1998, John Ballantyne and I started Aldevron in a small lab at North Dakota State University (NDSU). Over the past 10 years, Aldevron has since grown into a world-class service organization specializing in plasmid DNA and protein production technologies, antibody technologies, and custom services with operations in the United States and Europe and a client base spanning the entire globe.

Headquartered in Fargo, North Dakota, Aldevron maintains direct access to local university talent, a favorable cost structure, and a geographically central location for our expanding service organization. Combining best-in-class quality systems with the ideal operating environment has resulted in the industry's most compelling service organization, competitive with any other offering across the globe.

Whether you are looking for contract services, products, or an ongoing partnership, Aldevron's mission is to find customized solutions to your needs, regardless of scale, complexity, or scope. Our goal is to say "Yes" to your request and provide maximum value to your research, preclinical, clinical, and commercial needs. We encourage our clients to bring any project or idea forward. We have even provided working capital in situations where mutual benefit is clear. If Aldevron can't help service your needs directly, we'll find someone who can.

Aldevron is proud of its well-earned reputation as a true partner and is committed to direct, honest, and open communication. We understand that the relationships we forge with our clients will ultimately determine our mutual success. We always welcome comments and suggestions on how we can better serve the scientific community, so please feel free to contact me directly at any time if I may be of assistance.

Best regards,





Michael Chambers
President, CEO
chambers@aldevron.com
Direct: 701-499-7262

Aldevron Fargo

3233 15th Street South
Fargo, North Dakota 58104
phone: 1 (701) 297-9256
toll-free: 1 877 PURE-DNA (787-3362)
fax: 1 (701) 280-1642
email: DNA@aldevron.com

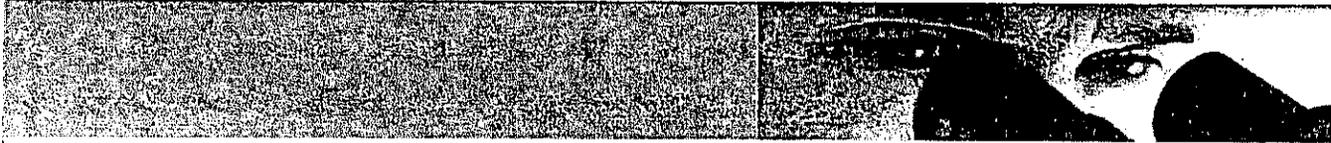
Aldevron Madison

441 Charmany Drive
Madison, Wisconsin 53719
phone: 1 (701) 297-9256
toll-free: 1 (877) 787-3362
fax: 1 (608) 441-3460
email: protein@aldevron.com

Aldevron GENOVAC GmbH

Waltershofener Str. 17
79111 Freiburg, Germany
phone: +49-(0)761-45636-0
fax: +49-(0)761-45636-29
email: info@genovac.com

- [Aldevron](#) →
- [CEO Letter](#) →



Home > About Us > Overview

Overview

NovaDigm is developing innovative vaccines to protect patients from fungal and bacterial infections, which can be life-threatening and drug resistant. The Company's founding scientists from the LA BioMed Institute at Harbor-UCLA Medical Center are recognized leaders in the field of infectious disease and the emerging threat of "superbugs." NovaDigm's lead product candidates target *Candida*, a fungal pathogen, and *Staphylococcus aureus* (*S. aureus*), including MRSA. Based in North Dakota with additional research activities at LA BioMed, NovaDigm has received funding from Domain Associates, a leading health care venture capital firm, and collaborates with multiple government agencies.

NovaDigm's efforts are focused on development of our lead *Candida-Staphylococcal* vaccine, NDV-3, which will begin Phase I clinical studies in early 2011. The Company intends to bring this vaccine into clinical development and seek partners for manufacturing and commercialization. NovaDigm is assessing additional bacterial and fungal vaccine antigens to expand its product candidate pipeline.

Our facility in Grand Forks, North Dakota encompasses 5000 sq. ft. of laboratory and office space. It is located in the Research Enterprise and Commercialization Park adjacent to the University of North Dakota campus.

Funding

NovaDigm's initial venture investment came from Domain Associates, who committed \$18M in a Series A round that closed in June 2008. The Company has been very successful in attracting government grant funding and currently has over \$17M in awarded or pending grants.

Domain Associates:

Founded in 1985, Domain Associates, L.L.C. is a venture capital firm with an exclusive focus on life sciences. With \$2.5 billion of capital under management, Domain is headquartered in Princeton, New Jersey, with a second office in San Diego, California. The Partners of Domain have a total of close to 200 person-years of experience among them in the healthcare/venture capital industries and have been involved in the formation and growth of more than 200 life-sciences companies. The highly focused network, experience, and reputation of this team have made it one of the top private-equity groups participating in the healthcare field. <http://www.domainvc.com/>

U.S. Government Funding:

The National Institutes of Health Department of Microbiology and Infectious Diseases (NIH DMID) has supported basic research on a *Candida* vaccine for the past ten years through RO1 and CO1 grants to NovaDigm's scientific founders. This groundbreaking research led to the discovery of the Als3 antigen, which NovaDigm has developed into its NDV-3 vaccine candidate. This vaccine has demonstrated efficacy in reducing mortality in preclinical models of both *Candida* and *S. aureus* infections.

In addition, the NIH DMID has partnered with NovaDigm to continue development of the vaccine by providing funding and project management of additional preclinical activities, including the manufacture of vaccine clinical supplies.

Based on the significant need for a vaccine to prevent *S. aureus* and *Candida* infections in deployed armed forces and military recruits, the U.S. Army has also awarded funding to NovaDigm in each of the last three years to support additional product development activities, including funds to support planned human clinical trials.

Partners

NovaDigm's scientific founders are affiliated with the Los Angeles Biomedical Research Foundation (LA BioMed) and the Harbor-UCLA Medical Center. The intellectual property that protects NovaDigm's technology and products

are owned by LA BioMed and are licensed to NovaDigm on an exclusive worldwide basis. NovaDigm continues to benefit from close research collaborations with the scientific founders and their institutions.

LA BioMed:

The Los Angeles Biomedical Research Institute at Harbor-UCLA Medical Center is one of the largest independent non-profit biomedical research enterprises in California and one of the top 20 in the United States. It is also an exceptional training ground, with a commitment to developing tomorrow's research leaders, as well as an important provider of public health services to the underserved in their local communities.
<http://www.labiomed.org/>

Harbor- UCLA Medical School:

Harbor-UCLA Medical Center is a Level 1 Trauma Center with an NIH-funded General Clinical Research Center. The 72-acre facility is composed of the 8-story, 553-bed hospital, and a 52,000 square foot Primary Care and Diagnostic Center. The on-campus Los Angeles Biomedical Research Institute, with an annual budget over \$50 million dollars, provides extensive laboratory and administrative facilities for faculty investigators. All of the approximately 300 full-time faculty as well as some of the more than 450 part-time and voluntary professional staff hold faculty appointments at the UCLA School of Medicine. They devote their time to the clinical care of the patients, research, and teaching at Harbor-UCLA Medical Center. <http://www.harboruclamed.com/>

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*SB 2057
Centers' Grants
Attachment #4
3/7/11*

Testimony of

Economic Development Association of North Dakota

SB 2057

March 7, 2011

Chairman Skarphol and members of the committee, my name is Cal Klewin. I am representing the Economic Development Association of North Dakota (EDND).

EDND is the voice of the state's economic development community and provides networking for its 80 members, which include development organizations, communities, businesses and state agencies. Our mission is to increase economic opportunities for residents of the state by supporting primary sector growth, professionalism among economic development practitioners and cooperation among development organizations.

EDND supports the second generation of Centers of Excellence and we commend the Interim Committee that worked diligently to re-vamp the Centers of Excellence approach to differentiate between Research centers, Entrepreneur centers and Workforce centers. The differentiation between these centers reflects the reality of our need for research that can lead to commercialization, entrepreneurs that recognize opportunities and act upon them, and the need for workforce that fuels our growing economy.

EDND supports the requirement that there be private sector matching dollars required as proposed by the committee.

EDND urges the committee to support the Centers of Excellence program.

Thank you.

Testimony of Deana Wiese

Executive Director, Information Technology Council of North Dakota

In Support of SB 2057

March 7, 2011

Chairman Skarphol and members of the Education and Environment Division of the House Appropriations Committee:

My name is Deana Wiese, and I am the executive director of the Information Technology Council of North Dakota (ITCND), and am here today to voice ITCND's support of SB 2057.

ITCND is a trade association for the information technology (IT) industry and has nearly 100 member organizations, with representatives from both the public and private sector, that have come together to support the growth and development of IT in North Dakota.

One of ITCND's legislative priorities is supporting IT entrepreneurial, venture capital and financing programs, one of which is the Centers of Excellence program. This program has successfully partnered the public and private sectors to create jobs and provide new business opportunities. Several IT companies have been the beneficiaries of the program. Many of them have gotten their start through the Centers of Excellence program, significantly expanded their commercial businesses by hiring North Dakota employees, and are now serving customers globally.

We thank you for your support of the Centers of Excellence program in past years and would urge your support of SB 2057.

SB 2057
Center Grants
attachment #6
3/7/11

LEGISLATIVE TESTIMONY SB 2057

The Strom Center for Entrepreneurship and Innovation was created as the result of a Center of Excellence application approved on August 12, 2005. The initial project focused on a partnership with Killdeer Mountain Manufacturing. The original grant application focused on assisting KMM in three areas: 1) developing a customized leadership program, 2) assisting with the infusion of cutting edge technology into the work process, and 3) assisting with a special project related to supply chain technology. As the project developed the Strom Center also worked with KMM in the area of intra and inter plant communication, distance learning, and developing human resource practices that facilitated KMM's need to attract, recruit, and retain employees necessary to meet the company's opportunities for growth.

In the last COE functional review the Strom Center efforts contributed to the creation of 150 jobs with annual wages of \$3,581,611 and annual benefits of \$585,180 for Killdeer Mountain Manufacturing. In addition to these jobs the Strom Center assisted with the creation of an additional 20 jobs in 2010 totaling \$517,200 in annual wages and \$4680 in annual benefits.

The Strom Center initially targeted area manufacturers and medium to large businesses. Although well received, many of these entities are well established and did not need the center's services or had existing relationships with other service providers. Although not necessarily a change in the project scope, the center has begun to target small businesses, start-up companies and aspiring entrepreneurs. The center has found that these entities have a greater need for services.

Today the center revolves around these six lines of effort:

STROM CENTER FOR ENTREPRENEURSHIP AND INNOVATION "Inspire Leadership, Develop Business, Advance Community"

Vision of the Strom Center began with a \$1,000,000 pledge from Jerome and the late Rosie Strom

SIX LINES OF EFFORT

Center of Excellence

- Received \$1,150,000 in Legislative funding in 2006
- Original focus was commercial application of technology
- Focus has shifted to assist aspiring entrepreneurs as well as start-up and small businesses

Economic Development Administration

- Received a \$50,000 planning grant in 2008
- Recently were awarded \$175,000 in the University Center Program to develop a virtual business incubator

Stark Development Corporation

- SDC has been a Strom Center partner since the inception
- Recently allocated an additional \$62,000 in funding to assist entrepreneurs and business owners as well as develop a strategic skilled workforce recruitment plan

Small Business Development Center

- The Dickinson regional office is housed in the Strom Center
- Currently have over 200 clients and have infused over \$5,000,000 in capital into the local economy

Community Development Project

- \$500,000 Bush Foundation grant to implement their Home Town Competitiveness model
- Four pillars: Entrepreneurship, Leadership, Youth, Transfer of wealth
- Dickinson, Williston, Medora, Hettinger, Bowman, Killdeer, Three Affiliated Tribes
- COCO: Coalition of Charitable Organizations
Came under the direct supervision of this project in 2009
Membership has increased from 17 to 31

Business Challenge

- Week long entrepreneurship camp for educators, university and high school students
- Office is housed at the Strom Center
- BC 2010 high school enrollment increased by 18%
- Recently awarded a \$50,000 Tech-based Entrepreneurial Grant through a Legislative initiative with the Department of Commerce

Services

- Business Technology
- Technical evaluations and research; both industry and product specific
- Project management
- Business requirements analysis
- Business plans
- Marketing plans and strategies
- Product/service branding
- Target market identification
- Website design, development and maintenance
- Social networking tools

The Strom Center has assisted in the creation of 170 jobs that pay \$4,098,811 in annual wages along with \$589,860 in annual benefits. The center has raised \$4,492,409 in matching funds with \$586,085 coming in the form of cash and the remainder as in-kind funds through Killdeer Mountain Manufacturing's SCOUT (Supply Chain Optimization Universal Toolkit) program. In addition to the matching funds the center has generated an additional \$1,126,000 in leveraged funds. These funds have come from Stark Development Corporation, Bush Foundation, Tech-based Entrepreneurial Grants through the Department of Commerce, revenue from services provided and a recent EDA University Center grant to develop a Business Incubation Program.

The Strom Center collaborates with Bismarck State College to deliver TrainND opportunities in Dickinson. Training have been offered in the areas of CDL, CNA, leadership, communication styles, coaching for success and Microsoft courses.

The center recently collaborated with the City of New England and the Small Business Development Center for a \$73,253 Rural Business Opportunity Grant to develop and conduct a glass recycling feasibility study. The project is driven by the opportunity to bring additional jobs and economic development to southwestern North Dakota and to help bring recycling to the area to preserve our environment.

In closing, I want to thank you for the opportunity to speak today and let you know how appreciative we are of the original Center of Excellence support and we are looking forward to future COE opportunities to continue and expand on all of the good work that has been established in western North Dakota.

SB 2057
Centers of Excellence
3/7/11

North Dakota University System

SB 2057—House Appropriations—Education and Environment Division

Monday, March 7, 2011

William G. Goetz, Chancellor

Good morning, Chairman Skarphol and members of the House Appropriations Committee – Education and Environment Division. For the record, my name is William Goetz, Chancellor, North Dakota University System. On behalf of the NDUS, I am pleased to offer support for SB 2057, in particular the proposed changes to the Centers of Excellence program.

- The “next generation” Centers of Excellence program proposed by this bill creates three distinct types of centers: Centers of Research Excellence, Centers of Entrepreneurial Excellence, and Centers of Workforce Excellence.
- The University System supports this concept because it aligns very closely with our three overall sectors in higher education: research universities, regional universities, and community colleges. This is a good fit with their distinct missions and the unique contributions each type of campus can offer.
- Through its Strategic Plan, the NDUS is committed to increasing economic development of the state. The plan includes measurable objectives that relate to the three types of centers:
 - Centers of Research Excellence: Research universities will demonstrate overall progress on specified metrics, including knowledge transfer and commercialization.
 - Centers of Workforce Excellence: Increase the numbers of businesses served by TrainND workforce training.
 - Centers of Entrepreneurial Excellence: Increase the numbers of students participating in entrepreneurial resources and activity.
- The NDUS Strategic Plan directly aligns with the following goals in the state’s Economic Development Strategic Plan:
 - Create, attract and retain quality jobs and workforce in targeted industries and high-demand occupations.
 - Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
 - Enhance the state education and training system’s ability to meet business and workforce needs of the future.

The Centers of Excellence proposed in SB 2057 position the state to accomplish these important goals and objectives. Mr. Chairman, Thank you for this opportunity to provide comments in support of this bill. I will be pleased to address any questions.

North Dakota University System Statement on Research

Research is an essential component of the core mission of North Dakota's comprehensive University System. University-based research contributes to a vibrant state economy and positions North Dakota to be competitive in the national and global arenas. The discoveries and new knowledge generated by our institutions of higher education impact the lives of all North Dakotans, with projects benefitting our targeted industries of agriculture, energy, advanced manufacturing and technology, including initiatives in aerospace and life sciences. Research in North Dakota is leading the way to cure West Nile virus and Avian flu infections, reduce devastating plant diseases, increase canola production and yield, enhance oil recovery, create new protective surface coatings, and develop "sense and avoid" unmanned aircraft technology.

Investment in research reaps benefits that go well beyond the return from the immediate project. New technologies developed through research lead to new businesses that apply the technologies, creating jobs that diversify and expand the state's economy. This dynamic environment contributes to a quality of life that retains and attracts a well-educated population. It also encourages entrepreneurs to turn their original ideas into viable businesses, further benefitting the economy. Research investments over the past decade have fueled the state's economic growth and, more importantly, established a foundation that will provide future opportunities for our young people.

Research investment has been a factor in North Dakota's steady rise in the Beacon Hill Institute's (BHI) annual State Competitiveness rankings over the past decade. The 2010 edition ranks North Dakota first in the nation in state competitiveness, a significant increase from the state's 21st place ranking in 2001. Academic research and development per \$1,000 Gross State Product is cited among North Dakota's competitive advantages.

However, if the state is to remain competitive at this level, we cannot diminish the research focus or take it for granted. Much remains to be accomplished. North Dakota is only ranked 13th on the BHI's Technology Subindex. Taking North Dakota to the next level requires a "next generation" research and economic development strategy. This strategy must address challenges such as improving the physical infrastructure (laboratories, equipment, technology) required for research and development, increasing the ability of our research universities to attract and retain top-flight researchers who are engaged in ground-breaking work, and increasing the availability of venture capital to test potentially marketable concepts. This comes at a time when competition for federal research dollars from agencies such as the National Science Foundation, National Institutes of Health, and NASA is becoming more intense.

The North Dakota State Legislature is currently considering a number of bills that will continue the strong focus on research and economic development. Maintaining this clear focus will help address the challenges outlined above and enable the state to create new economic opportunities that will benefit current and future generations of North Dakotans. Just as it has taken a decade for North Dakota to begin to realize the results of its research investment, today's choices will define our state's future.

HB 1003: EPSCoR (\$8.7 million Executive recommendation; \$7.050 million as amended) STEM funding for teacher education (\$1.5 million in institution budgets; \$0 as amended)

- HB 1018: Centers of Excellence for Research, Entrepreneurship, and Workforce (Executive recommendation amended to remove all Centers and reduce funding by \$18 million)
- HB 1020: NDSU Extension and Research appropriation bill (\$204.3 Executive recommendation amended to \$207.7 million)
- SB 2057: Centers of Excellence for Research, Entrepreneurship, & Workforce (\$20 million as amended)
- SCR 4003: Support Northern Tier Network

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CHAPTER 15-69
CENTERS OF EXCELLENCE

SB 2057
3/25/11
attachment #1

15-69-01. (Effective through July 31, 2011) Definitions. In this chapter, unless the context otherwise requires:

1. "Board" means the state board of higher education.
2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
3. "Commission" means the centers of excellence commission.
4. "Foundation" means the North Dakota economic development foundation.
5. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

15-69-02. (Effective through July 31, 2011) Centers of excellence.

1. The board shall establish a centers of excellence program relating to economic development. Workforce may not be the primary need addressed by a center. Through the program the commission shall make funding award recommendations for commission-approved applications to the board, the foundation, the emergency commission, and the budget section of the legislative management. A center must be an institution of higher education under the control of the board or a nonprofit university-related or college-related foundation of an institution of higher education under the control of the board. In order to be considered for center designation, the institution of higher education or nonprofit foundation must be working in partnership with the private sector. In addition to any center designated under this chapter, the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation are centers.
2. A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not take action on an original commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section. Upon receipt of a commission funding

Application
Approval
Process

award recommendation, the budget section shall approve the recommendation, reject the recommendation, or rerefer the recommendation to the commission with recommended modifications. If the commission receives a rereferred recommendation from the budget section, the commission shall determine whether to modify the recommendation or whether to retain the recommendation and provide additional information with the recommendation.

- a. If within thirty days of the budget section rereferring a recommendation the commission makes a determination of whether to modify the recommendation or to retain the recommendation and within the same thirty days the emergency commission meets to review the modified recommendation or the retained recommendation accompanied by additional information, the emergency commission shall approve or reject the recommendation. If within the thirty days following the budget section rereferral the emergency commission acts under this subdivision, the determination of the emergency commission is final and the recommendation is approved or rejected.
 - b. If thirty days expire following the budget section's rereferral and the process under subdivision a is not completed timely, the commission shall submit to the budget section the modified recommendation or the retained recommendation. Upon receipt of the recommendation under this subdivision, the budget section shall approve or reject the recommendation. The budget section may not rerefer a recommendation received under this subdivision.
3. A center that receives funds distributed under this chapter is not qualified to receive subsequent designations as a center until the biennium following the center's most recent designation.
 4. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

15-69-03. (Effective through July 31, 2011) Centers of excellence commission. The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

1. The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of

the board may be submitted to the department of commerce for each round of center funding.

2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
3. In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;
 - f. Foster and practice entrepreneurship;
 - g. Promote the commercialization of new products and services in industry clusters;
 - h. Become financially self-sustaining; and
 - i. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
4. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

15-69-05. (Effective through July 31, 2011) Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.
4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. The commission may use funds appropriated for the centers of excellence program to pay for the commission's administrative expenses, which may include contracting for independent, expert reviews of complete applications and centers of excellence forums. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.

15-69-06. Centers of excellence fund - Continuing appropriation. The centers of excellence fund is a special fund in the state treasury. All moneys in the centers of excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SB 2057
3/25/11
attachment #2

North Dakota Centers of Excellence Best Practices Review

Completed for



Representing

North Dakota
Centers of Excellence Commission

and

Legislative Interim Workforce Committee

Conducted by:



Thomas P. Miller and Associates

Building Assets through Knowledge & Innovation

TPMA Project Lead:
Jim Wheeler
jwheeler@tpma-inc.com

Project Authors:
Jim Wheeler
Jason Lovell

1630 N. Meridian Street
Suite 430
Indianapolis, IN 46202

Main Office: 317-894-5508
Fax: 317-894-5370
www.tpma-inc.com

July 13, 2010

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Our focus was to obtain information and insights on the state of the current program against its defined objectives, and in the context of the requirements of a broader technology-based economic development (TBED) strategy. Using the insights and specific issues provided by this review, a survey of Center Directors, interviews with key stakeholders, and using best practices gleaned from around the country, we provide recommendations for near-term and future consideration by the North Dakota legislature, Department of Commerce, and Centers of Excellence Commission. We were not tasked to evaluate individual centers or to conduct a financial audit.

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Herein we provide our overall assessment of the status of the COE program, a discussion of how North Dakota is faring in terms of transitioning towards "New Economy" sources of growth and diversification, and an identification of key issues and challenges for the COE program that TPMA believes deserve legislative or administrative attention. For each of the key issues and challenges identified, we provide an assessment, a discussion of options based on best practices, and our recommendations either for a preferred option or for the decisions required before preferred options can be selected.

We also provide recommendations concerning "new directions" that TPMA views as important for North Dakota to consider based on best practices and the operations of successful comparator programs nationwide.

We believe we have identified those changes and new directions for the COE program that appear to offer the greatest potential for building on past success to diversify the North Dakota economy, and enhance the Research and Development (R&D) / commercialization infrastructure in the State's priority economic clusters.

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Center directors clearly view the reporting requirements as onerous and time consuming. They also report that the data the state wants them to collect from their private partners is part of the problem. Firms do not want to disclose detailed employment and wage data for competitive reasons. Discussions

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10.1 – The Centers of Excellence Commission and the Department of Commerce should convene a working group of COE private sector partners and potential partners to explicitly discuss their perceptions of the COE program and its policies and procedures. This would build upon the survey of private participants conducted during the spring of 2010. Specifically it should seek their input on the best ways to collect the jobs and wage (and other) data that the State needs to report progress.

10.2 – Guidance documentation needs to be developed regarding reporting policies and procedures that become part of any contractual negotiation between a COE and a private party.

10.3 – These policies and procedures need to be built into the newly launched training program for COE directors and staff.

10.4 – Reduce part of the reporting burden by addressing additional streamlining, record consolidation and standardization procedures through the creation of an intranet site and adoption of tracking software. Documents and regular financial reports could be posted to the site upon their receipt so that an electronic file is easily and remotely available to Department of Commerce staff and Commission members. Among others, Indiana's 21st Century Research and Technology Fund uses such a secure reporting vehicle.

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North Dakota should give strong consideration to funding a complementary Eminent Scholar program specifically focused on priority industry sectors, tied to existing COEs, and linked to industrial experience and/or a commercialization track record. Such a program cannot be tied to competitive bidding rounds. It needs to be a flexible fund that can be called upon in response to emergent opportunities in a targeted recruiting strategy. Criteria must be flexible, but with very high minimum standards.

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As discussed in the body of the report, the COE program contains elements that tend to create barriers to smaller firms. From the perspective of the state's development strategy, there is high value in engaging young, smaller firms in the COE program. Along with the proof-of-concept program noted above (Recommendation 6.0), which is not specifically small business focused, TPMA recommends creating a small business focused grant program that:

- Reduces match requirements for smaller firms on existing grants.
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We recommend that North Dakota create or reserve a portion of future COE funding for a state priority COE matching fund. This fund would be available to help provide local match to university centers which are seeking high value federal (and perhaps foundation funded) projects that meet the highest priority state economic development objectives. Criteria for award would have to be very clear. Among others, a state match must be critical to the prospects for success, and other university and private stakeholders must be willing to make a significant contribution as well.

Recommendation 14.0 – Strengthen Collaboration and Build Commercialization and Entrepreneurial Networks

Bridging the chasm between academia and industry ultimately requires the development of strong networks among academia, the COE program, private firms, and external sources of R&D funding and capital. Also critical is development of a deep culture of collaboration among researchers, COEs universities, and other outside partners. In a state as small as North Dakota, cross-COE, cross-institution, and academic/industry collaboration is extremely valuable in building a critical mass of talent in targeted clusters.

14.1 – We recommend that the Department of Commerce, working with the COE Commission, be assigned the responsibility to begin building a networking program around the state focused on linking COEs with firms in target clusters and key external sources of R&D, commercialization, and entrepreneurial funding and support.

14.2 – We recommend that strong incentives be placed in funding programs to encourage greater cross-COE, cross-institution, and academic/industry collaboration.



COMPARISON OF CENTERS OF EXCELLENCE FUNDING

The schedule below provides a comparison of funding and provisions for centers of excellence included in the executive budget, the House version of Engrossed House Bill No. 1018, and the Senate version of Engrossed Senate Bill No. 2057.

	Executive Budget HB 1018	Engrossed HB 1018 ¹	Engrossed SB 2057 ²
Centers of research excellence			
• Research	\$8,000,000		\$8,000,000
• Eminent researcher recruitment grant program	2,000,000		1,500,000
• Infrastructure grants	3,000,000		3,500,000
Centers of workforce excellence	2,000,000		2,000,000
Centers of entrepreneurship excellence	5,000,000 ³		5,000,000
Workforce enhancement grants		\$2,000,000	
Total	\$20,000,000	\$2,000,000	\$20,000,000
General fund	\$15,000,000	\$2,000,000	\$20,000,000
Other funds	\$5,000,000 ³		

¹

Engrossed HB 1018	Related Bill Sections
Workforce enhancement grants	1, 22
A description of related bill sections is provided in Appendix A.	

²

Engrossed SB 2057	Related Bill Sections
Centers of research excellence	
• Research	3, 7
• Eminent researcher recruitment challenge grant program	3, 8
• Infrastructure grants	5,
Centers of workforce excellence	1, 6
Centers of entrepreneurship excellence	2, 4
A description of related bill sections is provided in Appendix B.	

³The Governor recommended authorizing the department to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

ATTACH:2

**ENGROSSED HOUSE BILL NO. 1018 -
CENTERS OF EXCELLENCE -
RELATED SECTION DESCRIPTIONS**

Sections 4 through 7 and 26 and 27 relate to the centers of excellence program. The majority of the centers of excellence program expires on July 30, 2011, per North Dakota Century Code Chapter 15-69. Sections 4 through 7 of the bill update Chapter 15-69 to provide that the Department of Commerce continue to administer the centers of excellence program, distribute funds to the centers, monitor centers for compliance with award requirements, review changes in assertions made in center applications, and conduct postaward monitoring of centers. Sections 26 and 27 repeal Chapter 15-69 effective August 1, 2023.

Section 22 provides for the following transfer:

- Workforce enhancement line item to the workforce enhancement fund (\$2 million).

**ENGROSSED SENATE BILL NO. 2057 -
CENTERS OF EXCELLENCE -
RELATED SECTION DESCRIPTIONS**

Section 1 amends North Dakota Century Code Section 54-60-22 to provide that grants recommended by the Workforce Enhancement Council be changed to the centers of workforce excellence grants.

Section 2 creates a new section to Chapter 54-60 to create a centers of entrepreneurship excellence grants program.

Section 3 creates a new chapter to Title 54 to establish a centers of research excellence grant program and eminent researcher recruitment grant program, as well as provide a continuing appropriation for the centers of research excellence fund.

Section 4 provides \$5 million from the general fund for centers of entrepreneurship excellence grants.

Section 5 provides \$3.5 million from the general fund to the Department of Commerce for the purpose of working with the North Dakota University System's research institutions, the Adjutant General, and the Aeronautics Commission in leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state.

Section 6 provides \$2 million from the general fund which the Office of Management and Budget (OMB) shall transfer to the workforce enhancement fund for the purpose of implementing and administering Sections 54-60-21 and 54-60-22.

Section 7 provides \$8 million from the general fund which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants provided for under Section 3 of Engrossed Senate Bill No. 2057.

Section 8 provides \$1.5 million from the general fund which OMB shall transfer to the centers of research excellence fund for the purpose of implementing and administering the eminent researcher recruitment challenge grants provided for under Section 3 of Engrossed Senate Bill No. 2057.

3/31/11
Attachment #1

North Dakota Centers of Excellence Best Practices Review

Completed for



Representing

North Dakota
Centers of Excellence Commission

and

Legislative Interim Workforce Committee

Conducted by:



Thomas P. Miller and Associates

Building Assets through Knowledge & Innovation

TPMA Project Lead:
Jim Wheeler
jwheeler@tpma-inc.com

Project Authors:
Jim Wheeler
Jason Lovell

1630 N. Meridian Street
Suite 430
Indianapolis, IN 46202

Main Office: 317-894-5508
Fax: 317-894-5370
www.tpma-inc.com

July 13, 2010

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14.2 – We recommend that strong incentives be placed in funding programs to encourage greater cross-COE, cross-institution, and academic/industry collaboration.

Introduction

Historically, the economies of states in the Great Plains depended on natural resources and agriculture, and relied on low costs rather than innovation, or a knowledge-based economy to support economic growth. Agriculture and energy remain critical state assets, but increasingly North Dakota's economy is transforming into one driven by technology. The Kauffmann Foundation refers to this transition as the "New Economy," but whatever it is called, 21st century economic progress will be based upon firms that constantly innovate and maximize the use of technology in the workplace as they compete to excel or even survive in today's global economy.

The term most commonly applied to discussions of strategy and policy to succeed in this new economy is Technology Based Economic Development (TBED).¹ Successful economic development strategy, planning, and implementation increasingly must balance traditional approaches with TBED.

Our Task

Stakeholders in North Dakota are embracing elements of a state-wide technology based economic development (TBED) strategy focused on leveraging universities and private sector businesses through a "Centers of Excellence" program. Created in 2005, the Centers of Excellence program is North Dakota's centerpiece of a growing technology-based economic development strategy. The North Dakota Department of Commerce and the Centers of Excellence Commission retained Thomas P. Miller and Associates (TPMA) to conduct a best practice review of North Dakota's Centers of Excellence program. Our task was to: 1) analyze the current Centers of Excellence program; 2) compare North Dakota's program to similar initiatives in other states; and 3) offer recommendations for taking the COE program to the next level.

Elements of a tech-based economy:

- An intellectual infrastructure, i.e. universities and public or private research laboratories that generate new knowledge and discoveries
- Mechanisms for transferring knowledge from one individual to another or from one company to another
- Physical infrastructure that includes high quality telecommunications systems and affordable high speed Internet connections
- Highly skilled technical workforce
- Sources of risk capital
- Quality of life, and
- Entrepreneurial culture

Source: SSTI

¹The State Science Technology Institute (SSTI) is the leading national organization focused on state-level TBED strategies and policies. A foundational SSTI document that helped to frame our thinking and analysis throughout this project and one highly recommended for reference is: State Science and Technology Institute, *A Resource Guide for Technology-based Economic Development*, Prepared for the Economic Development Administration, U.S. Department of Commerce, August 2006.

Centers of Excellence in a TBED Strategy

Nationally, COE programs are one of the many important elements of a successful TBED strategy. A Milken Institute study found that university research centers and institutes are “undisputedly the most important factor in incubating high-tech industries.”² While research centers can be extremely

In a state or region that is seeking to grow its research base, creating a center of excellence can help to attract faculty and increased federal and private R&D funding, but it should be recognized that growing the research enterprise will not necessarily, in and of itself, lead to economic benefit. Capitalizing on the research base requires that attention be paid to commercializing research findings as well.

Source: SSTI

important in generating new discoveries, in order to leverage their true potential as contributors in developing a state’s technology-based economy, there must be mechanisms in place to move that innovation into the marketplace.

States that led the early TBED movement used research centers, often called “Centers of Excellence” as a cornerstone to their overall TBED strategy. The Centers of Excellence concept has been tailored to meet the unique needs of different states, and also has evolved with the growth of understanding about effectiveness among universities, industry and government leaders. Today, COEs are organized in several different ways and success is based on each center’s ability to “bridge the gap between two very different cultures—academia and business.”³

Commercialization is that bridge. It is often said that federal funding for science and engineering is the process to convert money into knowledge, and that commercialization is the process to convert that knowledge into money. However, many significant barriers exist that can impede commercialization, limit the ability to capture the full economic potential of innovation, and negatively affect strategies that states have built around investing in their respective research and development (R&D) enterprises.

Our Methodology

The purpose of this study is to make recommendations for improvement to the Centers of Excellence program based on legislative intent and the best practices used by other states that have implemented similar TBED strategies.

This is not an evaluation of individual centers or a financial audit. This study also does not specifically estimate the economic impact and accomplishments of the COE program as an economic development initiative within the State of North Dakota. The Department of Commerce has processes in place to accomplish these tasks. TPMA reviewed the COE reports, financial audits, and the economic impact

² Milken Institute, *State Technology and Science Index: Enduring Lessons for the Intangible Economy*, by Ross DeVol and Anita Charuworn with Soojung Kim, June 19, 2008.

³ SSTI, *supra* note 1 at p. 14

study as input for the analysis in order to compare national best practices to North Dakota processes, structure, performance, accomplishments, or impacts on economic development. This review and assessment in no way reflects a financial audit of record.

TPMA issued a survey of Center directors addressing a wide range of operational and strategic issues. Some of those findings are explicitly referenced herein. We greatly appreciate the time and effort the center directors devoted to responding. The survey results are available in a separately bound volume.

Using the survey results and our benchmarking and best practices research, TPMA engaged in a series of stakeholder interviews across the state, to seek out divergent interests, solicit insight, test ideas and determine the menu of most important issues upon which to focus our final analysis.

The focus was to obtain information and insights on the COE program against its defined objectives, and in the context of the requirements of a broader TBED strategy. Using the insights and specific issues provided by this review and best practices gleaned from around the country, there are recommendations defined for near-term and future consideration by the Legislative Interim Workforce Committee, the North Dakota Legislature, the Centers of Excellence Commission and the Department of Commerce.

Organization

This report is a holistic assessment of the COE program as an economic development initiative, and is designed to capture progress as envisioned in its initializing statute. The evaluation process reported herein is designed as one input to the complex, interactive process that is government decision-making. The focus is on providing information and options that can assist decision-making regarding resource allocation and program improvement, while assuring overall transparency and accountability.

The report is organized into four sections. Section I provides: 1) our overall assessment of the status of the COE program; 2) a discussion of how North Dakota is faring in terms of transitioning towards “New Economy” sources of growth and diversification; and 3) an identification of key issues and challenges for the COE program that TPMA believes deserve legislative or administrative attention.

For each of the key issues and challenges identified, Section II provide(s) an assessment, a discussion of options based on best practices, and our recommendations either for a preferred option or for the decisions that need to be made before preferred options can be selected.

Section III identifies “new directions” that are important for the state to consider based on best practices and successful programs that could take the COE program to the next level.

Section IV provides a summary of the key conclusions and recommendations.

Section I: State of the Centers of Excellence Program Today

Program History

In 2002, North Dakota's federal representatives, state, regional and university leaders began making efforts to stimulate elements of a high-tech economy, including the creation of the Red River Valley Research Corridor and the annual Upper Great Plains Technology Conference. These initiatives as well as other development plans in several key industries focused on the goal of attracting new companies and high-paying jobs to the state by maximizing the world-class research underway at the state's universities.

By 2003, North Dakota's Governor was calling for budget proposals to combine economic growth and education. During the 2003 legislative session, the North Dakota Legislature, acting on the Governor's proposal, created "Centers of Excellence" within North Dakota's University System (NDUS).

North Dakota legislators funded several pilot Centers of Excellence projects in the 2003 session before launching the full program. These include the University of North Dakota (UND) Center for Innovation in Grand Forks, the NDSU Technology Incubator and the North Dakota State University (NDSU) Beef Systems Center of Excellence in Fargo. In 2005, the Legislature created the current competitive grant program.

Since then, as one of few states to experience a budget surplus, the North Dakota Legislature has approved a total of \$62.3 million for the program. Of these funds, as of June 30, 2009, the Centers of Excellence Commission has awarded \$42.3 million (spent, disbursed but not spent, and awarded awaiting disbursement), launching 18 new Centers of Excellence. During the 2009 legislative session, a Centers of Excellence Enhancement Grant program was created, making \$10 million in COE funds available to the state's research universities during 2009-2011. As of June 30, 2009, approximately \$19.9 million, or about one-third of the total, was spent by the centers.⁴

Since its founding, several key changes have been made to the program:

- In 2007, proposed centers whose primary mission was built around workforce training were removed from eligibility for program funding. Key objectives and metrics are significantly different from the core legislative intent for the COE program. It was determined that education and workforce centers should be treated separately, and the legislature created a separate Workforce Enhancement Grant program to address the needs of workforce training centers.
- In 2007, the Department of Commerce was given the task of supporting the COE Commission's activities and oversight functions.

⁴ Data are from *Centers of Excellence Annual Report 2009*, p.3. Since June 30, 2009, additional awards have been approved and Centers have continued to expend against disbursements.

- As of 2008, award funds were shifted from disbursement at launch, to staged disbursement aligned with progress.
- Also in 2009, a performance audit of the program was conducted. The Department of Commerce has implemented all 15 of the recommendations contained in the audit.

Compared to other state TBED initiatives across the U.S, North Dakota's program is still quite young and working its way up the "learning phase." Even at this early stage, the COE program has had a significant economic impact. As reported in the most recent annual report from June 30, 2009, \$19.9 million of the awarded funds have been spent by the centers, which have leveraged over \$130 million from the private sector and other sources (Table 1).⁵

Table 1: North Dakota Centers of Excellence Performance Metrics

Economic Benefits of COE Program	Statistic
Funding	\$19.9 million
Economic Impact	\$329.4 million estimated total economic impact \$115.5 million direct impact
Jobs Creation	2,060 total created jobs 922 direct jobs with an est. \$44.5 million payroll
Private Sector Partners	135 companies have formed partnerships
New Businesses	17 new or expanded businesses

Observations

For this assessment, it was very important to recognize that this program and the centers that it supports are truly in very early development. As of June 30, 2009:

- 7 centers had been in operation for less than 1 fiscal year
- 3 centers had been in operation for 2 fiscal years
- 9 centers had been in operation for 3 fiscal years
- 1 center had been in operation for 4 fiscal years

As with any program of this nature, the "learning phase" can provide significant opportunities for improvement. Indeed, we are already seeing improvements being implemented in accountability, transparency and program focus following the 2007 and 2009 legislative sessions and in response to the

⁵Updated estimates for January 1, 2007 – June 30, 2009, based on F. Larry Leistritz, Dean A. Bangsund, and Nancy M. Hodur, *Economic Impact of North Dakota Centers of Excellence Program, 2007*, reported on pp. 3-4 and in Appendix A, *Centers of Excellence Annual Report 2009*, pp. 29-31.

2009 State Audit of Department of Commerce programs.⁶ As key stakeholders prepare for the 2011 legislative session, it is time to review all the issues that have emerged in terms of: 1) operations of the current program; 2) the specific objectives of the COE program; and 3) how the COE program might evolve or be enhanced as a central element of the state's TBED strategy. Each of these dimensions will be important as leaders wrestle with concerns about measuring progress, return on investment, public investment decisions, program operational issues, and the long-term economic vitality of the state. In post "Great Recession" times, corporate and public decisions will fall under far greater scrutiny. Transparency, documented performance and ROI will be key elements of what is becoming to be known as "The New Normal." The Centers of Excellence program is no exception and commitment to these values must guide its stakeholders into the future.

Mission Evolution

By statute, the North Dakota Centers of Excellence program has three core missions: 1) economic development, 2) research and development, and 3) commercialization, as defined in the original legislation:⁷

1. Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state.
2. Create high-value private sector employment opportunities in this state.
3. Provide for public-private sector involvement and partnerships.
4. Increase research and development activities that may involve federal funding from the National Science Foundation experimental program to stimulate competitive research.
5. Foster and practice entrepreneurship.
6. Promote the commercialization of new products and services in industry clusters.
7. Leverage other funding, including cash from the private sector.
8. Become financially self-sustaining.
9. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

The Centers of Excellence Commission added two additional criteria for COE applications:

1. Community support; and
2. Collaboration among institutions.

⁶ Office of the North Dakota State Auditor, *PERFORMANCE AUDIT REPORT*, Department of Commerce, Report No. 3027, August 11, 2009.

⁷ 15-69-04. (Effective through July 31, 2011) Application - Eligibility requirements.

While each component listed is important on its own merits, when combined, the mission became somewhat amorphous in implementation. As noted above, centers focused primarily on education and training are excluded from eligibility and have been given a separate funding stream. Although centers focused on entrepreneurship have not been explicitly excluded from eligibility, a new fund was created to support these activities. These changes now permit a sharpening of program focus. Essentially COEs now have two core missions, attracting private and federal funding to become self-sustaining and commercialization.

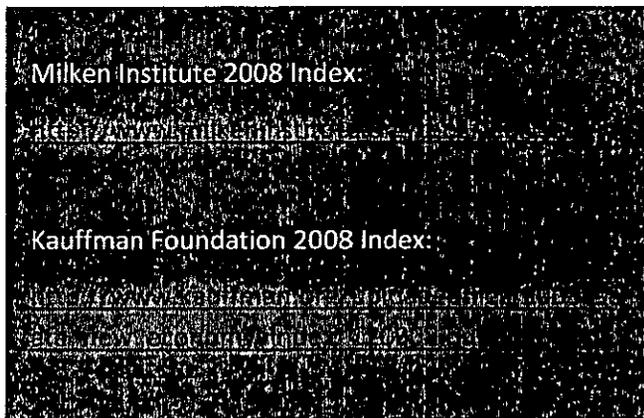
This will be discussed in more detail below, but clarity in mission is critical to developing detailed program objectives, desired outcomes, and metrics. Our research has clearly revealed that program objectives, outcomes, and metrics are all issues that require some attention in efforts to improve the COE program.

Making Progress: North Dakota's TBED Metrics

In the "New Economy", winners and losers, in terms of geographic locations, will be defined in part based upon their abilities to support the development of technology-based companies. In order to nurture and sustain the development of new technology, state leaders need to know how their state is progressing in key indicator areas and how it stacks up with peer competitors.

However, the tools we use today to measure the "New Economy" are severely outdated. Many credible reports and, in turn, many states, only measure state economic performance or state economic policies. It is relatively common to cite data collected on state economic performance (e.g., jobs, firms created, incomes, etc.), but there is very little data available to measure a state's true economic structure. Decisions about which metrics the state determines are most important and wishes to target as part of its economic development strategy should frame how the COE program evolves and is measured.

There are several ways state leaders can determine progress. This is particularly true when it comes to different science and technology measurements. The *Milken Institute 2008 State Technology and Science Index* and the *Kauffman Foundation 2008 State New Economy Index* have become widely respected, and based upon TPMA's experience, we believe that they are among the most comprehensive economic structure measurement tools available today. Both are periodically compiled and updated to gauge how each state is faring in technology-based economic development (TBED). They provide excellent starting points for positioning North Dakota's strategic economic goals and COE's contribution to achieving them.



North Dakota's Position in Technology and Science (Milken Institute)

The Milken Institute's 2008 State Technology and Science Index takes inventory of the technology and science assets that can be leveraged to promote economic development in each state. Combining dozens of indicators, such as R&D investment, risk capital, educational achievement, and the presence of skilled workers, it offers a sophisticated means for benchmarking. It looks at 77 unique indicators that are categorized into five major components, which together, paint a revealing picture of North Dakota's comparative strengths and weaknesses:

- Research and Development Inputs
- Human Capital Investment
- Risk Capital and Entrepreneurial Infrastructure
- Technology and Science Work Force
- Technology Concentration and Dynamism

North Dakota has been recognized in the *Index* as the "Most Improved" state overall. According to the report, North Dakota showed the strongest improvement, moving up fourteen positions to 31st place. In fact, North Dakota has risen in every category that the Milken Institute measures to determine potential growth based on a TBED strategy (Table 2).

Most notably, North Dakota's federal, university and private sector research and development efforts, referred to by the Milken report as **Research and Development Inputs**, were recognized as the "Most Improved" state, ranking 19th nationally. The COE program was a key part of this improvement.

However, North Dakota's 46th-place national ranking in the **Risk Capital and Entrepreneurial Infrastructure** composite is of particular concern even though the state advanced four positions from 50th-place, improving in the number of business incubators as well as business starts.

Table 2: North Dakota's Position in Technology and Science

Technology & Science Assets	Rank		
	2008	2004	2002
North Dakota's Overall Ranking	31	45	45
Research and Development Inputs	19	40	40
Human Capital Investment	22	27	28
Risk Capital and Entrepreneurial Infrastructure	46	50	50
Technology and Science Work Force	33	35	44
Technology Concentration and Dynamism	35	48	48

North Dakota's New Economy Rankings (Kauffman Foundation)

The Kauffman Foundation 2008 State New Economy Index focuses more narrowly on one simple question: To what degree does the structure of state economies match the ideal structure of the New Economy?

Overall, the report uses twenty-nine indicators, divided into five categories that best capture what is new about the New Economy (Table 3):

1) **Knowledge jobs** – Indicators measure employment of IT professionals outside the IT industry; jobs held by managers, professionals, and technicians; the educational attainment of the entire workforce; immigration of knowledge workers; migration of domestic knowledge workers; employment in high value-added manufacturing sectors; and employment in high-wage traded services.

- North Dakota – Top Five in highest educated foreign immigrants with 14.20 average years of education and ranks 1st nationally

2) **Globalization** – Indicators measure the export orientation of manufacturing and services, and foreign direct investment.

- North Dakota - Top Five Mover in value of exports per manufacturing and service worker to 14th nationally

3) **Economic dynamism** – Indicators measure the number of fast-growing “gazelle” companies; the degree of job churning (which is a product of new business startups and existing business failures); the number of Deloitte Technology Fast 500 and Inc. 500 firms, the number and value of initial public stock offerings (IPOs) by companies; the number of entrepreneurs starting new businesses; and the number of individual inventor patents issued.

- North Dakota – Top Five Mover in fastest growing firms to 33rd nationally
- North Dakota – Top Five Mover in initial public offerings to 17th nationally

4) **Transformation to a digital economy** – Indicators measure the percentage of population online; the number of Internet domain name registrations; technology in schools; the degree to which state and local governments use information technologies to deliver services; use of IT in the health care sector; Internet and computer use by farmers; residential and business access to broadband telecommunications; and use of information technology in the health care system.

5) **Technological innovation capacity** – Indicators measure the number of jobs in technology-producing industries; the number of scientists and engineers in the workforce; the number of patents issued; industry investment in research and development; non-industry R&D; venture capital activity; and movement toward a green energy economy.

We recommend that North Dakota should pursue a very focused TBED investment program targeted on leveraging and building state assets, much like Texas did with oil revenues following the oil-shocks of the 1970’s and 1980’s. The state is starting from a relatively low base relative to the

Recommendation 1.0

Pursue a Focused TBED

Strategy: Recognizing that North Dakota has taken the first steps toward a technology-based economy, we recommend that state leadership adopt an expanded range of strategic TBED objectives.

rest of the nation, but with a good business environment as a foundation and among the strongest state fiscal positions, North Dakota is in a strong position to significantly gain on competitors and peers. Both the Milken and Kauffman systems of measurement show important gains in recent years that can be built upon. North Dakota has strong traditional assets to leverage in pursuit of a more aggressive TBED strategy. It is home to significant academic assets, two research universities with growing portfolios and R&D concentrations (University of North Dakota and North Dakota State University), a network of other strong post-secondary institutions, and a maturing high-tech industry. The state has invested in developing lead organizations and select programs and incentives upon which the state can build, including: the North Dakota Economic Development Foundation, Innovate ND, incentives for angel investors, R&D tax credits, and of course the COE program.

Table 3: Kauffman Foundation 2008 New Economy Rankings

New Economy Rank by State	Overall	Knowledge Jobs	Globalization	Economic Dynamism	Digital Economy	Innovation Capacity
Maryland	3	4	24	9	8	5
Utah	12	16	32	1	12	20
Minnesota	14	8	33	13	29	17
Texas	18	32	2	21	20	24
Kansas	31	24	36	33	21	27
Indiana	36	38	25	41	36	31
North Dakota	39	34	34	34	39	39

Key Issues and Challenges

Our review of the COE program in the context of legislative intent and a broader vision of a state TBED strategy has identified an array of key issues and challenges that we will focus on in the rest of this report. These issues and challenges fall into three overlapping and interdependent categories:

1. The specific roles, missions and objectives for the COE program (especially in context of the state's TBED strategy).
2. Operational and effectiveness improvements.
3. COE program modifications and new directions.

Within these overarching categories, some of the key issues and challenges that we will address below include:

- Limited awareness about the importance of technology-based economic development for North Dakota.
- Building mission clarity: Variance exists among participants and stakeholders concerning the COE program's mission and objectives.

- Aligning metrics with objectives: Reporting requirements not entirely consistent or aligned with indicators that would best gauge performance.
 - COE return on investment not well understood.
- Clarifying certain intellectual property management and technology transfer policies. These are key to an effective long-term commercialization strategy.
- Addressing several accountability, transparency and other administrative issues that could be improved.
- Barriers to small company participation.
- Enhancing formal and informal networking, peer interaction and collaboration among COEs, their affiliates and partners, and other key stakeholders in the technology-based economic development (TBED) community.
- Attracting world-class research faculty and building world-class R&D facilities in ways that strongly support the core commercialization mission for the Centers of Excellence Program.

Section II: Looking Forward

Objective Clarity

Many states have made significant investments to create university-industry research centers (COEs) focused on topics relating to the state's key industry sectors. Regardless of the specifics, all of these efforts have been aimed at achieving technology-based economic development by leveraging a state or region's university research strengths. Specific objectives and constraints drive design of any specific COE. Success, however, results when the Center is able to bridge the chasm between two very different cultures, academia and business. SSTI identifies four primary uses for COEs:

- Build a state or region's research enterprise.
- Encourage academic researchers to undertake research with potential economic benefits.
- Assist local companies by tapping university resources.
- Encourage the commercialization of university-developed discoveries.

The North Dakota statute encompasses all four. All COE programs have multiple objectives. The most successful programs tend to prioritize objectives and set metrics accordingly. It is clear that the vision and objectives among North Dakota universities and their COE directors and that of legislators and other stakeholders differ. Commercialization and economic development dominate the policy discussion, while it is only part of the priorities as seen from academia.

According to the TPMA COE director's survey results, 36.8% (seven directors) view the primary mission of their particular center as a research and development activity, 15.8% focused on Technology Commercialization and 10.5% as a Resource for Entrepreneurs (Table 4). When queried about the primary mission of the COE Program, 31.6% (six directors) of those who responded saw the Centers as an economic development tool, while another 31.6% also named focused research and development, while only 15.8% (three directors) believed it was technology commercialization (Table 5).

Table 4: Director's Survey Result

What do you view as the primary mission of your Center? (please select one)		
Answer Options	Response Percent	Response Count
Training Provider	21.1%	4
Technology Commercialization	15.8%	3
Resource for Entrepreneurs	10.5%	2
Research & Development Center	36.8%	7
Resource for Targeted Industry	0.0%	0
Other (please specify)	15.8%	3
<i>answered question</i>		19
<i>skipped question</i>		0

Table 5: Director's Survey Result

What do you view as the primary mission of the Program? (please select one)		
Answer Options	Response Percent	Response Count
Economic Development Tool	31.6%	6
Workforce Development	10.5%	2
Technology Commercialization	15.8%	3
Resource for Entrepreneurs	0.0%	0
Focused Research & Development	31.6%	6
Other (please specify)	10.5%	2
<i>answered question</i>		19
<i>skipped question</i>		0

Since one of the primary goals of North Dakota's two research universities is to grow their research base, it is not surprising that this priority cascades through the enterprise. The COE program is an excellent tool for growing research funding. It can help to attract faculty and expand federal and private R&D funding. However, growing the research enterprise will not necessarily, in and of itself, lead to economic benefit, but is a necessary condition of long term COE success.

The legislative interest in commercialization and economic development requires growing the research base in areas of high potential for the state economy and building the capacity to capitalize on that research. Building research capacity and attracting world-class researchers by themselves do not lead to the development of collaborative industrial academic partnerships. Similarly, leveraging university strengths into new technologies and companies can be quite a challenge if those strengths do not align well with the needs of regional industry and employee skills.

Looking forward, design of the COE program and associated funding initiatives need to clearly support targeted objectives. Crossing the chasm requires that a set of success criteria be fully and consistently integrated into evaluation of applications for new centers and development of grant programs for existing centers:

- Strong industry participation, by leadership, not just industry research staff.
- Continued matching requirements.
- Focus on specific areas of technology that offer potential for economic development.
- Insistence on multidisciplinary COE projects and initiatives.
- Integration of commercialization support for the researcher into center design.

Return on Investment (ROI)

TBED programs are longer-term investments in the economy's future and part of the challenge facing elected officials and their staffs is being able to articulate the value proposition in compelling ways. Many states tend to rely on traditional economic development metrics (jobs created, dollars invested,

tax base created) when they convey results to their stakeholders. These short-term metrics are incomplete measures of the true impact of TBED strategies. Now that TBED objectives are explicitly incorporated into the new state economic development plan sets as Goal 3: "Accelerate innovation and entrepreneurship in targeted industries and emerging technologies," it is increasingly important to begin adopting a suite of more appropriate metrics for tracing state progress as well as specific program performance and return on investment (ROI).

Quantifying the impacts of TBED activities, including investments in science and in innovation generally has advanced significantly in the past few years as more associations, researchers, and agencies wrestle with the problem. Establishing an exact relationship between funding and economic activity (formation of new companies and new jobs) is difficult, but based on North Dakota's own early indicators, the program appears to be improving the state's economy. According to the latest Centers of Excellence Annual Report, at least 17 ongoing businesses in North Dakota trace their roots directly to technologies funded through the COE program, employing between 1,500 and 1,800 people. We discuss below an approach to building a suite of metrics for the State and for the COE program.

North Dakota Performance Measures

How do states really know they are getting a return on their investment? What additional metrics could be used to better understand the impact technology-based economic strategies like centers of excellence are having?

As presented in the 2009 *Centers of Excellence Annual Report* and the *Economic Impact of North Dakota Centers of Excellence Program 2007* report, North Dakota has measured the performance of the program largely in terms of economic impact, jobs, private sector participation, and new business creation.

While these metrics are clearly major indicators of output performance for TBED states, best practices have shown that there are other insightful measurements that North Dakota could also employ that may provide an even greater understanding of overall program performance.

Investment success for a TBED strategy can be measured in a variety of different ways. Two examples are listed in Table 6. SSTI suggests using the six basic categories shown in the first panel. Milken recommends the categories shown in the second panel. What all studies suggest is that the metrics track multiple dimensions of TBED strategy. The two lists have similar elements, but appear quite different. However, in the subcategories many of the same data are used to generate the composites. Each state needs to identify its own priorities and use metrics accordingly.

Table 6: TBED Measurement Best Practices

SSTI Metric Categories	Milken Science and Technology Categories
	Technology Concentration
Creation of viable start-up companies	
Successful company exits that return wealth to the state	
Creation and retention of jobs, in particular, knowledge jobs	Human Capital Investment
	Science and Technology Workforce
Attraction of capital	Risk Capital and Infrastructure
Increased intellectual property and research capacity	R&D Inputs
Enhanced market reputation	

At a minimum, North Dakota should establish a set of TBED categories to track statewide, as well as quantifying the contribution derived from the Centers of Excellence program. We will briefly discuss some of the more useful categories, with special attention to specific metrics that can be readily utilized for monitoring COE performance.

Linking State TBED and Centers of Excellence Performance Measures

We discussed above how North Dakota fared relative to other states on the Milken and Kauffman report cards focused on TBED performance. They are among the best of many efforts to track TBED performance. We recommend a small working group assigned two very specific tasks: 1) defining the overall suite of metrics that the State wants to use to track TBED progress (both internally and for public reporting); and 2) designing a set of COE metrics that directly or indirectly link to a subset of the broader state TBED metrics. This permits tracking the contribution of the COE program to overall state progress. We discuss herein a few obvious candidates for which both state and COE metrics can be monitored. The working group will need to review a broader set of potential candidates.

Firm growth, technology concentration and creation of viable start-up companies are primary goals of most TBED programs. At the state level, finding good, nationally comparable metrics is sometimes a challenge. The statistics for firms that experience the cycle of birth and death provide a good proxy for churn and dynamics at the state level, but do not reflect only technology-based activity. Start-ups (both new firms and establishments of existing firms) in high technology NAICS codes can be tracked, but since the definition of High Technology NAICS codes tends to be state-specific this metric lacks cross-state comparability. The Kauffman Foundation has been investing heavily in creating better data and data analysis to understand TBED. Among others, they publish an annual index of entrepreneurial activity that is reported at the state level. Concentration and growth in the numbers of firms and employees in high technology NAICS codes are powerful state metrics. To the extent that North Dakota universities report in the Association of University Technology Managers (AUTM) national data collection effort, university based start-ups can be tracked. COE related start-ups are already captured in the COE Annual Report. These firms can and should be tracked over time to measure viability.

R&D Inputs are a foundational metric for the new economy. National comparative sources for this kind of data typically lag 2-4 years, but most states can capture current data from in-state sources (primarily from tax returns and university reports). This kind of information provides a good measure of capacity and the potential base available for commercialization. Sub-metrics of importance here include academic R&D, industry R&D, federal R&D, major areas of R&D concentration, and SBIR and STTR awards. COEs and their industry partners can report their activity in alignment with these categories.⁸ Indeed, to a certain extent, they already do so, but the data need refinement and consistency. Attraction of external R&D funding from federal, foundation and private firms is a key objective of the COE program. It is important to try to capture not only direct match, but the growth in external funding that will help make the centers sustainable over the long term.⁹

Recommendation 2.0
Build and Assign a Metrics Working Group to Report New Performance Measurements for the COE Program that Align with State Level TBED Metrics: Gather and assign a small working group to build up a candidate set of linked performance measures that best fit State TBED needs and for reporting on the COE program.

Risk Capital and Infrastructure is a critical category of metrics for the commercialization focus of the North Dakota COE program. Metrics in this category include such items as utility patents awarded¹⁰, venture capital investment, SBIC funding, and IPO proceeds. Some may want to include IP licensing revenues, and wealth creating company exit activity. COEs and their private partner can track many of these metrics. Now that North Dakota's legislature has recently passed angel investment incentives, it will be even more important to track data related to angel and venture capital funding to demonstrate the return on investment of that public policy decision (when measuring angel money, it is certainly important to track the overall amount, but the number of "deals" may actually give a better picture of growth). This would be relatively easy data to collect from COE private partners and spin-out firms based on COE technology.¹¹

Workforce and Job Creation is a category that is treated very differently depending upon the objective of the metric. At the state level, it is important to track the workforce as investments, assets and outcomes. As investments, the state needs to focus on progress in skill and degree creation. As assets the state should be tracking the pool of technology skilled workers in the workforce. As outcomes, the focus should be on the change in the concentration of technology-based employment. COE and private partner reporting can only address the last of these three areas.

Average Leverage Ratio (Matching Rate)

Regardless of the specific sub-metrics selected to track the COE program, North Dakota may want to include reporting "average leverage" ratios to track total and industry investment leveraged by the state

⁸ See Appendix D for a National Science Foundation (NSF) scorecard on North Dakota.

⁹ For an aggregated table with information on the Milken Institute's rankings of North Dakota based on sub-categories under "R&D Input", see Appendix A.

¹⁰ For charts representing basic data collected for this report regarding patents, see Appendix B.

¹¹ For a chart representing basic data collected for this report regarding venture capital, see Appendix C.

investment as core performance metrics for the COE program. Leverage is defined herein as the total (or private) non-state investment in the COE program relative to the state investment in the COE program. It should be reported for annually and cumulative, with cumulative the most important indicator of long-term impact. North Dakota captures the basic data already, but the reporting does not focus on explaining the critical nature of "leverage" for achieving longer-term economic development objectives. Carefully documenting federal and private "leverage" trends is one of the better tools for tracking the value of state COE investments. It is among the best ROI metrics used by similar programs across the nation (Table 8).

Many states find the average leverage ratio a useful ROI-related benchmark. It is usually reported as a composite, but it is informative to report both industry leverage and total leverage. In North Dakota to-date, \$19.9 million of the awarded funds from the COE program have been spent which have leveraged over \$130 million from the private sector and other sources, which equals a matching rate of 6.5:1. Among the three states listed, all with much more mature programs, North Dakota's average leverage compares favorably to Ohio (which has very large state investments), but is lower than Utah and Kansas. We recommend reporting both industry and total leverage as part of a regular scorecard.

Table 8: Average Leverage Ratio

Benchmark State	Total leverage	State investment	Matching rate
Utah (2006, cumulative)	\$407.2 million	\$47 million	8.7:1
KTEC (Kansas, 2008 only)	\$18.4	\$2.1 million	8.6:1
OTF (Ohio, 2009 cumulative)	\$3.2 billion	\$473 million	6.8:1
North Dakota (2009 cumulative)	\$130 million	\$19.9 million	6.5:1

IP Practices and Technology Transfer Policies

The COE goal of creating close partnerships among universities and private firms for stimulating commercial development gives some priority to consideration of statewide and institution specific intellectual property (IP) practices and technology transfer policies. We have seen a recent intensification of the long simmering national dialogue over how to dramatically improve the movement of discovery into commercial application, and in that context, the roles of federal and state policy and the evolving role colleges and universities.¹² We will use elements of this dialogue to help frame the

¹²For a good analysis of new roles for institutions of higher education see David F. Shaffer and David J. Wright, *A New Paradigm for Economic Development: How Higher Education Institutions Are Working to Revitalize Their Regional and State Economies*, The Nelson A. Rockefeller Institute of Government, University at Albany, State University of New York, March 2010. For a good state policy issues summary see Thom Rubel and Scott Palladino, *Nurturing Entrepreneurial Growth in State Economies*, National Governors' Association, Center for Best Practices, 2000.

issues of greatest relevance both to the North Dakota COE program and to the broader statewide review of university IP and technology transfer that is currently underway. We will focus first on current practices and policies as they interact with the COE program and then discuss some potential new directions.

The center director surveys and interviews with key stakeholders revealed mixed comments concerning IP practices and technology transfer policies in the COE context. Some held a quite sanguine view that no serious issues existed, and that with persistence they had been able to negotiate required agreements. Others saw flaws in state and university policy and guidance that were barriers today, and would only become more serious over time. The information gathered and the issues discussed at the NDSU Research and Technology Park *Entrepreneurship Retreat* held in August of 2009, help to frame our discussion of several specific challenges facing the COE program.¹³ Two key related issues are: 1) confusion about IP management and technology transfer policies; and 2) the applicability of the provisions of the Bayh-Dole Act to specific COE programs and projects.

- **Confusion:** One key challenge is confusion about rules and procedures, within the universities, among COE staff, and by current and potential private firm partners in COE activity. The State and the universities have explicit documented policies and procedures for IP management and technology transfer (now under review), but it is clear that the guidance is not widely known or understood among the COE community. We strongly recommend:
 - Preparation of specific materials targeted to the COE programs and their industry partners, including draft contractual language.
 - These materials should serve as the basis for a training session for center directors and staff.
 - The COE Commission should include a section in future proposal guidance that requires the partners to discuss IP management plans in the proposals and for the parent university to certify that these plans comply with university and state policy and guidance.¹⁴
- **The Bayh-Dole Act:** A related concern was the impact of federal funding on the ownership of IP associated with COE programs and projects. Uncertainty about the rules and specifics concerning how the universities and COE directors managed and accounted for the use of federal research funding introduces perceived risk among private partners (current or potential) in COE programs. The Bayh-Dole Act (University and Small Business Patent Procedures Act, adopted in 1980, in 35 U.S.C. § 200-212[1], and implemented by 37

Recommendation 3.0

Educate, Train and Provide Services in Intellectual Property (IP) Practices and Technology Transfer:

Prepare specific materials providing detailed guidance about rules and procedures for IP management and technology transfer targeted to the COE programs and their industry partners in an effort to alleviate confusion and uncertainty.

¹³ NDSU Research and Technology park, *Entrepreneurship Retreat*, Vergas, MN, 2009.

¹⁴ This not to imply that negotiated agreements need to be in place prior to proposal submission. The purpose is to ensure that a process is in place and that the parties clearly understand their respective rights and obligations.

C.F.R. 401) deals with intellectual property arising from federal government-funded research.¹⁵ Among other things, it gave U.S. universities, small businesses and non-profits control over the intellectual property of their inventions and other intellectual property that resulted from such funding (a major policy change to improve technology commercialization). Any co-mingling of funds (among or between programs or projects that receive federal funds) will subject all generated IP to the federal statute, with some limited exceptions.

The definition of subject invention in the statute – “any invention” that is “conceived or first actually reduced to practice in the performance of work under a funding agreement” – the definition is so broad, and the exemptions so vague that many institutions assume that where federal funds have been used anywhere in a lab, a subject invention exists. With this assumption, all IP becomes university property.

We recommend that each university and COE create a very transparent system to track and report applicable federal funding that would trigger the Bayh-Dole Act provisions for specific COE projects and proposals (provisions that under certain conditions would assign all project IP as university property regardless of the private sector contribution). Absent clarity, experienced firms will generally assume Bayh-Dole is in play, and may limit COE participation in the development of core technology, while inexperienced firms can end up in serious IP ownership disputes.

Recommendation 4.0

Monitor Federal

Funding: Each university and COE should create a very transparent system to track and report applicable federal funding that would trigger the Bayh-Dole Act provisions for specific COE projects and proposals.

North Dakota and its research institutions are relatively inexperienced in IP management, technology transfer, and technology commercialization. While the universities are evolving IP management and technology transfer policies focused on university developed research, the commercialization focus of the COE program requires them to deal with complex arrangements that include balancing the interests associated with products and processes that incorporate university-developed, industry-developed, and co-developed IP. They must also deal with the “valley of death” that typically exists between university research results (even if patented) and validation of commercial potential. These are challenges faced to varying degrees in all states and by all colleges and universities. North Dakota should consider several initiatives that offer strong potential to significantly improve the overall effectiveness of IP management, technology transfer, and technology commercialization, with direct collateral benefit to COE program success.

Build experience, economies of scale, and depth in priority areas

Successful technology transfer is not dependent on any one factor but instead on the confluence of multiple factors inside and outside the academic institution. In summarizing the activities of institutions that have achieved an amount of success in the technology transfer process, The Innovation Associates

¹⁵ Title 37 — Patents, Trademarks, and Copyrights, "Chapter IV — Assistant Secretary for technology policy, Department of Commerce. Part 401 — Rights to inventions made by nonprofit organizations and small business firms under government grants, contracts, and cooperative agreements.

Technology Transfer and Communization Partnerships wrote, "Technology transfer and commercialization are as much an art as a science, and personal relations between technology transfer agents and faculty, corporate licensees and business and investment communities were key to successful efforts."¹⁶ This leads to a conclusion that volume of activity is critical to building and maintaining the experience base and network of relationships required for a highly successful program.

Research and benchmarking prepared for or using the data collected by the Association of University Technology Managers (AUTM) provides useful results and observations in support of this conclusion:

1. There is a direct relation between volume research expenditures and other metrics leading to commercialization (disclosures, patent filings, patent expenditures, licensing income, new start-ups). This relationship is not surprising. However, the relationship is highly variable among schools reflecting type of research (social sciences, science, medical, agricultural, engineering, etc), funding sponsors (NIH/NSF vs. mission-oriented agencies like DoD vs. industry), and mix between basic and applied.
2. There is a direct relation between technology transfer success and resources devoted to the function, especially staffing, among comparable groups of institutions. A technology transfer office must be adequately staffed to be effective in developing relationships inside the university, in developing and maintaining relationships with external partners, in developing the domain depth in target technologies/industries, and in providing the technical, legal and other support required. Effectiveness and productivity vary considerably among institutions, but to a point economics of scale are very important.
3. Institutions with smaller research volumes do not justify large IP management and technology transfer staffs, and further do not provide the opportunity to develop the depth of expertise required in the various specialties. Even in institutions with quite large research volumes, technology management is frequently underfunded, leading to delays, poor responsiveness to faculty, restrictions on patent filings, and weak external marketing.

We recommend that North Dakota move towards a more integrated statewide program across all state institutions of higher education, to take advantage of economies of scale and existing pockets of expertise. Special attention must be given to the balance of requirements for activities that must be on-campus and those that benefit from consolidation and economies of scale. Whatever the final structure, the goal is to create a high quality, highly responsive technology management activity that can seamlessly serve all campuses and COEs statewide.

- A range of administrative, legal, finance, communication, and general marketing functions are easiest to consolidate. However, great care must be given to the process – the goal is increasing effectiveness and reducing, not increasing administrative burdens and delays.

Recommendation 5.0

Adopt a more integrated statewide technology management program:

The goal is to create a high quality, highly responsive technology management activity that can seamlessly serve all campuses and COEs statewide.

¹⁶ Innovation Associates, *Technology Transfer and Commercialization Partnerships*, October 2007. As reported in Maryland TEDCO, *Technology Transfer Performance of USM Institutions*, Appendix 9, January 2009.

- Another key opportunity is to create specialization among staff around a set of targeted critical technical/industrial areas, regardless of actual location. For example, the same team would focus on energy technologies across all universities. Team members could be co-located or dispersed, but must operate as a unit statewide.
- A third key advantage would be creation of an integrated statewide portfolio of technology that may offer greater value than an individual patent or copyright, and is certainly easier to market to potential licensees or commercialization partners. The Maryland Technology Development Corporation (TEDCO) provides one solution that might serve as a model to help support a statewide “one-stop-shop” for technology.

BEST PRACTICE

The Maryland Technology Development Corporation (TEDCO) launched a new intellectual property database in late 2007 that streamlines the search process for innovation investors.

The Web-based resource, InvenioIP (<http://www.invenioip.org/>), was developed at the University of Maryland, Baltimore, and allows free access to technologies available for commercialization from academic institutions, federal research facilities and private companies in Maryland, D.C., and Virginia. InvenioIP was designed to be a one-stop shop for those seeking progressive innovations and a valuable resource for researchers, developers and technology investors. InvenioIP provides summaries and investigator contact information for more than 2,700 technology innovations. Each summary includes a brief description, potential applications, licensing and patent information.

Source: Rachel Bernstein, “Maryland sets up online database of intellectual property,” *Washington Business Journal*, January 14, 2008.

Develop a COE based “Proof-of-Concept” program

As noted above, a dialogue is raging over how to make university-based technology transfer and commercialization more successful. Without exploring the multiple dimension of the policy debate, the essence is that the nation is not seeing enough value from public investments in R&D, and different stakeholders are offering very different solutions.¹⁷

¹⁷ The polar opposite players are the Kauffman Foundation and AUTM. Kauffman views a large share of the technology transfer operations on university campuses as a key part of the problem and want to create a more competitive system. AUTM sees the Kauffman proposals as not only fundamentally flawed, but likely to destroy critical institutional assets built up since passage of Bayh-Dole in 1980. For the Kauffman position see Robert E. Litan and Lesa Mitchell, the Kauffman Memo to the US Department of Commerce, “Accelerating the Commercialization of Government-Funded University-Based Research,” August 17, 2009; and Robert E. Litan and Lesa Mitchell, “A Faster Path from Lab to Market,” *Harvard Business Review*, January-February, 2010. For key rebuttals see, A.S. Pradhan, President AUTM, letter to the US Department of Commerce, :RE: Bayh-Dole and

There is broad consensus that the nation needs to do a better job of commercializing R&D. The strategy of universities since passage of Bayh-Dole has primarily been concentration on use of their "technology transfer" offices to introduce businesses and investors to patented university research and help schools strike licensing deals. Corporate executives and investors complain that overly rigorous, or simply overwhelmed tech transfer offices take too long to negotiate licensing agreements. Further, the offices often try to sell ideas with unproven commercial relevance (the valley of death challenge noted above).

Universities have struggled to provide mechanisms that move innovation into the marketplace. This is not something that happens naturally or easily for a number of reasons.¹⁸

- University-developed technologies often require that additional work be conducted to determine whether the technology has commercial potential.
- It is difficult to find funding to advance the commercialization of technology owned by universities.
- Often, it may be necessary to surround the original discovery with additional patents and protections, and is almost never fundable through conventional, peer-reviewed federal programs.
- Even if commercial potential can be demonstrated, investors and customers are often unwilling to assume the risk that is associated with new technology.
- Small businesses, which are often the most innovative, generally lack the financial resources.
- Academic researchers often do not understand the marketplace and what commercial potential might exist for their discoveries.

Universities and state programs have been using a variety of means beyond traditional licensing to address these concerns. Funding has been provided to universities to become more directly involved in the commercialization process, often through commercialization offices or, more frequently, stand-alone commercialization centers. University commercialization programs vary in structure, services offered, and technologies targeted, but all take an active role in seeking out entrepreneurs and companies as partners and, in some cases, spinning off new companies. They provide assistance to researchers, inventors and entrepreneurs to help transform ideas or innovations into products ready for manufacture, marketing and distribution. They support patent applications, engineering and testing and development of business and marketing plans. They link entrepreneurs with sources of business and management expertise and help them access capital by linking firms with sources of risk capital, including both angel investors and venture capital funds, or by providing capital directly. In some cases they collaborate with or hand off clients to entrepreneurial centers, in others they tend to serve both functions. In some cases, they are designed to operate as commercial entities, such as IllinoisVentures.

Many of the programs noted above, such as IllinoisVentures, are most effective with mature commercialization opportunities. The challenge that many university programs face is identifying and nurturing immature concepts. Various states have introduced early-stage proof-of-concept funding into technology commercialization programs – some as formal centers, others as funding programs.

University Technology Transfer Effectiveness," January 6, 2010.; and M.E. Coticchia, Vice President for Research and Technology management, Case Western Reserve University, letter to The Association of American Universities, "Response to HBR "Idea" of Letting Academic Researchers Choose Licensing Agents," January 7, 2010. All of these documents can be found at [www. AUTM.net](http://www.AUTM.net).

¹⁸ SSTI, supra note 1 at p.24-25.

BEST PRACTICE

IllinoisVentures -- University-based seed and early-stage technology investment firm:

The University of Illinois created a wholly owned commercialization company, IllinoisVentures LLC, to work with campus technology transfer offices, faculty and outside entrepreneurs to create start-up companies to which the university can license intellectual property. It has expanded beyond that to become a premier seed and early-stage technology investment firm focused on research-derived companies in information technologies, physical sciences, life sciences and clean technology, based on work conducted at Midwest Universities and federal laboratories. IllinoisVentures has been consistently named by Entrepreneur magazine to its national list of the top 100 venture capital firms.

Source: <http://www.illinoisventures.com/>

The intent of early-stage proof-of-concept funding is to uncover commercial opportunities unforeseen by researchers untrained in examining market opportunities. The ultimate objective is to address the valley of death between science and commercial potential.

"Many of the great ideas get stuck in labs because scientists don't have access to the kind of ecosystem" that Deshpande and other proof-of-concept centers offer, says Amy Salzhauer, a founder of Ignition Ventures, an investment firm based in Boston and New York that works with scientists to set up companies. "This is a way to better harvest those ideas."¹⁹

In general, these programs offer small grant awards ranging from \$50,000 to \$250,000 focused on due diligence to determine whether there is any commercial value. In some cases, small additional funds may be made available to further refine the "proof of concept." Other programs provide support to advance ideas beyond proof-of-concept thus reducing risk for investors and customers.

The Obama Administration supports the proof-of-concept approach and has announced a proposal to initiate a \$12 million experimental program next year allocated among several institutions to focus on proof-of-concept centers. Many prefer more organic processes than creation of a formal center. The University of Utah's program has been structured as an alignment of the Technology Commercialization Office with the business school, permitting researchers to work more closely with business students and faculty. The University of Virginia hosts a series of proof of concept review sessions, where academics and investors evaluate ideas.

In Pittsburgh, one of the larger state-financed proof-of-concept programs, Innovation Works, has contributed some \$45 million over the past decade to helping the researchers from regional universities, the National Energy Technology Laboratory (NETL) and regional businesses prove out the concept and present them to investors. They report to have attracted over \$800 million in venture capital and to have generated some 3,000 local jobs over this same period.²⁰

¹⁹ Bob Tedeschi, "The Idea Generator Goes to Campus," *The New York Times*, June 25, 2010.

²⁰ Innovation Works, 10 Year Community Report, Innovation Works is the Southwestern Pennsylvania Ben Franklin Technology Partner, an initiative of the PA Department of Community and Economic Development and is overseen by the Ben Franklin Technology Development Authority.

BEST PRACTICE"Proof-of-concept" approach as a center:

Perhaps the first proof-of-concept center, the William J. von Liebig Center, was established in 2001 at the University of California, San Diego. Another oft-noted best practice center is the Deshpande Center for Technological Innovation at M.I.T., originally founded with a private donation. While the von Liebig and the Deshpande centers are the highest-profile successes in this realm, similar entrepreneurial surges are occurring at other schools, like the University of Utah, Georgia Tech, the University of Kansas and the University of Southern California.

Source: Bob Tedeschi, "The Idea Generator Goes to Campus," *The New York Times*, June 25, 2010.

"Proof-of-concept" approach as a fund:

1. Maryland TEDCO - The TechStart Program (TSP) provides up to \$15,000 to further evaluate the feasibility of a technology from a Maryland university or federal lab to be the basis of a startup company. Funds are to be used for tasks critical to determining the viability of a new company formed around the spin-out technology.
2. Maryland TEDCO - The University Technology Development Fund (UTDF) provides up to \$50,000 for proof-of-concept studies or patent extension research on Maryland university-owned technologies to demonstrate their ability to meet identified market needs. The objective is to make the technologies more attractive to licensees preferably based in Maryland.

Source: <http://www.marylandtedco.org/abouttedco/index.cfm>

We recommend creating a proof-of-concept fund within the COE program to help tease out commercial ideas that otherwise might be left on the table. It should have easy access--open submission or perhaps a quarterly cycle. This would open the program to earlier stage opportunities and perhaps induce smaller companies to participate. Key success factors include:

- Provide small amounts of flexible funding to conduct testing, to validate the technology and to determine whether it meets a market need at a competitive price.
- Connect university inventors with entrepreneurs, investors, and commercial partners.
- Encourage interactions between university researchers and industry to help identify commercially relevant research questions; ensure that researchers are aware of both developments in the marketplace and the technological challenges facing specific industries.

Recommendation 6.0

Develop a COE based "Proof-of-Concept" program: Create a "proof-of-concept" fund within the COE program to help tease out commercial ideas that otherwise might be left on the table.

Investment Decision and Oversight Processes

Responsible stewardship of state money is a charge shared by the North Dakota Department of Commerce and the Center of Excellence Commission. Defining responsible stewardship is complex, relies heavily on compliance with the statutes, and must evolve as the COE program matures and changes. In balancing a public investment portfolio, it is especially critical that the decision process be predictable, transparent and consistent throughout all program phases:

1. Initial identification of the investment opportunity.
2. Qualification of the opportunity.
3. Due diligence (technology evaluation, program compliance, independent market research and analysis, market strategy, credit checks on principals, management team background, financials).
4. Review and recommendation by the approval bodies.
5. Signing of compliance and closing documents.
6. Transfer of funds.
7. Continued progress monitoring and reporting.

After reviewing the legislative record, analyzing key documents such as the Performance Audit Report, assessing program changes since its inception and interviewing key stakeholders, it is clear that the financial assistance decision-making structures and processes instituted by the North Dakota Department of Commerce and the COE Commission comply with the statutes. Programmatic changes made in 2007 and 2009, and Department of Commerce responses to findings in the 2009 Performance Audit Report have corrected situations where actual practice had fallen short.

During our assessment of investment decision and oversight processes, several issues emerged that require discussion, either with regard to national best practices or in response to stakeholder feedback:

- The COE proposal process
 - Peer review
 - Length of the proposal review process
 - Match requirements
- Execution, monitoring and reporting
 - Limitation on overhead
 - Complexity

COE Proposal Process

Administrative changes since the Department of Commerce was assigned to support the COE have significantly improved the proposal review process. Commission members expressed strong confidence

in the consistency and integrity of the processes in place. The investment decision-making process has become more transparent and consistent over time, due to experience, improved documentation, and an atmosphere of open communications.

Center director training has been implemented and key guidance for centers and private sector partners has been or is being documented. We discuss below some areas where improved documentation and guidance is needed.

Peer Review of Proposals

Based on a national battery of interviews of center directors and program managers, SSTI identified peer review of proposals as a key best practice to ensure that the competitive process is supporting good science and provides some insulation of the selection process from politics. Some states use out-of-state reviewers, others use a mix of in-state and out-of-state reviewers, as required. For programs, such as in North Dakota, where commercialization is a top priority, review teams should include individuals with both academic and industrial experience.

This topic has received considerable discussion among Department of Commerce staff and members of the COE Commission. To date, the Commissioners have felt comfortable with the process, and have not required technical support beyond that available from the Department of Commerce. The Commission and Department of Commerce remain prepared to bring peer experts into the review process, if required.

However, as the program moves forward, it is highly likely that the proposals will require increasingly technical review and more sophisticated evaluation of commercialization potential. TPMA recommends that an independent peer review process be incorporated into future proposal rounds. We believe this will:

- 1) Help to pre-empt potential future political challenges.
- 2) Bring external feedback that can be used to significantly improve center operations and future proposals.
- 3) Expose North Dakota R&D and commercialization programs to a cadre of national experts.

Recommendation 7.0

Add Independent Peer Review to the COE Proposal Process:

Adding an independent peer review to the COE proposal process will be critical as the COE program moves forward. It is highly likely that future proposals will require increasingly technical review and more sophisticated evaluation of commercialization potential.

Peer review could be scheduled immediately following the Department of Commerce review phase. Without other changes, this could add time to the review process.

BEST PRACTICE

South Carolina Centers of Economic Excellence (CoEE) Program:

To receive award funding for a CoEE, the three research universities submit proposals that undergo a three-tier review process.

1. CoEE Review Board: Each proposal is subject to a technical review by scientific experts in the proposal's related field
2. CoEE Onsite Review Panel: Senior research officials from the Association of American University Institutions evaluate the proposals and visit all three South Carolina research universities to hear presentations and conduct interviews of investigators and university administration and submits final report with recommendations for award funding to CoEE Review Board
3. CoEE Review Board: Votes on which new Centers of Economic Excellence to fund at final quarterly meeting each fiscal year.

Source: <http://www.scoee.org/>

Ohio Third Frontier Program:

The Ohio Third Frontier Program offers a different focus in each round of its competitions. It funds Centers in one round, projects in another, infrastructure in yet another. Although the focus changes from round to round, the fundamental review model remains the same.

1. The Third Frontier Commission prepares and issues a detailed solicitation and bid package. They also prepare specific guidance for reviewers. The state commissions the National Research Council of the National Academy to recruit a balanced review committee of scientific, engineering, and business expertise
2. Commission Staff review proposals for compliance and completeness, then forward valid proposals to the review committee
3. The review committee holds an initial review meeting, making a preliminary down-select of teams for continued evaluation. Specific questions are provided to each team invited to interview.
4. The review committee holds a second set of one-on-one meetings with the down-selected teams, and prepares its final recommendations for potential funding
5. The Third Frontier Commission meets to review the committee recommendations and votes on their decisions to fund.

Source: <http://thirdfrontier.com/>

Length of the Proposal Review Process

Concern has been expressed that the COE proposal process is somewhat cumbersome, while at the same time requiring internal pre-proposal down-select processes at the large universities that limit actual time available to prepare quality proposals.

Statute explicitly lays out the review and approval process for new Centers of Excellence awards consisting of five formal evaluations by different organizations:^{21 22}

- Centers of Excellence Commission (with support from the Department of Commerce)
- North Dakota Economic Development Foundation
- State Board of Higher Education
- Emergency Commission
- Legislative Budget Section Committee

Statutory Approval Requirements

15-69-02. (Effective through July 31, 2011) Centers of Excellence.

A commission funding award recommendation must be for a specified amount. Designation of a center occurs upon board, foundation, and budget section approval of a commission funding award recommendation. In considering whether to designate a center, the board, foundation, and budget section may not modify the commission recommendation. The budget section may not take action on an original commission funding award recommendation until the emergency commission reviews the commission recommendation and makes a recommendation to the budget section. Upon receipt of a commission funding award recommendation, the budget section shall approve the recommendation, reject the recommendation, or re-refer the recommendation to the commission with recommended modifications. If the commission receives a re-referred recommendation from the budget section, the commission shall determine whether to modify the recommendation or whether to retain the recommendation and provide additional information with the recommendation.

Based on the time-line for the most recent round of COE funding (Table 9), it is clear that in light of statutory requirements, the overall review process is actually very efficient. However, it also confirms that relatively little time is available to the prospective centers for detailed partner identification, negotiation and proposal development. Potential candidates feel constrained in negotiating with partners and putting detailed plans together until the internal university review and down-select process are complete, and the State Board of Higher Education has given their nod of approval. Moreover, potential private sector partners are unlikely to negotiate seriously and seek approvals in their chain of command for match until they know for sure that a proposal is being submitted.

²¹ 15-69-02. (Effective through July 31, 2011) Centers of excellence.

²² A brief description of the roles of each of these organizations is provided in Appendix E.

Without a statutory change in the number of organizations in the approval process, the best solution is for the Commission to begin the application process (even if in draft form) one to two months earlier, permitting the internal down-select and Board of Higher Education notification to occur before the official process begins.

Alternatively, the legislature could choose to remove one or more organizations from the approval process. Since both the State Board of Education and the North Dakota Economic Development Foundation have members on the Centers of Excellence Commission, and have never disagreed with a Commission recommendation, these two are candidates for removal from the approval process.

The Centers of Excellence Enhancement Grant program, established in 2009, does not follow the same complex review process. The Centers of Excellence Commission can approve awards based upon the criteria established in statute.

Table 9: SAMPLE TIME-LINE FOR CENTERS OF EXCELLENCE FUNDING²³

January 6, 2010	Application form, with any revisions, forwarded to colleges and universities
January 6 – March 12, 2010	Colleges and universities utilize their own process to determine which two proposals are submitted for consideration by the Centers of Excellence Commission. Each proposal must contain the college or university president's signature.
February 10, 2010	According to State Board of Higher Education policy 1914, colleges and universities are required to submit a brief synopsis to the Chancellor of any applications they plan to submit
March 12, 2010	Deadline for submission of proposals (to be reviewed for completeness and compliance) to be considered during the spring 2010 round of applications
March 15 – April 2, 2010	Commerce staff conducts due diligence on the applications including visiting with applicants and private sector partners when appropriate
April 5, 2010	Finalize review comments regarding completeness and compliance
April 6, 2010	Review comments forwarded to colleges and universities
April 23, 2010	Deadline for submission of final proposals to be considered during the spring 2010 round of applications
April 26, 2010	Proposals forwarded to Commission for review along with a due diligence report from the Department of Commerce
May 4, 2010	Commission conference call meeting to determine if any independent, expert reviews or additional due diligence is needed
May 10, 2010	Presentations on Centers of Excellence proposals before the Centers of Excellence Commission
May 19, 2010	Centers of Excellence Commission meeting to act on applications
May 25, 2010:	North Dakota Economic Development Foundation Board meeting to act on Commission-approved proposals. Decisions subsequently forwarded to the State Board of Higher Education (SBHE)
June 7, 2010	SBHE meeting to act on Commission-approved proposals. Decisions on proposals subsequently forwarded to the Budget Section

²³ TIME-LINE FOR SIXTH ROUND OF CENTERS OF EXCELLENCE FUNDING, January 5, 2010.

June 18, 2010	Emergency Commission meeting to review proposals and make recommendations to Budget Section
June 18, 2010	Proposals e-mailed to Budget Section
June 22, 2010	The Budget Section will meet and could approve, disapprove, or rerefer proposals which have been approved by the Commission, Foundation and SBHE
July thru September, 2010	Centers of Excellence funds could be made available to the colleges and universities

Matching Requirements

According to statute, the state's investment must be leveraged on a 2:1 basis with private sector and federal funds. This matching level and the recent strong programmatic preference toward cash rather than in-kind generated considerable discussion in our interviews and comments in our survey of center directors.

On the one hand, most similar programs nationally accept the importance of having "skin in the game" from private companies in activities with a strong commercial focus. Further, in-kind match is difficult to quantify and can be manipulated to look larger than it is. Some participants clearly felt that the high match would attract only the most commercial-ready partners and help to filter out the more speculative.

Recommendation 8.0

Reassess Matching Requirements:

Leadership should consider reassessing the 2:1 match requirement, either across the board, or specifically for smaller firms.

On the other hand, our interviews supported the commonly held perception that a high match requirement, especially in cash, is far more difficult for smaller companies to provide. How serious a problem this is remains quite anecdotal. Nationally, smaller, younger companies are the most dramatic sources of job growth.²⁴ Homegrown companies also are more likely to expand locally than large and out of state companies. In light of the priority given to job growth as a metric for COE success, the program bias towards more mature firms appears to be a disincentive for some of the greatest potential job creators.

A review of match requirement in comparable state and federal programs reveals a great deal of variation. Programs focused on more fundamental R&D have lower match requirements, often zero. Similarly, programs focused on mission critical R&D tend to have little or no match required, until the technology is nearly ready for deployment. In general, the more commercially focused the programs, the higher the match required. A 2:1 match requirement is not uncommon in more commercially focused programs. A few have even higher match targets, but a

²⁴ Tim Kane, *The Importance of Startups in Job Creation and Job Destruction*, Ewing Marion Kauffman Foundation, July 2010, finds that on average and for all but seven years between 1977 and 2005, existing firms are net job destroyers, losing 1 million jobs net combined per year. By contrast, in their first year, new firms add an average of 3 million jobs.

match requirement of 1:1 tends to be the most frequent program design. Some programs specifically call out lower match requirements for small firms and new programs.

Most programs permit in-kind contributions to satisfy matching requirements (at least in part), though the best programs provide clear guidance on acceptable in-kind match calculations (often based on federal program guidance).

We recommend that the leadership reassess the 2:1 match requirement, either across the board, or specifically for smaller firms. Further, we recommend that clear guidance be provided on permitted in-kind match.

Execution, Monitoring and Reporting

The COE program has evolved considerably in terms of overall administration, and our survey of center directors provided comments on strengths of the COE program:

- Knowledge of the Commerce staff.
- State personnel ability to answer questions.
- Ease in working with Commerce staff and Commission members.

The survey responses and our interviews revealed two specific execution, monitoring and reporting issues deserving examination:

- Based on the center directors survey, 70% feel the reporting requirements are excessively time consuming.
- Directors and university leadership made special note that the inability to recapture overhead expenses for the COE administration negatively affects their budget.

Limitation on Overhead

Universities are unable to use state COE funds to cover overhead charges. This reflects the legislative perception that these costs are already provided for in state funding for higher education and should not be paid twice. To a significant degree, this is true.

University leadership sees the COE program like any other activity, and believes it should bear a fair share of allocated overhead costs. This position also has validity. Further, there are some clear net new overhead costs caused by the programs itself (such as the new annual audit).

The debate over appropriate university overhead charges on R&D grants and contracts will not be resolved here, but it is appropriate to observe that the federal government, states and foundations have struggled with this issue for years. The outcome has been a trend towards acknowledging that some overhead is justifiable but setting caps on allowable cost. Since it is clear that the COE program imposes some new costs, we recommend that a modest overhead charge be permitted on state provided COE funds (suggested 5%-10%).

Recommendation 9.0

Allow for Modest Overhead:

Permit a modest overhead charge to universities on state provided COE funds (on the order of 5%-10%), since it is clear that some new costs are imposed by the COE program.

Reporting Requirements

Center directors clearly view the reporting requirements as onerous and time consuming. They also report that the data the state wants them to collect from their private partners is part of the problem. Firms do not want to disclose detailed employment and wage data for competitive reasons. Discussions about reporting requirements with university leadership suggest that Center directors may not be the best point for the reporting tasks. There are several opportunities to help deal with this challenge.

First, the Commission and the Department of Commerce should convene a working group of COE private sector partners and potential partners to discuss their perceptions of the COE program and its policies and procedures. This would build upon the survey conducted during the spring of 2010. Specifically it should seek their input on the best ways to collect the jobs and wage data that the State needs to report progress.

Second, the Department of Commerce and the COE Commission should develop guidance documentation regarding reporting policies and procedures that become part of any contractual negotiation between a COE and a private party.

Third, these policies and procedures need to be incorporated into the newly launched training program for COE staff.

Fourth, reduce part of the reporting burden by addressing additional streamlining, record consolidation and standardization procedures through the creation of an intranet site and adoption of tracking software. Documents and regular financial reports could be posted to the site upon their receipt so that an electronic file is easily and remotely available to Department of Commerce staff and Commission members. Among others, Indiana's 21st Century Research and Technology Fund uses such a secure reporting vehicle.

Recommendation 10.0

Review Reporting Requirements:

Center directors clearly view the reporting requirements as onerous and time consuming. They also report that the data the state wants them to collect from their private partners is part of the problem. Firms do not want to disclose detailed employment and wage data for competitive reasons. Discussions with university leadership about reporting requirements suggest that Center directors may not be the best point for the reporting tasks. We see several lines of attack to help deal with this challenge.

Section III: New Directions

Eminent Scholar

Many states and universities have targeted building their research base by investing in attracting world-class faculty, often referred to as Eminent Scholars. During the early 1980s, the University of Texas filled 32 endowed positions in engineering and the natural sciences, with an aggressive targeted recruiting program. Subsequently, Georgia and Kentucky grew their R&D bases through Eminent Scholars programs.

Recommendation 11.0

Create a targeted Eminent Scholar program:

North Dakota should give strong consideration to funding a complementary Eminent Scholar program specifically focused on priority industry sectors, tied to existing COEs, and linked to industrial experience and/or a commercialization track record.

Eminent Scholars programs provide funding for endowed chairs, i.e. a position is endowed via a significant up-front investment and the income from the endowing investment is used to pay the salary of the Eminent Scholar, as well as other associated expenses. The cost to endow a position in the 2005 time frame ranged between \$3 million and \$6 million. This would cover all or most of the incumbent's salary, some "start-up" costs to outfit a laboratory, and possibly some research assistant positions. A cluster of such appointments can help to build a regional knowledge economy in targeted clusters.

Traditionally, Eminent Scholars programs are designed to increase the R&D dollars flowing into a university or state by recruiting faculty with an excellent record of accomplishment in securing R&D awards. As such, it has been very attractive to university programs and states with weaker R&D bases. Eminent Scholars do not necessarily lead to direct economic benefit. Some states have explicitly targeted Eminent Scholars with a history of commercial spin-offs and technology transfer.

With the state COE program launched, North Dakota should strongly consider funding a complementary Eminent Scholar program specifically focused on priority industry sectors, tied to existing COEs, and linked to industrial experience and/or a commercialization record of accomplishment. Such a program cannot be tied to competitive bidding rounds. It needs to be a flexible fund that can be called upon in response to emergent opportunities in a targeted recruiting strategy. Criteria must be flexible, but with very high minimum standards.

The Georgia Research Alliance's (GRA) Eminent Scholars program is considered one of the best in the nation. Their selection criteria present a good starting point for discussion:²⁵

- Eligible at the rank of professor.

²⁵ SSTI, supra note 1 at p. 19-20.

- Grant productivity – faculty recruited as eminent scholars should be expected to generate \$1 million or more in R&D awards over a couple of years or be able to bring in a major grant for a center or other major effort.
- Well respected in their field and broadly cited in the literature over a sustained period.
- Working in a field in which there is general consensus that the field will be strong for the next several years.
- Demonstrate potential for developing a large-scale, comprehensive, well-funded interdisciplinary center.
- Have a track record of building teams and mentoring others rather than acting primarily in the capacity of an individual investigator.
- Exhibit characteristics that suggest they can interact at a high level with not only academics but with industry and government as well.
- Have an interest in entrepreneurship, which can mean being entrepreneurial in terms of creating his or her own company or willing to work with entrepreneurs or companies interested in commercializing a new technology or discovery.

BEST PRACTICE

Kentucky

"In Kentucky, the first \$20 million appropriation to the state's Research Challenge Trust Fund, also known as Bucks for Brains, was used to purchase research equipment. It was only after this investment that a second appropriation of \$110 million was used to recruit faculty."

Source: SSTI, supra note 1 at p. 20

Georgia

"With the early support of then Gov. Zell Miller and the state legislature, GRA secured a state commitment of \$750,000 to match \$750,000 put up by one of the universities to sponsor each "eminent scholar" recruited. The \$1.5 million total endowment is used as the scholar sees fit to support the research. The university in question is responsible for the salaries of the scholar and others involved in the particular project. Because one of the critical recruitment incentives for such scholars is the availability of laboratory equipment, GRA helps fund that, too. It helps match grants, primarily federal, that fund laboratory equipment needed for specific funded projects. It also helps plan, finance, and incubate high-tech startup firms derived from university research."

Source: David F. Shaffer and David J. Wright, *A New Paradigm for Economic Development: How Higher Education Institutions are Working to Revitalize Their Regional and State Economies*, The Nelson A. Rockefeller Institute of Government, University at Albany, State University of New York, March 2010, p. 15.

A critical aspect of Eminent Scholar recruitment is willingness and ability to fund the necessary research infrastructure – labs, equipment, and related facilities for associated research team members. Infrastructure funding must be offered with the endowed chair in order to attract an eminent scholar. Georgia’s GRA frequently uses their Centers of Research Excellence program to help ensure that the centers have sophisticated infrastructure to support both fundamental and translational research required to attract Eminent scholars. GRA’s investments frequently take the form of matching funds to attract large federal and private research funding.²⁶

An Eminent Scholar program can effectively build a university’s research portfolio, and, if part of the selection criteria, build both target cluster depth and entrepreneurial activity. An alternative argument is that for similar investment, one might recruit several high quality junior faculty who might be future eminent scholars. We believe that the best strategy is a mix. Target a few superstars and build a team around them.

Small Business Grant Program

As discussed above, the 2:1 match requirement combined with a strong bias towards cash and certain other program elements tends to create barriers to COE participation by smaller firms. It also concentrates on more mature projects and reduces risk of the overall program.

From an economic development strategy perspective, young smaller firms are more likely to have a greater impact on high-wage job growth than do larger out-of-state firms. As such, TPMA recommends consideration of either a lower set of match requirements for smaller firms or a separate competitive grant program for the COE to engage smaller firms.

An approach that has proven useful in other states is an SBIR match program. These come in several flavors, but the most common is a Phase I match designed to help fund the gap between a Phase I and Phase II award. Another variant is a partial Phase II grant focused on commercialization of the Phase II results. Both rely on the federal agency review process to validate to quality of the proposal. The state role is monitoring the proposed use of funds.

Federal Funding Match

A great deal of attention has been paid to the need for match to receive state funds, but the reverse is also true. Federal agencies increasingly expect recipients to have a financial commitment as well. Universities are expected to have or build research infrastructure and provide or find private sources of cash and in-kind match as conditions for bidding on many solicitations.

Recommendation 12.0

Create a Small Business Focused Grant Program:

- That reduces match requirements for smaller firms on existing grants.
- That offers a separate competitive grant fund for the COE to engage smaller firms.
- That provides matching grants to firms that have won a competitive Federal SBIR grant. The purpose of such a match is to support movement along the commercialization pathway.

²⁶ <http://www.gra.org/ProgramsInitiatives.aspx>

Recommendation 13.0

Create a Federal Funding Match Initiative:

This fund would be available to help provide local match to university centers which are seeking high value federal (and perhaps foundation funded) projects that meet the highest priority state economic development objectives.

We recommend that North Dakota consider creating a competitive fund that would be available to help university COEs provide partial match in pursuit of high value projects that meet state economic development objectives. As noted above this is part of the Georgia Research Alliance strategy. Criteria would have to be very clear, and the fund probably should not be permitted to provide more than a share of the match.

Strengthen Collaboration and Build Commercialization and Entrepreneurial Networks

Bridging the chasm between academia and industry ultimately require the development of strong networks among academia, COE programs private firms, and external sources of R&D funding and capital. Also critical is development of a deep culture of collaboration among researchers, COEs universities and other outside partners. In a

state as small as North Dakota, cross-COE, cross-institution, and academic/industry collaboration is extremely valuable in building a critical mass of talent in targeted clusters.

An important aspect of successful COE programs is collaboration across many dimensions. In a state as small as North Dakota, cross-COE and cross-institution collaboration in extremely valuable in building a critical mass of talent. It also improves commercialization potential. Responses to our COE directors' survey suggest significant improvement may be possible (Table 10).

Recommendation 14.0

Strengthen Collaboration and Build Commercialization and Entrepreneurial Networks:

Build a networking program around the state focused on linking COEs with firms in target clusters and key external sources of R&D, commercialization, and entrepreneurial funding and support.

Table 10: Director's Survey Result

How would you describe your level of collaboration with other Centers and/or institutions that participate in the program in the state?		
Answer Options	Response Percent	Response Count
Excellent	10.5%	2
Good	26.3%	5
Fair	36.8%	7
Poor	26.3%	5
<i>answered question</i>		19
<i>skipped question</i>		0

We recommend that the Department of Commerce (representing the COE Commission) be assigned the responsibility to begin building a networking program around the state focused on linking centers with target clusters and key external sources of R&D, commercialization, and entrepreneurial funding.

We also recommend that strong incentives be built into funding programs to encourage greater cross-COE, cross-institution, and academic/industry collaboration. Obviously many of the centers are quite different and offer little overlap in technology or industry focus. Others may offer more potential for collaboration than anyone expects. Experience across the nation clearly reveals the value of increased collaboration.

Section IV: Recommendations

Recommendation 1.0 – Pursue a Focused Technology-Based Economic Development (TBED) Strategy

We recommend that North Dakota pursue a very focused Technology-Based Economic Development Strategy (TBED) investment program targeted on leveraging and building state assets, much like Texas did with oil revenues following the oil-shocks of the 1970's and 1980's. To a certain extent, this recommendation is embedded in Goal 3 of the State's new economic development plan, and is being incorporated into the plan for the State Board of Higher Education. We are suggesting that North Dakota leadership adopt an expanded range of strategic TBED objectives.

Recommendation 2.0 – Build and Assign a Metrics Working Group to Report New Performance Measurements for the COE Program that Align with State Level TBED Metrics

2.1 – Gather and assign a small working group to build up a candidate set of linked performance measures that best fit State TBED needs and for reporting on the COE program. Some of the metrics discussed in this report are candidates for monitoring both state TBED progress and COE performance.

2.2 – Include reporting “average leverage” ratios to track total and industry investment leveraged by the state investment as core performance metrics for the COE program. North Dakota captures the basic data already, but the reporting does not focus on explaining the critical nature of “leverage” for achieving longer-term economic development objectives. Carefully documenting federal and private “leverage” trends is one of the better tools for tracking the value of state COE investments. It is among the best return on investment (ROI) metrics used by similar programs across the nation.

Recommendation 3.0 – Educate, Train and Provide Services in Intellectual Property (IP) Practices and Technology Transfer

Prepare specific materials providing detailed guidance about rules and procedures for IP management and technology transfer targeted to the COE programs and their industry partners in an effort to alleviate confusion and uncertainty. Standard contractual language should be made available that can be tailored to each COE and COE-related project reflecting partner objectives, state and institution management policies regarding IP, and the relevance of the Bayh-Dole Act assignment of IP ownership rights (see Recommendation 4.0).

Recommendation 4.0 – Monitor Federal Funding

Each university and COE should create a very transparent system to track and report applicable federal funding that would trigger the Bayh-Dole Act provisions for specific COE projects and proposals (provisions that under certain conditions would assign all project IP as university property regardless of the private sector contribution). Absent clarity, experienced firms will generally assume Bayh-Dole is in play, and may limit COE participation in the development of core technology, while inexperienced firms can end up in serious IP ownership disputes.

Recommendation 5.0 – Adopt a more integrated statewide technology management program

Adopt a more integrated statewide technology management program that can serve all campuses and COEs.

Recommendation 6.0 – Develop a COE-based “Proof-of-Concept” Program

Create a “proof-of-concept” fund within the COE program to help tease out commercial ideas that otherwise might be left on the table. It should have easy access--open submission or perhaps a quarterly cycle. This would open the program to earlier stage opportunities and perhaps induce smaller companies to participate. Key success factors for a proof of concept program must include:

- Provide small amounts of flexible funding to conduct testing, to validate the technology, and to determine whether it meets a market need at a competitive price
- Connect university inventors with entrepreneurs, investors, and commercial partners
- Encourage interactions between university researchers and industry to help identify commercially relevant research questions; ensure that researchers are aware of both developments in the marketplace and the technological challenges facing specific industries of special interest to North Dakota

Recommendation 7.0 – Add Independent Peer Review to the COE Proposal Process

Adding an independent peer review to the COE proposal process will be critical as the COE program moves forward. It is highly likely that future proposals will require increasingly technical review and more sophisticated evaluation of commercialization potential. We believe this will: 1) help to pre-empt potential future political challenges; 2) bring external feedback that can be used to significantly improve center operations and future proposals; and 3) expose North Dakota R&D and commercialization programs to a cadre of national experts. Peer review could be scheduled immediately following the Department of Commerce review phase.

Recommendation 8.0 – Reassess Matching Requirements

8.1 – Leadership should consider reassessing the 2:1 match requirement, either across the board, or specifically for smaller firms.

8.2 – Provide clear guidance on permitted in-kind match.

Recommendation 9.0 – Allow for Modest Overhead

Permit a modest overhead charge to universities on state provided COE funds (on the order of 5%-10%), since it is clear that some new costs are imposed by the COE program.

Recommendation 10.0 – Review Reporting Requirements

Center directors clearly view the reporting requirements as onerous and time consuming. They also report that the data the state wants them to collect from their private partners is part of the problem. Firms do not want to disclose detailed employment and wage data for competitive reasons. Discussions

with university leadership about reporting requirements suggest that Center directors may not be the best point for the reporting tasks. We see several lines of attack to help deal with this challenge.

10.1 – The Centers of Excellence Commission and the Department of Commerce should convene a working group of COE private sector partners and potential partners to explicitly discuss their perceptions of the COE program and its policies and procedures. This would build upon the survey of private participants conducted during the spring of 2010. Specifically it should seek their input on the best ways to collect the jobs and wage (and other) data that the State needs to report progress.

10.2 – Guidance documentation needs to be developed regarding reporting policies and procedures that become part of any contractual negotiation between a COE and a private party.

10.3 – These policies and procedures need to be built into the newly launched training program for COE directors and staff.

10.4 – Reduce part of the reporting burden by addressing additional streamlining, record consolidation and standardization procedures through the creation of an intranet site and adoption of tracking software. Documents and regular financial reports could be posted to the site upon their receipt so that an electronic file is easily and remotely available to Department of Commerce staff and Commission members. Among others, Indiana's 21st Century Research and Technology Fund uses such a secure reporting vehicle.

Recommendation 11.0 – Create a Targeted Eminent Scholar Program

North Dakota should give strong consideration to funding a complementary Eminent Scholar program specifically focused on priority industry sectors, tied to existing COEs, and linked to industrial experience and/or a commercialization track record. Such a program cannot be tied to competitive bidding rounds. It needs to be a flexible fund that can be called upon in response to emergent opportunities in a targeted recruiting strategy. Criteria must be flexible, but with very high minimum standards.

Recommendation 12.0 – Create a Small Business Focused Grant Program

As discussed in the body of the report, the COE program contains elements that tend to create barriers to smaller firms. From the perspective of the state's development strategy, there is high value in engaging young, smaller firms in the COE program. Along with the proof-of-concept program noted above (Recommendation 6.0), which is not specifically small business focused, TPMA recommends creating a small business focused grant program that:

- Reduces match requirements for smaller firms on existing grants.
- Offers a separate competitive grant fund for the COE to engage smaller firms.
- Provides matching grants to firms that have won a competitive Federal SBIR grant. The purpose of such a match is to support movement along the commercialization pathway.

Recommendation 13.0 – Create a Federal Funding Match Initiative

We recommend that North Dakota create or reserve a portion of future COE funding for a state priority COE matching fund. This fund would be available to help provide local match to university centers which are seeking high value federal (and perhaps foundation funded) projects that meet the highest priority state economic development objectives. Criteria for award would have to be very clear. Among others, a state match must be critical to the prospects for success, and other university and private stakeholders must be willing to make a significant contribution as well.

Recommendation 14.0 – Strengthen Collaboration and Build Commercialization and Entrepreneurial Networks

Bridging the chasm between academia and industry ultimately requires the development of strong networks among academia, the COE program, private firms, and external sources of R&D funding and capital. Also critical is development of a deep culture of collaboration among researchers, COEs universities, and other outside partners. In a state as small as North Dakota, cross-COE, cross-institution, and academic/industry collaboration is extremely valuable in building a critical mass of talent in targeted clusters.

14.1 – We recommend that the Department of Commerce, working with the COE Commission, be assigned the responsibility to begin building a networking program around the state focused on linking COEs with firms in target clusters and key external sources of R&D, commercialization, and entrepreneurial funding and support.

14.2 – We recommend that strong incentives be placed in funding programs to encourage greater cross-COE, cross-institution, and academic/industry collaboration.

Suggested Sources

State Science and Technology Institute, *A Resource Guide for Technology-based Economic Development*, Prepared for the Economic Development Administration, U.S. Department of Commerce, August 2006.

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Dr. William Craig, et al, The Software Engineering Institute, Carnegie Mellon University, *Generalized Criteria and Evaluation Method for Center of Excellence: A Preliminary Report*, CMU/SEI-2009-TN-011, TECHNICAL NOTE for the Acquisition Support Program, December 2009, <http://www.sei.cmu.edu>.

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G. Michael Alder, President, National Centers of Excellence, *State Technology Development and Commercialization Programs: A Survey of the States*, Original Study Release Date: September, 2005, Latest Study Update: March 1, 2006.

David F. Shaffer and David J. Wright, *A New Paradigm for Economic Development: How Higher Education Institutions are Working to Revitalize Their Regional and State Economies*, The Nelson A. Rockefeller Institute of Government, University at Albany, State University of New York, March 2010.

Appendices

Appendix A – Milken Institute Ranking

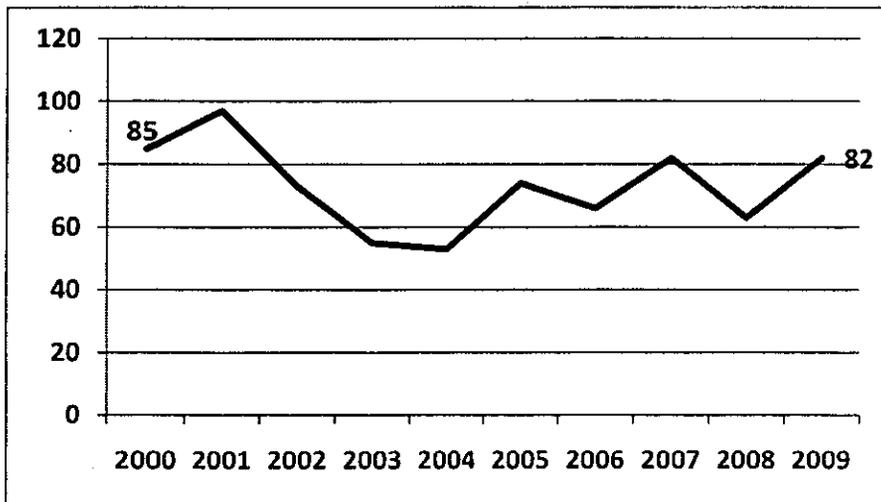
Milken Institute Ranking of North Dakota's R&D Input Composite*

Indicator	North Dakota's Rank		
	2008	2004	2002
Academic R&D per capita	3	14	25
Industry R&D per capita	19	44	44
Federal R&D per capita	30	36	34

*Actual data reported by the NSF lags 2-4 years

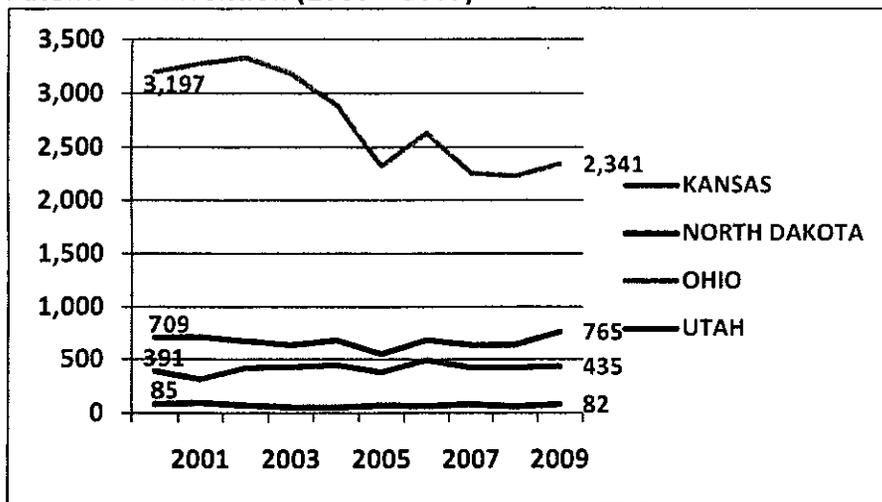
Appendix B – Data on Patents in North Dakota

North Dakota, Patents for Invention (2000 – 2009)



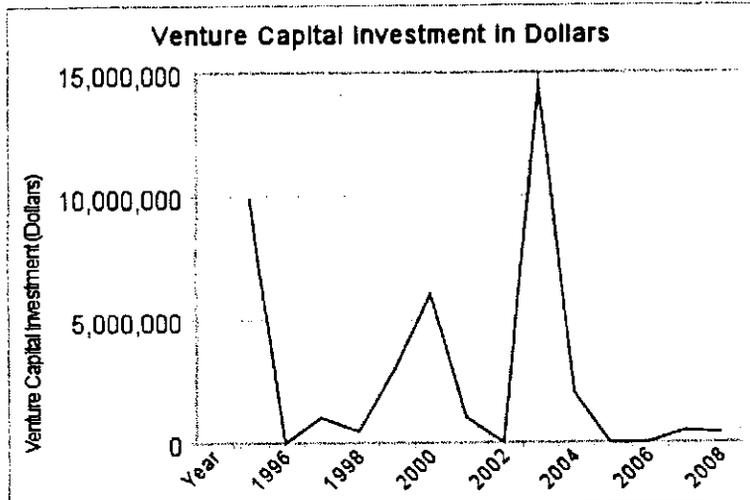
Source: U.S. Patent and Trademark Office

Patents for Invention (2000 – 2009)



Source: U.S. Patent and Trademark Office

Appendix C – Data on Venture Capital in North Dakota



Source: SSTI

Appendix D – NSF Scorecard on North Dakota

Science and Engineering State Profiles: 2006–08: NSF 10-302 | November 2009

Science and engineering profile: North Dakota

Characteristic	State	U.S. total	Rank
Employed SEH doctorate holders, 2006	1,380	620,140	49
S&E doctorates awarded, 2007	79	31,801	45
Life sciences (%)	46	26	–
Psychology (%)	23	10	–
Engineering (%)	10	24	–
SEH postdoctorates in doctorate-granting institutions, 2006	39	49,201	48
SEH graduate students in doctorate-granting institutions, 2006	1,799	542,073	45
Population, 2008 (thousands)	641	308,014	49
Civilian labor force, 2008 (thousands)	370	155,366	48
Personal income per capita, 2007 (dollars)	36,082	38,615	27
Federal spending			
Total expenditures, 2007 (\$millions)	6,766	2,532,073	49
R&D obligations, 2006 (\$millions)	112	107,545	47
Total R&D performance, 2006 (\$millions)	316	335,377	47
Industry R&D, 2006 (\$millions)	120	243,853	47
Academic R&D, 2007 (\$millions)	169	49,406	43
Life sciences (%)	45	60	–
Engineering (%)	25	15	–
Physical sciences (%)	10	8	–
SBIR awards, 2000–07	55	44,157	49
Utility patents issued to state residents, 2008	63	77,493	48
Gross domestic product, 2007 (\$billions)	28	13,832	51

Coefficient of variation > 10% but < 25%; – = no value possible.

S&E = science and engineering; SEH = science, engineering, and health; SBIR = small business innovation research.

Federal obligations for research and development, by agency and performer: North Dakota, FY 2006

(Thousands of dollars)

Agency	Total	Performer						Rank
		Federal intramural	All FFRDCs	Industrial firms	Universities and colleges	Other nonprofits	State, local governments	
All agencies	112,067	27,370	0	2,361	74,623	7,706	7	47
Department of Agriculture	36,568	23,825	0	0	12,743	0	0	20
Department of Commerce	632	22	0	0	610	0	0	44
Department of Defense	16,283	345	0	1,661	14,277	0	0	48
Department of Energy	20,327	0	0	0	13,681	6,646	0	26
Department of Health and Human Services	14,908	0	0	556	13,285	1,060	7	49
Department of Homeland Security	2	0	0	2	0	0	0	43
Department of the Interior	3,307	3,122	0	0	185	0	0	28
Department of Transportation	870	56	0	22	792	0	0	40
Environmental Protection Agency	1,921	0	0	0	1,921	0	0	22
National Aeronautics and Space Administration	12,391	0	0	120	12,271	0	0	32
National Science Foundation	4,858	0	0	0	4,858	0	0	51
Rank	47	41	–	51	45	36	52	–

– = no value possible.

FFRDC = federally funded research and development center.

NOTES: Federal R&D obligations are as reported by funding agencies. Rankings and totals are based on data for the 50 states, District of Columbia, and Puerto Rico.

SOURCES: Prepared by the National Science Foundation/Division of Science Resources Statistics.

Appendix E – Description of COE-Related Organizations

Following is a detailed listing of all the approval organizations included in the process:

- Centers of Excellence Commission
- North Dakota Economic Development Foundation
- State Board of Higher Education
- Emergency Commission
- Legislative Budget Section Committee

Centers of Excellence Commission

The Centers of Excellence project is overseen by a Commission comprised of members from the North Dakota Economic Development Foundation and the State Board of Higher Education. The Centers of Excellence Commission manages the application process, makes funding recommendations for projects, and oversees the monitoring of the Centers.

State Board of Higher Education

The eight-member State Board of Higher Education is the policy-setting body for the North Dakota University System. The board includes seven citizen members appointed by the governor who serve four-year terms and one student appointed by the governor for a one-year term. A non-voting faculty advisor is selected by the Council of College Faculties.

North Dakota Economic Development Foundation

54-60-04. North Dakota economic development foundation – Executive committee - Duties. The North Dakota economic development foundation is created.

1. The foundation is composed of a minimum of fifteen and a maximum of thirty members appointed by the governor for two-year terms, except the governor shall appoint approximately one-half of the initial foundation members to one-year terms in order to initiate a cycle of staggered terms. Appointment of the foundation members must ensure a cross section of business, tourism, and economic development representation, and must ensure that at least one member represents rural concerns.
2. The foundation members shall elect an executive committee with a minimum of five and a maximum of seven foundation members, which shall include a chairman, vice chairman, secretary, treasurer, and up to three members at large.
3. The foundation shall seek funding for administrative expenses from private sector sources and shall seek and distribute private sector funds for use in commerce-related activities in the state.
4. The foundation shall:
 - a. Provide the governor advice and counsel in selecting the commissioner.
 - b. Serve in an advisory role to the commissioner.
 - c. Develop a strategic plan for economic development in the state and set accountability standards, measurements, and benchmarks to evaluate the effectiveness of the department in implementing the strategic plan.
 - d. Develop a strategic plan for the development of value-added agriculture in the state.
 - e. Monitor tourism and economic development activities and initiatives of the department.
 - f. Recommend state and federal legislation relating to strengthening the state's economy and increasing the state's population.
 - g. Monitor state and federal legislation and initiatives that may impact the state's economy and population.

h. Serve as a source of expertise for developing public and private initiatives to strengthen the state's economy and increase the state's population.

Emergency Commission

This statutory body is organized under the Secretary of State's office and consists of the following state policymakers:

- Governor who is the chairman,
- the Secretary of State who also serves as the commission's secretary,
- the Majority Leader, ND Senate, and
- the Majority Leader, ND House of Representatives,
- the chairman of the Senate Appropriations Committee, and
- the chairman of the House Appropriations Committee.

The Emergency Commission has the following general authority and responsibility:

- Approve transfers between funds or line items in agency budgets;
- Order funds paid from a contingency fund appropriated by the legislature;
- Take action when there is an imminent threat to the safety of people due to a natural disaster or war crisis; or an imminent financial loss to the state;
- Authorize the acceptance and disbursement of federal funds or other funds not appropriated by the legislative assembly which are made available by any federal agency or other source and which the legislative assembly has not indicated an intent to reject.

Legislative Budget Section Committee

By law, some of the decisions made by the Emergency Commission also need subsequent approval of the Legislative Budget Section Committee. For example, the Emergency Commission which has authority to approve agency requests for line item transfers, for acceptance of additional federal and other funds, and for use of state contingencies appropriations would require Budget Section approval for transfers or additional spending of federal or other funds exceeding \$50,000.

Therefore, the regular meetings of the Emergency Commission are usually scheduled seven to 14 days prior to meetings of the Legislative Budget Section Committee, which usually meets four times a year. However, as needed, special meetings of the Emergency Commission can be held at the call of the Governor.

April 2011

DEPARTMENT OF COMMERCE - GENERAL FUND APPROPRIATIONS

The table below details 2011-13 biennium general fund appropriations for the Department of Commerce provided in the executive recommendation, Senate version of Engrossed House Bill No. 1018, and the House version of Engrossed Senate Bill No. 2057.

	Executive Recommendation		Engrossed HB 1018 With Senate Amendments (Senate Version)		Engrossed SB 2057 With House Amendments (House Version)		Difference Between House Version SB 2057 and Senate Version HB 1018	
	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Centers of excellence ¹		\$13,000,000		\$13,000,000				(\$13,000,000)
Centers of workforce excellence		2,000,000						
Workforce enhancement grants				2,000,000		\$2,000,000		
Child care								
Development Fund child care loan funding		400,000		250,000		250,000		
Grants for early childhood facilities		500,000		100,000		100,000		
Administration of the child care loan and grant programs		20,338		20,338		20,338		
Grants to individuals seeking a child development associate credential		150,000						
Grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building				250,000		4,935,000		4,685,000
Other								
Tourism infrastructure grants						1,500,000		1,500,000
Minot Air Force Base realignment grant						400,000		400,000
Jobs for America's Graduates programs		100,000		100,000				(100,000)
WorkKeys program		125,000						
American Indian Business Development Office		200,000		200,000		100,000		(100,000)
Energy Division	2.00	619,691	1.00	343,549			(1.00)	(343,549)
North Dakota Trade Office		2,553,000		2,613,400		2,553,000		(60,400)
Electronic portfolio pilot project				150,000				(150,000)
Development Foundation 2020				50,000				(50,000)
IDEA Center grant						300,000		300,000
USS <i>North Dakota</i> grant						100,000		100,000
Grand Forks Air Force Base realignment grant						4,200,000		4,200,000
Other funding		26,421,465		26,421,465		26,421,465		
Total general fund	70.25	\$46,089,494	69.25	\$45,498,752	68.25	\$42,879,803	(1.00)	(\$2,618,949)

Off-budget items				
Great Plains Applied Energy Research Center carryover funding				
Centers of excellence	\$5,000,000	\$5,000,000		(\$5,000,000)
Funding source Nekoma antiballistic missile site acquisition			600,000	600,000
Grants for child care service providers			65,000	65,000
National Energy Center grant to Bismarck State College ²			4,335,000	4,335,000
Other				
Funding source change to lands and minerals trust - Nekoma antiballistic missile site acquisition		600,000		(600,000)
Williston State College - Workforce training building			500,000	500,000
Off-budget/other subtotal	\$5,000,000	\$5,600,000	\$5,500,000	(\$100,000)

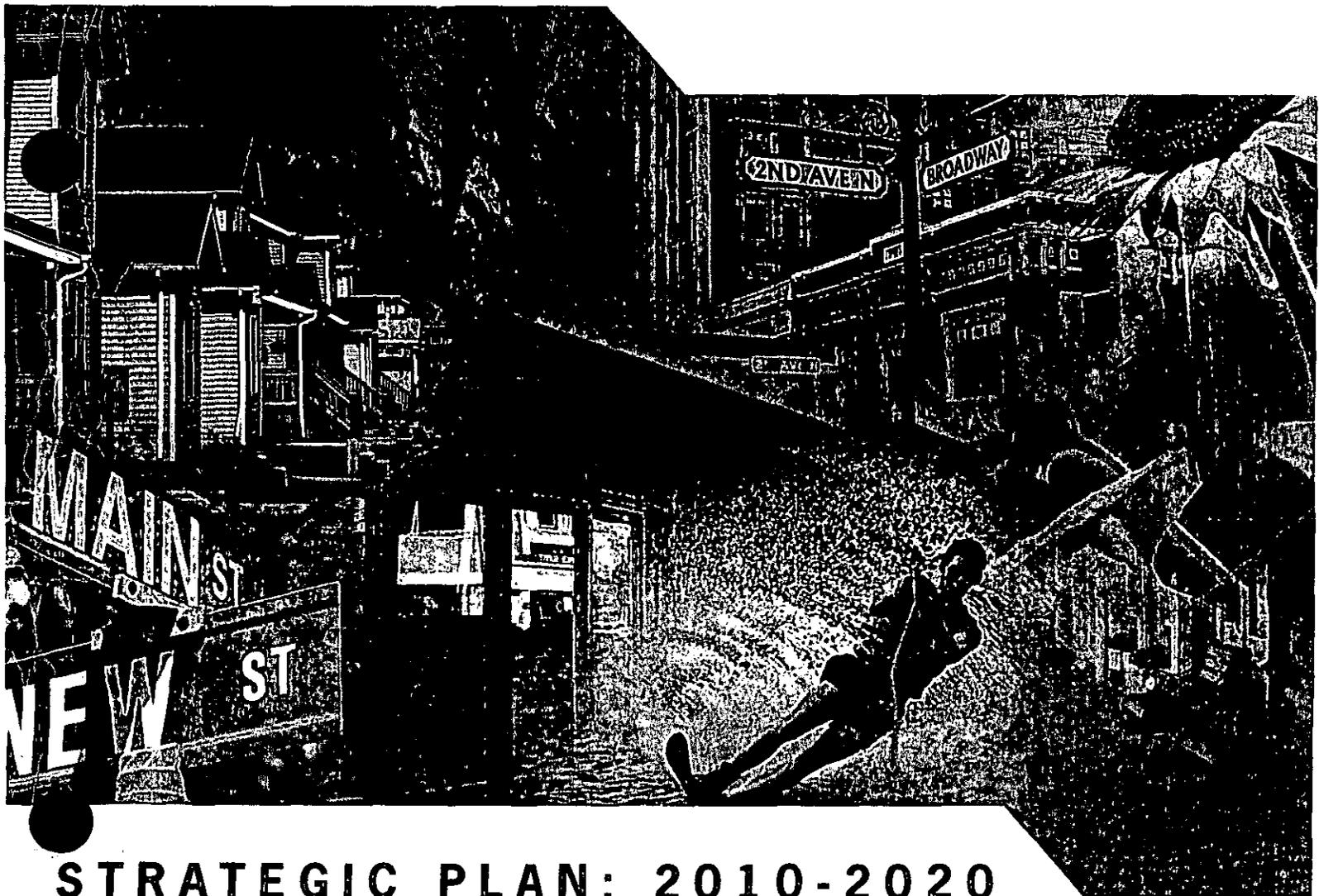
¹Details on centers of excellence:

	Executive Recommendation	Engrossed HB 1018 With Senate Amendments (Senate Version)	Engrossed SB 2057 With House Amendments (House Version)
Centers of research excellence			
Research	\$8,000,000	\$8,000,000	
Eminent researcher recruitment grant program	2,000,000	1,000,000	
Infrastructure grants	3,000,000		
Deployment-cooperative airspace project grant		4,000,000	
Centers of entrepreneurship excellence	5,000,000		
Entrepreneurial centers development grants		4,000,000	
Investments to startup stage technology-based businesses from Development Fund		1,000,000	
Total	\$18,000,000	\$18,000,000	\$0
General fund	\$13,000,000	\$13,000,000	\$0
Other funds *	\$5,000,000	\$5,000,000	\$0

*Special fund authority is provided to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

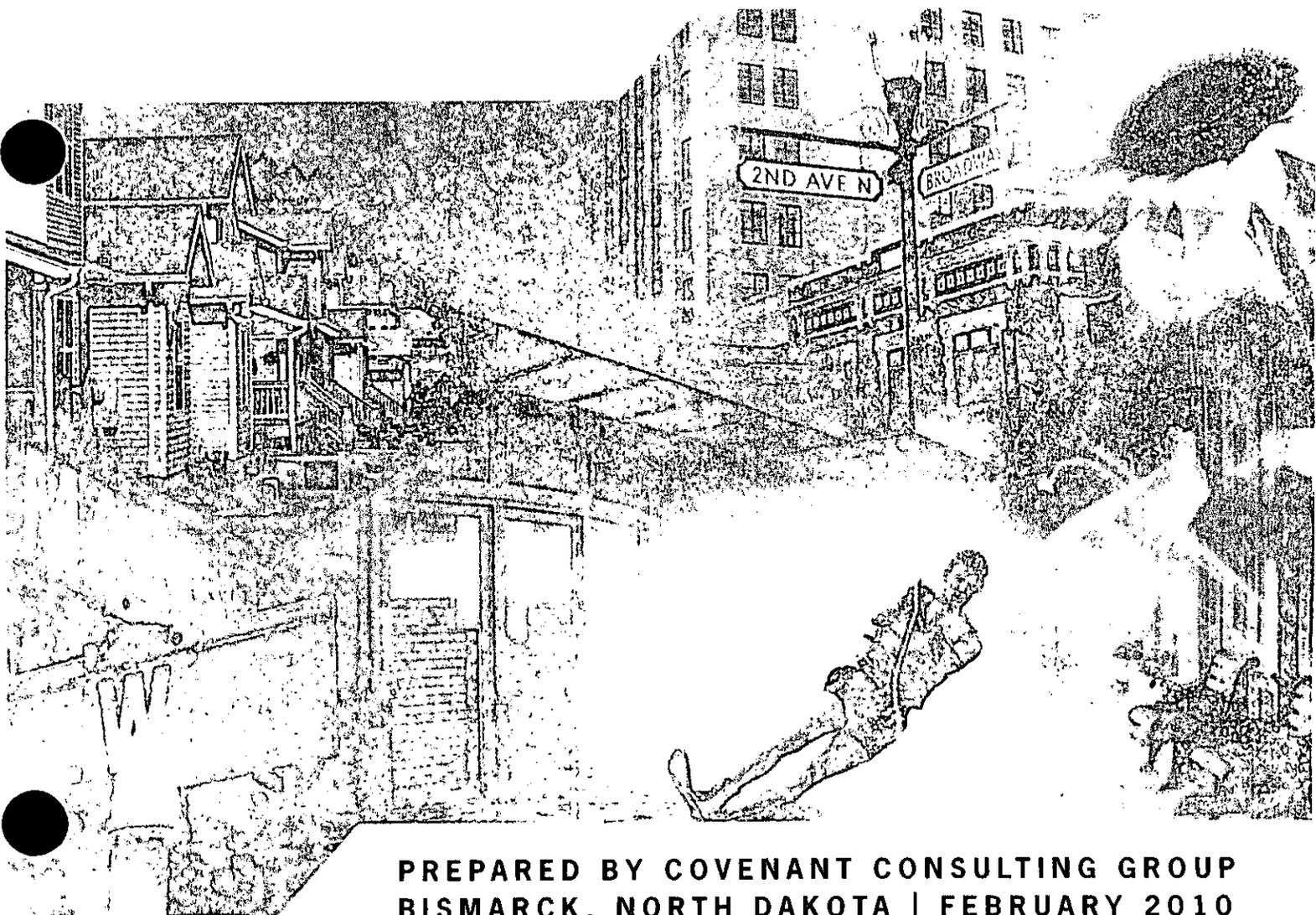
²House Bill No. 1003, relating to higher education, as passed by the House included \$4,335,000 for a National Energy Center grant to Bismarck State College to be funded by unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center. As passed by the Senate, House Bill No. 1003 includes \$3 million from the general fund for the National Energy Center at Bismarck State College.

NORTH DAKOTA ECONOMIC DEVELOPMENT



STRATEGIC PLAN: 2010-2020

**NORTH DAKOTA ECONOMIC DEVELOPMENT
STRATEGIC PLAN: 2010-2020**



**PREPARED BY COVENANT CONSULTING GROUP
BISMARCK, NORTH DAKOTA | FEBRUARY 2010**

Purpose.....2

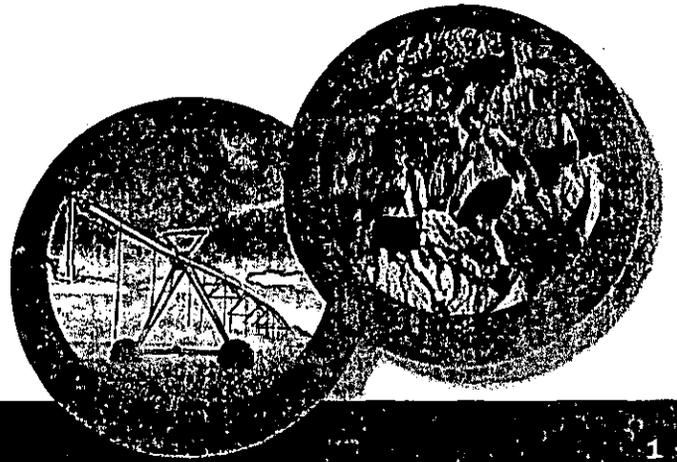
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Purpose/Goal:

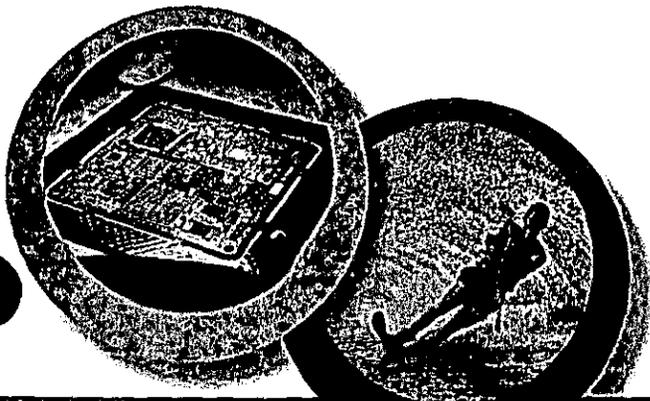
This plan was developed by the North Dakota Economic Development Foundation, a private sector advisory group charged by the Legislature to advise the governor and the Department of Commerce on strategies to improve the state's competitiveness and increase economic growth. This is an update from the 2002 North Dakota Economic Development Foundation Strategic plan.

This plan is intended to be a catalyst for state and local economic development efforts by providing common direction, strategic areas of emphasis and priorities for investing state and local dollars. Ultimately, the goal of statewide economic development efforts is to foster a business climate that generates quality employment opportunities that improve the quality of life for North Dakota people.

Five Key Functions:

North Dakota Economic Development Strategic Plan

1. Provide an assessment of North Dakota's current economic landscape and target industries.
2. Identify key areas of opportunity.
3. Establish aggressive, yet realistic goals and benchmarks for the state's future economic development.
4. Facilitate collaboration among state legislators and economic development partners, both public and private.
5. Provide continuity on economic development initiatives during transitions between governors and other key state leaders.



EXECUTIVE SUMMARY

In developing the plan, the North Dakota Economic Development Foundation held 11 meetings throughout the state to gather input from communities about their greatest needs, challenges and opportunities. They heard presentations from 28 economic development directors and had roundtable discussions with 121 community leaders.

They also analyzed current economic data and trends, conducted a sectoral analysis and evaluated the state's five targeted industries.

This plan advocates continuing the current economic development strategy focused on five targeted industries: advanced manufacturing, technology-based businesses, value-added agriculture, tourism and energy. This strategy is grounded on North Dakota's assets:

1. Educated, hardworking people.
2. Abundant natural resources.
3. Strong academic, transportation and technology infrastructure.

This plan identifies five key areas that the Foundation believes are essential to growing and diversifying North Dakota's economy in the future.

North Dakota's Future

5 Essential Strategies for Continued Growth

1. Maintain a positive business climate that supports private sector investment, growth and job creation.
2. Continue investing in university-based research and development conducted with the private sector that engages North Dakota in emerging industries such as life sciences and advanced technology.
3. Embrace entrepreneurship and foster a culture of entrepreneurship where innovative, tech-savvy companies can thrive.
4. Continue investing in statewide talent strategies that address education, training recruitment and retention to provide a steady supply of skilled workers needed to fuel long-term business growth.
5. Promote export trade by linking North Dakota businesses with foreign buyers and markets.

North Dakota Then and Now

North Dakota, 2001:

- Annual population estimates were negative with significant out-migration.
- Economic growth was slow in most industries and lagging the nation as a whole.
- Wages were growing but slower than the region and the nation.
- The labor force was growing but sporadic.

North Dakota, 2009:

- Population estimates show out-migration has reversed and the state is growing.
- North Dakota leads the nation in growth of gross domestic product
- Per capita income has caught up with the national average.
- North Dakota has the lowest unemployment rate in the nation and the non-farm payroll has increased 11.4 percent since 2001.

North Dakota emerged as an economic leader during the recent global recession by making fiscally sound investments that leveraged our state's natural strengths. This strategic plan builds on successful strategies of the past to support the growth of more good paying jobs, stronger communities and a higher quality of life for North Dakota citizens.

Highlights of Economic Assessment

As the nation struggles through one of the most severe recessions in decades, North Dakota has continued to show growth in almost all measures of economic activity. This growth can be attributed to many factors including leadership from Governor John Hoeven, the Legislature, the Department of Commerce, the pioneer spirit of North Dakota people and the direction set by the Foundation's first strategic plan in 2002.

The economic assessment contained in the 2002 North Dakota Economic Development Foundation Strategic plan painted a much different picture about North Dakota compared to today. North Dakota has improved considerably in almost all measurements of economic activity.

North Dakota Economic Development Strategic Plan

1. North Dakota's population has grown five of the last six years, up over 14,000 since 2003.
2. Annual births increased 18 percent from 2001 to 2009.
3. Net migration in 2009 was nearly 1,900 people, the second highest number in a decade.
4. 2009 population estimates showed a growth of 4,644 since 2000.
5. Median income for a family of four increased over 40 percent from 2000 to 2008, far exceeding the U.S. growth of 22 percent.
6. Per capita personal income in 2008 reached 99 percent of the national per capita income compared to 80 percent in 1995.
7. Non-farm payroll has increased 11.4 percent since 2001 compared to a 0.9 percent drop for the nation.
8. North Dakota consistently has one of the lowest unemployment rates in the nation.
9. In 2008, North Dakota led the nation in growth of gross domestic product, up 7.3 percent.
10. North Dakota exports grew 222 percent from 2002 to 2008, and North Dakota led the nation in export growth in 2008.

ECONOMIC ASSESSMENT OVERVIEW

Summary of Findings-February 2010

The following assessment examines population, education, wages, age, labor force, employment, growth industries and exports. It provides a status report on these key economic indicators and offers strategic direction for future state and local policies and investments.

This assessment is based on data collected from the following sources: U.S. Census Bureau; U.S. Bureau of Economic Analysis; U.S. Bureau of Labor Statistics; U.S. Department of Energy; International Trade Administration; N.D. Department of Commerce, Tourism Division; Job Service North Dakota; N.D. Industrial Commission, Oil & Gas Division.

POPULATION

During the 1990s, North Dakota began to reverse the negative growth trends that occurred in the 1980s. Early in the 2000s, population estimates declined again, but have been on an upward trend since 2003. Growth rates have been modest but consistently positive.

- Median age is growing slower than the national rate, employment is increasing, especially in the younger age brackets, and natural and net migration have increased in annual populations estimates.
- According to U.S. Census Bureau estimates, North Dakota continues to lag behind other states in the region in population growth.
- While many factors impact population growth, clearly jobs and economic opportunities are the leading components.

North Dakota Population Growth

2001-2009



Source: US Census Bureau

Strategic Implications: Good job opportunities are the key factor in retaining the state's young educated workers and attracting new people to the state. In order to continue stabilizing and growing the state's population, state and local leaders should:

1. Continue developing the state's targeted industries.
2. Support initiatives that foster a culture of entrepreneurship.
3. Continue building an environment where innovative, tech-savvy companies can thrive.

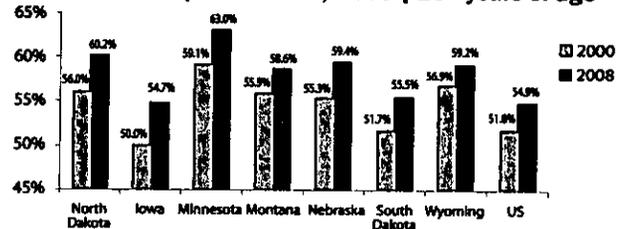
EDUCATION

North Dakota has enjoyed a measurable improvement in its education attainment levels during the last two decades. Despite a slight decline between 1990 and 2000, the state leads the region in the share of its adult population enrolled in college or graduate school. College enrollment continues to grow, up 20 percent since 2000.

- The North Dakota K-12 and University Systems are producing an educated and skilled workforce.
- North Dakota's challenge is retaining these workers after they complete their education with good job opportunities that appeal to younger workers.
- North Dakota has made progress in this respect. Data from the Local Employment Household Dynamics program shows an average increase of over 3,000 workers under age 35 per year between the years 2003 and 2008.

Share of Adults with Some College or Greater

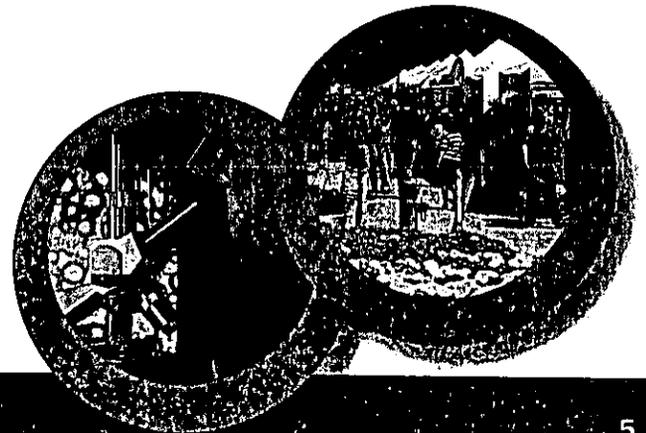
Comparison 2000/2008 | 25+ years of age



Source: US Census Bureau - 2009 ACS - 3 Year Estimates

Strategic Implications: North Dakota's education system generates the state's future workforce. In order to support the growth of North Dakota business, the state must:

1. Continue investing in initiatives aimed at informing students and parents about career opportunities in North Dakota.
2. Support educational programs at North Dakota schools, colleges and universities that prepare young people for high-demand jobs in North Dakota.
3. Improve the post-secondary education and training completion rate by supporting college preparation at the K-12 level.

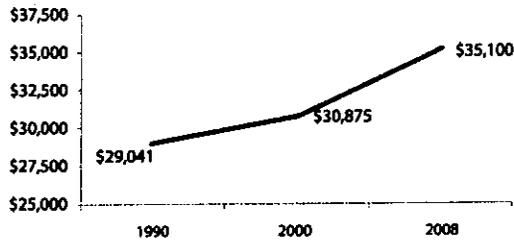


WAGES

Wage rates in North Dakota declined sharply in the 1980s. In the 1990s, the state reversed this decline. Since 2000, the rate of growth in wages has accelerated over that of the 1990s, up 14 percent over inflation from 2000 to 2008.

North Dakota Average Wage

1990-2008 | Adjusted for Inflation



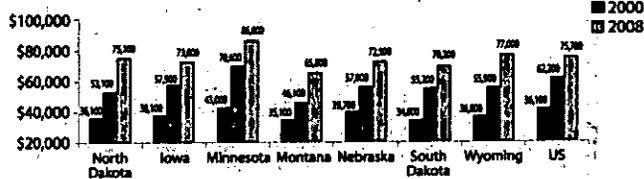
Source: US Bureau of Economic Analysis

The median income for a family of four in North Dakota grew at a rate of nearly double the national growth rate from 2000 to 2008.

Median Income for 4-Person Families

1990/2000/2008 | Adjusted for Inflation

Growth Rate Comparison (Rounded to Hundreds)



Source: US Census Bureau - Percentage Increase by State 2000-2008

Strategic Implications: In order to continue growing wages, state and local leaders should:

1. Continue developing the state's targeted industries.
2. Invest in research and development that improves North Dakota's assets and competitiveness in emerging industries such as life sciences and advanced technology.
3. Continue investing in programs that foster entrepreneurship and nurture a business culture where innovative, tech-savvy companies can thrive.

AGE

Newly released U.S. Census Bureau data shows that the nation as a whole is aging, and North Dakota follows that trend. However, since 2000 North Dakota's median age has increased slower than the region (with the exception of Wyoming) and the nation as a whole. North Dakota's birthrate increased steadily during the last decade and was up more than 20 percent in 2009 compared to 2001.

Strategic Implications: The retirement of the baby boom generation will leave significant vacancies in the workforce. Three strategies will help North Dakota businesses prepare for these workforce shortages:

1. Help existing businesses prepare for a smooth transition from one generation to the next with efforts such as succession planning.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Reduce incentives that encourage people to retire early.

LABOR FORCE and EMPLOYMENT

The growth in North Dakota's labor force throughout the 1990s was a significant reversal of the trends of the 1980s. Since 2000, the civilian labor force has grown by nearly 24,000 workers reaching 370,000 in 2008.

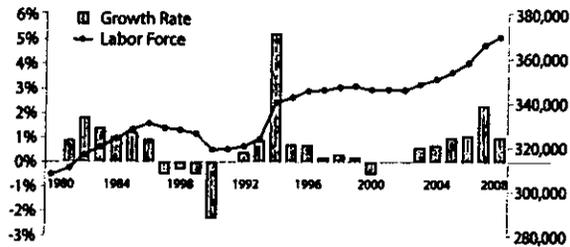
Based on each sector's share of total employment from 2002 to 2008, the sectors with the fastest growth were mining up 85 percent, management services up 28 percent, professional and technical services up 26 percent and construction up 20 percent.

In actual employment numbers from 2002 to 2008, the fastest growing sectors were construction up 5,650, health care up 5,076, professional & technical up 3,938, and mining up 3,601. All sectors showed growth in employment except information which includes telecommunications, newspaper and media business.

Likewise, employment statistics show North Dakota has enjoyed almost a 40 percent increase in nonfarm payrolls since 1990, outpacing national employment growth for the last 19 years.

North Dakota Civilian Labor Force

1980-2008



Source: US Bureau of Labor Statistics

Strategic Implications: North Dakota's growing, well-educated workforce is a valuable asset for the state. The quality and quantity of the workforce is a prime measurement for private sector, capital investment. Several strategies, working together, will help fuel ongoing growth of the labor force.

1. Promote policies and initiatives that grow the states targeted and emerging industries to generate challenging, good paying jobs for young people.
2. Intensify initiatives aimed at attracting and retaining talent.
3. Support efforts to align the state's education and training programs with future North Dakota jobs.

GROWTH INDUSTRIES

Since 1991, North Dakota has experienced its strongest industry growth rates in construction and manufacturing. North Dakota exceeded the nation in the creation of manufacturing jobs during the last 16 years. However, the future of the nation's manufacturing industry remains unclear.

Employment indicators released by the U.S. Bureau of Labor Statistics show significant decreases in manufacturing employment and clearly show that the United States' economy is transitioning away from manufacturing toward a more service-oriented economy. Services include jobs in law, information technology, engineering, software development, architecture, accounting and research services.

Since 2002, North Dakota has shown above average growth in management, professional and technical services, proving the state can compete in a services-based economy.

Strategic Implications: Nationally, many economic and business leaders believe the United States needs to shift growth strategies toward technology-based economic development which focuses on creating a climate where innovative, technology-savvy companies can thrive. State, local and federal leaders should focus on:

1. Creating initiatives to enhance the state's intellectual and physical infrastructure.
2. Cultivating a technically skilled workforce.
3. Improving access to capital.
4. Developing an entrepreneurial culture that encourages innovation.
5. Focusing on new and emerging industries with an emphasis on helping them to establish and grow in North Dakota.

INTERNATIONAL EXPORTS

From 2002 to 2008, North Dakota exports of all merchandise were up 222 percent, with manufactured goods up 200 percent. Machinery exports made up 62 percent of the manufactured goods exported. Agricultural exports were up 241 percent.

The global recession is having an effect on international sales, however, as North Dakota's exports for the first 9 months of 2009 were down 26 percent for all merchandise and 25 percent for manufactured goods. Processed foods are a bright spot, with exports up 55 percent for the first 9 months of 2009.

North Dakota's top customer is Canada, which accounts for more than 50 percent of the state's exported manufactured goods.

Strategic Implications: Working with the North Dakota Trade Office and with industry groups, the state can take advantage of a lower U.S. dollar and continue building on recent export growth in commodities, processed foods, machinery and computer and electronic products.

1. Providing expertise to North Dakota businesses looking to expand internationally.
2. Helping businesses access capital for international expansion.
3. Educating and improving awareness of trade issues, opportunities and the exporting process.
4. Helping qualified buyers or distributors access North Dakota markets.

SECTORAL ANALYSIS

During the statewide community meetings, the Foundation analyzed each region's economic strengths, opportunities and weaknesses. In developing this strategic plan, the Foundation also examined data provided by the U.S. Bureau of Labor Statistics regarding business sectors, using the North American Industry Classification System (NAICS) in classifying and defining a business sector. The NAICS classifies individual business locations by type of economic activity in Canada, Mexico and the United States. The purpose of this system is to facilitate the collection and organization of business data in a uniform way in order to promote uniform analysis of the North American economy. The following sectoral analysis summarizes key findings by identifying the state's large and small sectors, major assets and key challenges for economic growth.

Sector strength is measured by comparing Bureau of Labor Statistics (BLS) location quotient (LQ) data (by NAICS sub-sector) for North Dakota to the nation as a whole. The location quotients are calculated by comparing the sector's share of total local employment to the sector's national share. This ratio will yield a value generally between 0.00 and 2.00, where 1.00 demonstrates an equal share percentage between the local and national economies. Sectoral concentrations greater than 2.00 indicate a strong sector agglomeration. Those less than 0.50 indicate weak sectors.

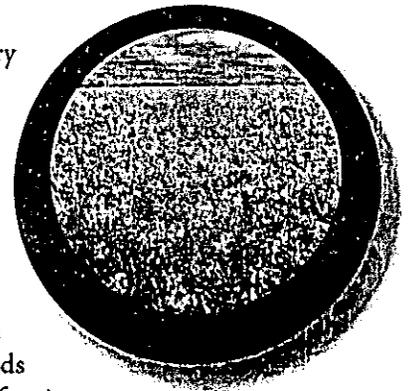
Measuring sector employment in North Dakota as a percent of total employment between 2002 and 2008 indicates which sectors were growing faster or slower than state average growth. Sectors that showed a decrease in share of employment does not necessarily mean the sector employment decreased but that its percentage share of total employment was less than the statewide total average growth.

The only sector to show an actual decrease in employment was NAICS code 51 Information, i.e., telecommunications, broadcasting, and publishing and data processing services. In North Dakota, employment in this sector dropped 6.3 percent in actual numbers of jobs. However, at the national level this sector dropped 11.2 percent during the same period.

Largest Sectors

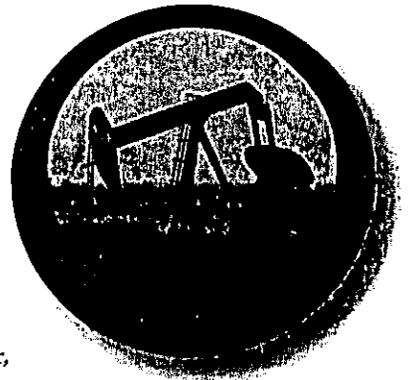
Agriculture

By far the strongest industry sector in North Dakota is agriculture. This sector points clearly to the extraordinarily important role North Dakota plays in raising crops and livestock to feed the world's growing population and meet increasing demands for renewable energy and life science applications. Based on three-year estimates obtained in the 2006-2008 American Community Survey, agriculture in North Dakota employs more than 29,000 workers and has an LQ of 4.75.



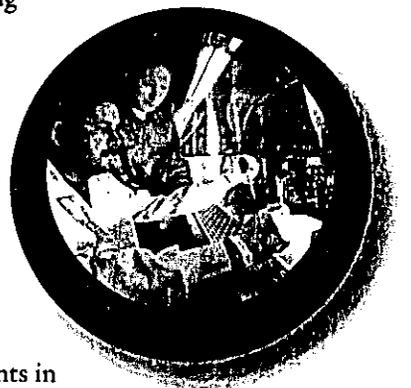
Natural Resources

North Dakota's second strongest private sector LQ is natural resources, which includes oil and gas production and coal mining. According to 2008 U.S. Bureau of Labor Statistics, the state employs almost 7,000 workers in this sector, registering an LQ of 3.77.



Higher Education & Research

This sector includes teaching professionals and staff in both public and private universities, community colleges, and commercial and noncommercial research organizations. The high LQ reflects the emphasis North Dakotans have historically placed on education as well as significant new investments in research and development. This sector's employment in 2008 was almost 14,700 with an LQ of 1.42.

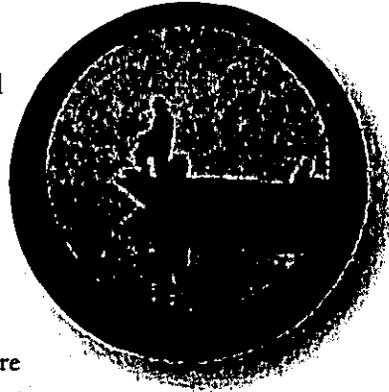


Tourism

The tourism industry is not easily measured by standard economic metrics since it is demand, not supply, driven. A number of different NAICS codes need to be used to capture tourism's impact. North Dakota has conducted extensive research to measure the impact of tourism. Recent studies show North Dakota's tourism growth has outpaced the nation, 37.6 percent since 2001 compared to the nation's growth of 31 percent according to the U.S. Travel Association.

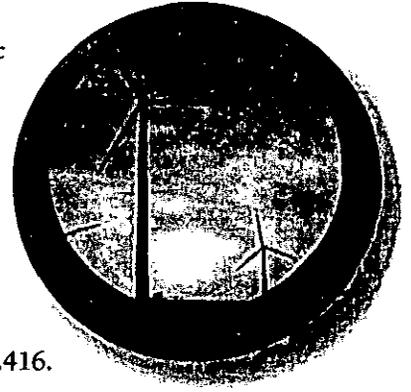
IHS Global Insight research shows North Dakota's core tourism grew 10.7 percent between 2006 and 2008 while the rest of the nation posted an 8.1 percent gain. Visitor expenditure studies and return on investment research also show positive growth.

NDSU research which uses like methodology across various industries shows tourism has seen consistent growth since 1990 when it began the study. This growth reflects North Dakota's emphasis on targeted, research-driven marketing efforts since 2003.



Utilities

This sector includes electric services, gas distribution, water supplies, and irrigation systems. With an LQ of 2.42, utilities are strongly influenced by North Dakota's strengths in natural resources and agriculture. Total employment in 2008 was 3,416.



Wholesale Trade

With an LQ of 1.32, the strength of this sector is most likely connected to the state's strong agricultural economy. This sector includes business-to-business trade of all durable and non-durable merchandise. Employment in 2008 was 19,866.



Fastest Growing Sectors

The fastest growing sector was natural resources led by oil and gas, followed by management, professional and technical services, construction, transportation and agriculture. Information had the sharpest percentage decline driven by significant changes and job losses in the newspaper and media business. Manufacturing, trade, finance and real estate showed slight percentage decreases.

Emerging Sectors

Chemicals and Plastics: Currently, this is a small sector in North Dakota that offers big growth potential because of oil and gas development and emerging biofuels. This sector includes manufacturers of refined petroleum products into non-durable end products made from hydrocarbons such as benzene or durable end products made of plastic. North Dakota realized growth in the LQs of both chemical manufacturing and plastics between 2002 and 2008, indicating this sector is already growing.

Growth Challenges

North Dakota faces a number of challenges for future economic development, some are new but many of them are familiar.

Geography/Image

Distance from markets, lack of a major metropolitan area and a negative image are familiar challenges for North Dakota. New technology and the internet have decreased some of the geographic barriers. And the recent attention North Dakota has received as a result of its strong economy provides a different national storyline about North Dakota that highlights some of the state's most attractive qualities and provides a sharp contrast to the traditional national story about the state's remoteness and cold weather.

Outsourcing

The nation's manufacturing industry has been devastated by companies moving their production facilities off-shore to reduce labor costs. Every business is under severe pressure to remain competitive, and North Dakota companies are no exception. The state has worked hard to maintain the best business environment possible and in this global market must maintain a laser-like focus on offering businesses a highly competitive business climate.

National Recession

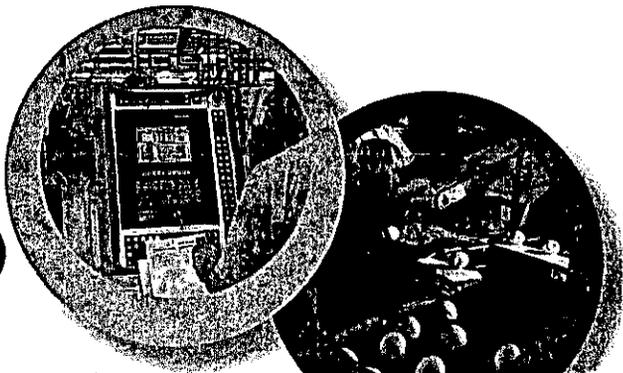
While North Dakota hasn't suffered as much as many areas as a result of the recession, firms here are feeling the effects. Exports and employment are down, especially in manufacturing. On the other hand, home prices have remained stable and the current debt and credit crisis has had less impact here than in the rest of the country. However, the potential exists for more negative impact before the recession is over.

Federal Policy

Because health care is our largest employer and carbon-based energy is a significant and growing part of our economy, national government policy changes such as health care reform and cap-and-trade will have a major effect on North Dakota.

Other Issues

North Dakota's strong economic growth is creating new challenges such as housing shortages, childcare needs, stress on infrastructure and water resources, and the recruitment and retention of workforce.



TARGET INDUSTRY EVALUATIONS

The Foundation commissioned AngelouEconomics (AE) in 2002 to develop a roster of target industries. AE reviewed and assessed previous target industry recommendations to confirm the likelihood of success in a very dynamic and unpredictable global and national economy. A solidly based target industry evaluation allows local economic development leaders to focus their resources on those opportunities that can be reasonably expected to result in a positive outcome.

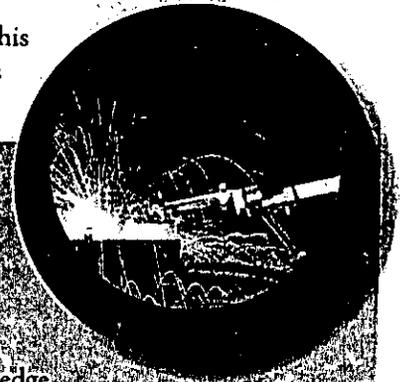
The targets are sufficiently broad to be able to incorporate smaller niches that might emerge in the state's economy.

North Dakota's Target Industries

Advanced Manufacturing
Technology-Based Business
Value-Added Agriculture
Tourism
Energy

Advanced Manufacturing

According to the March 2009 Job Service North Dakota report on advanced manufacturing, this sector has grown from the 6th to the 5th largest employment sector in the state. It also reports 10,000 new jobs since 1990; a 60 percent increase.

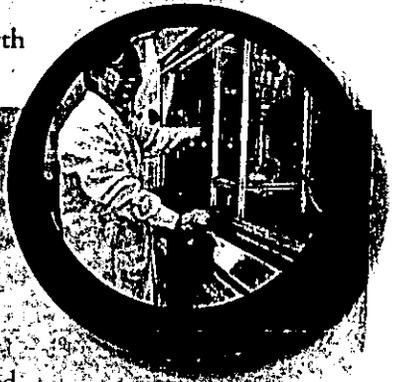


North Dakota Opportunities

- **Biotech manufacturing:** Among high-tech manufacturing industries, North Dakota has the greatest competitive advantage in biotechnology manufacturing. The state's rapidly growing biotechnology sector employs over half its tech-related manufacturing workforce.
- **Agricultural biotech:** This is a niche within biotechnology. Also referred to as bioengineering, this technology promises to drastically alter the way farmers produce foods. North Dakota's natural resources in production agriculture provide an obvious competitive edge for ag-biotech.
- **Agricultural-related technology manufacturing:** The state's large agricultural economy and value-added activities provide an opportunity for North Dakota to be a leader in producing electronic products for farm and food processing machinery.

Technology-Based Businesses

North Dakota has experienced measurable successes since the mid-1990s in employment growth through information technology (IT).



North Dakota Opportunities

- **Entrepreneurial startups:** North Dakota's opportunities in IT can be maximized by nurturing a multitude of entrepreneurial startups initiated by local talent.
- **Meteorological software development** also appears to be an opportunity that could increase the efficiencies of agricultural production in the state and also support North Dakota's growing wind power industry.
- **Higher education's technology centers and research facilities** along with new research & development tax credits are helping to set the stage for real opportunities in technology-based businesses.

Value-Added Agriculture

North Dakota ranks as the largest United States producer of 16 different commodities, including spring and durum wheat, sunflowers and barley, among other crops. The state currently has an obvious competitive advantage in agricultural production, employing more than four times as many workers as the national average.



North Dakota Opportunities

- **Convenience foods:** Export growth of North Dakota processed foods has steadily increased, including strong growth during the global recession.
- **Specialty foods for niche markets:** Specialty production presents North Dakota with an opportunity to generate growth from higher impact sectors such as agricultural biotech and natural foods. In addition, food production has traditionally been a strong point in North Dakota's economic, cultural and political foundations. To the extent that North Dakota has an international reputation, food has been a significant asset. Building on that identification will facilitate greater global recognition for the state.

Tourism

Tourism ranks third among industries contributing to North Dakota's economy with \$4.1 billion spent in 2008. The growth of tourism is felt statewide and the growth of the industry is outpacing the nation as documented in several recent studies. Tourism created 31,208 jobs accounting for \$760 million in total wages and salaries.

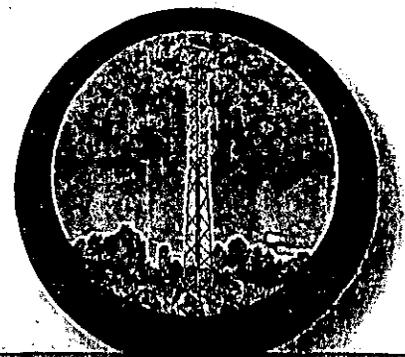
The legendary branding, creative strategies and comprehensive media plans are showing a strong return on investment with \$123 returned for every \$1 invested in advertising. Advertising North Dakota as a tourism destination also has a positive impact on the image of North Dakota. Tourism is a key factor in promoting our quality of life.



North Dakota Opportunities

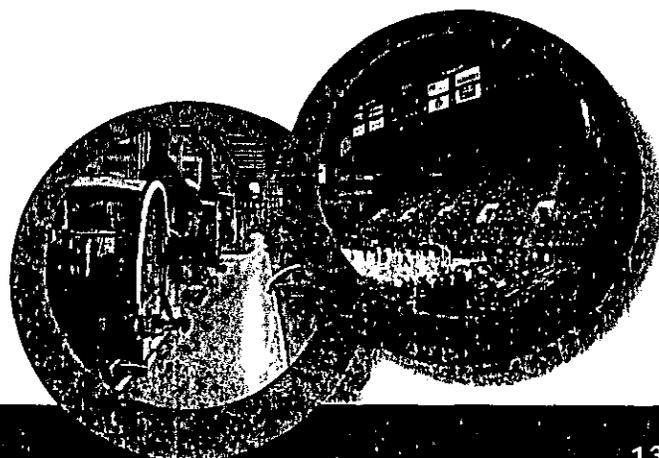
- **Aggressive marketing:** North Dakota continues to be challenged by our lack of image, climate, geographic location and lack of nationally recognized landmarks which precipitates the need for aggressive marketing.
- **Canadian travel continues to be strong.** Although affected by exchange rates and border security, a targeted, year-round campaign is needed to increase the 1.5 million trips to North Dakota by Canadians.
- **Outdoor resources are one of the main motivators for travel to North Dakota.** Hunting and fishing continue to drive traffic throughout the year. A comprehensive plan to continue communicating the value of our natural resources should be a priority.
- **Rural and agri-tourism is an area visitors are looking to experience in North Dakota.** Efforts to expand these opportunities will help these sectors grow.
- **Business/leisure travel has moved to the top four types of travel (along with outdoors, festivals and events and touring) to North Dakota.** Although business travel only accounted for 18 percent of total 2008 travel to North Dakota, most of the country is seeing decreases in business travel.
- **Green travel:** North Dakota currently does not offer certified Green Travel options. As the demand for environmentally friendly travel options grows, North Dakota needs to be prepared to offer green options. Nature-based opportunities do exist and need to be tied to these efforts.

North Dakota is poised to be a model for America in the development of diverse energy resources to meet our nation's growing demand for energy in a clean, environmentally friendly and sustainable way. North Dakota is home to the world's largest deposits of lignite coal, the 4th largest oil producing state, massive wind energy potential, and the top producer of 16 different agricultural commodities that provide materials to support biofuels and biomass industries. North Dakota is home to the nation's only National Center for Hydrogen Technology and to the National Energy Center of Excellence, which also has a U.S. Department of Energy designation. All this combines to make North Dakota a major provider of energy now and in the future.



North Dakota Opportunities

- **Oil and gas:** Increased production of oil and gas from the Bakken and Three Forks formations has significantly boosted North Dakota output and has boosted tax revenues and economic activity. The outlook for future oil and gas production is positive. North Dakota's recoverable reserves were estimated at 1 billion barrels of oil in 2005. This figure has jumped to 3.1 billion barrels of oil today. Estimated gas reserves have risen from 1 trillion cubic feet to 3.1 trillion cubic feet in the same period.
- **Wind:** North Dakota is nationally recognized as having the greatest potential of any state in its capacity to produce energy through wind power. Full realization of our wind power will require further development of the power transmission grid.
- **Coal:** Research and development of clean coal technology, carbon capture and coal liquefaction promises to provide new opportunities for developing North Dakota's coal resources.
- **Biofuels:** Growing fuel as well as food provides a new avenue for diversification for North Dakota's agriculture industry. New crop varieties are under development to decrease the cost and increase the efficiency of biofuels. North Dakota is positioned to be a leader in the production of biomass and biofuels.
- **Manufacturing, services and by-product production:** Every sector within North Dakota's energy industry offers enormous potential for further development of supply chains, component manufacturing and by-product development.



GOALS, STRATEGIES, PERFORMANCE MEASURES

This plan establishes six broad goals for economic development in North Dakota. The Foundation established these goals based on information they gathered in 11 statewide community meetings as well as the economic and sectoral analyses summarized in Sections 4 and 5 of this document, and the target industry evaluation highlighted in Section 6.

These six goals include 26 strategies to provide common direction, strategic areas of emphasis and priorities for investing state and local dollars. This plan also identifies 24 performance measures that provide a means to evaluate progress toward achieving the overall goals.



Create, attract, and retain quality jobs and workforce in targeted industries and high-demand occupations.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Marketing and business development services to attract new businesses.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Operation Intern to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating \$329.4 million economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- North Dakota Youth Office and Youth Forward, initiatives aimed at inviting young people to stay in North Dakota and coordinating efforts between existing youth-related programs at the state and local level.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- North Dakota Business Resource Alliance Town Hall meetings.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- North Dakota Works.
- AmeriCorps.
- Learn and Serve America.
- Jobs for Americas Graduates.
- FindJobsND.com in partnership with Job Service North Dakota.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- H1 B Technical Skills Training Grant for Healthcare administered between 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.

Strategies

1. Encourage industry cross selling and supply-chain development through a campaign to purchase products and services from in-state companies.
2. Recruit industries that complement supply chains for target industries and that encourage entrepreneurial growth.
3. Continue to refine the set of business start-up, expansion and attraction initiatives.
4. Refine workforce training programs to focus on developing the skills needed by the state's businesses and industries.
5. Promote the existing state and federal government job training incentives.
6. Support and encourage privately funded seed stage or early venture capital funds.
7. Support the continued development of a statewide network of entrepreneurial resources.

Performance Measures

1. Net job growth
2. Average annual wage
3. Per capita personal income
4. Population

Strengthen North Dakota's business climate and image to increase national and global competitiveness.

Goal 2



Strategies

1. Promote national and international partnerships and competitiveness.
2. Support and grow the successful public/private international trade model.
3. Strengthen North Dakota's regulatory, tax and business climate.

Performance Measures

1. Gross domestic product.
2. Merchandise export value.
3. Small Business & Entrepreneurship Council's Small Business Survival Index.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Formation of North Dakota Trade Office, a public-private partnership between the North Dakota Department of Commerce, the North Dakota District Export Council and the state's business community to collectively provide North Dakota companies with the support to succeed in the global marketplace.
- New Venture Capital Fund.
- Bank of North Dakota financing programs (PACE, BioPACE, FlexPACE, Match program).
- Job Service Workforce programs including Workforce Investment Act, Trade Adjustment Assistance, Unemployment Insurance, Workforce 2020, and North Dakota new jobs training.
- Comprehensive program of targeted state tax incentives that improves the availability of private sector capital.
- \$400 million package of tax cuts approved by the 2009 Legislature.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Monitoring policies to ensure North Dakota is accessible to international visitors while maintaining the security of our border with Canada.

Accelerate innovation and entrepreneurship in targeted industries and emerging technologies.

Goal 3

Strategies

1. Focus state tax incentives and supportive legislation to accelerate innovation and entrepreneurship in targeted industries and emerging technologies.
2. Assess state programs and how they fit with innovation, entrepreneurship, targeted industries and emerging technologies.
3. Explore health care as a profit center for long-term economic development.
4. Support state programs for research, development, demonstration and commercialization of new technologies including the development of technology parks and incubators.
5. Develop rural and ag-based tourism opportunities, education vacations and green tourism options throughout North Dakota.

Performance Measures

1. Number of private sector businesses.
2. Number of business activities as a result of Innovate ND.
3. Aggregate use of Seed Capital Tax Credits and Angel Fund Tax Credits.

Reportable Data

1. Academic research and development expenditures.
2. Industry research and development expenditures.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Business development managers focused on promoting North Dakota to targeted industries.
- North Dakota Development Fund financing for primary sector North Dakota businesses through direct loans, participation loans, subordinated debt and equity investments.
- Ag Products Utilization Committee grant programs for researching and developing new and expanded uses for North Dakota agricultural products.
- Submitted a Healthcare High Growth Job Grant Application to U.S. Department of Labor.
- Centers of Excellence program launched in 2003 to support growth and innovation in North Dakota businesses and industries. Twenty centers for targeted research and workforce training have been created generating \$329.4 million in economic impact, creating 2,060 total jobs and 17 new or expanded businesses.
- Tech-based entrepreneurship grant program that provides grants for access to capital, marketing assistance, entrepreneur infrastructure, and entrepreneurial talent aimed at growing technology-based entrepreneurship.
- Innovate ND, a statewide initiative designed to help entrepreneurs turn innovative concepts into viable new North Dakota business ventures. Nearly 500 people with 250 ideas have participated in the program and 70 new businesses are operational or in the development stage as a result.
- Tourism infrastructure grants to complete tourism projects that will attract and keep visitors in the state longer including \$250,000 in grants to support Native American-related historical sites and events.
- New tourism development manager focusing on growing more tourism businesses and attractions.
- Strategic leadership to identify business and industry trends and to educate stakeholders on new opportunities.
- H1 B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.



Goal 4

Enhance the state education and training system's ability to meet business and workforce needs of the future.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Operation Intern launched in 2007 and enhanced in 2009 to link young North Dakotans to job opportunities in North Dakota businesses.
- Centers of Excellence program launched in 2003, spawning 20 centers for targeted research and workforce training to support growth and innovation in North Dakota businesses and industries.
- Workforce Enhancement Grant Program for two-year institutions to help create or enhance training programs that address workforce needs of private sector employers.
- Expansion of AmeriCorps and Learn and Serve.
- Hospitality training program offered to businesses to help train front line employees and help employees serve visitors better thus increasing the length of stay in North Dakota.
- Collaborative programs with educators on the need to offer tourism, hospitality and recreation management programs to youth to sustain tourism growth.
- Business Congress and Workforce Congress Interim Committees focused on improving state workforce programs and business tax incentives.
- Workforce Intelligence Council established in 2007 at the direction of the Legislature to provide qualitative and quantitative workforce intelligence to partners and stakeholders for their use in making strategic workforce decisions.
- Consolidated Biennial Statewide Plan for workforce development, workforce training and talent attraction.
- Statewide North Dakota Talent Strategy developed in 2006 to serve as the architectural backbone that guides the activities and decisions of state agencies who deliver education, workforce training and employability development services in North Dakota.
- Governor's Workforce Summits in 2004, 2007, 2009 and one planned for 2011.
- Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
- Career advisors initiative.
- Eight Area Career and Technology Centers including three new virtual centers.

Strategies

1. Expand the promotion of skilled trade and technical education programs at North Dakota's high schools, Area Career and Technical Centers and two-year colleges to North Dakota employers.
2. Better leverage the resources of the state's entire education system to support long-term economic development through education, training and research.
3. Support an accountable University System that has the flexibility needed to meet the needs of the private sector.
4. Promote Operation Intern with businesses in targeted industries while supporting internships and apprenticeships in general.
5. Support youth and young adult development and retention initiatives.

Performance Measures

1. Number of students taking skilled trade and technical education programs.
2. Retention of post-secondary program completers.

Continue to enhance a unified front for North Dakota that supports community, economic and workforce development.

Goal 5



Strategies

1. Enhance collaboration between economic development and tourism stakeholders, the Congressional delegation, the state Legislature, the Governor's office, tribes, the workforce delivery system, the University System, the state Commerce Department and the private sector in order to leverage all available sources of support.
2. Consistently collaborate with state stakeholders to determine the value of cooperative activities and identify ways to improve them.

Performance Measures

1. Number of local development and tourism stakeholders participating in Commerce sponsored marketing, tourism, workforce, business development and community development activities.
2. Stakeholder perceptions of a unified front for economic development in the state.

Existing Initiatives

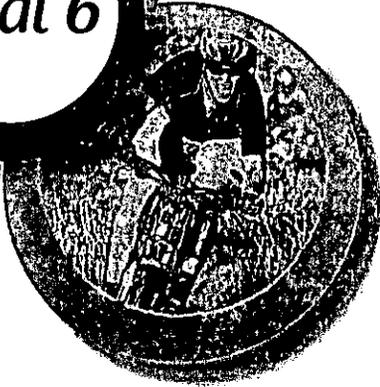
A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- Fully integrated, statewide marketing and communication program including:
 - Grants to support local and regional economic development organizations in their efforts to recruit primary sector business and workforce.
 - Grants to support internships and apprenticeships for North Dakota students in North Dakota businesses.
 - Ambassador Program that provides a constant stream of image-enhancing news about North Dakota.
 - Relocation program to assist out-of-state job seekers in finding career opportunities in North Dakota.
- Community visits by Commerce staff in the economic development and community development divisions.
- Native American Business Development Office focused on helping North Dakota's American Indian businesses leverage government procurement opportunities and facilitate partnerships between Indian and non-Indian businesses. This office has worked with 101 Native American businesses, helping them secure federal contracts worth \$65.4 million.
- Statewide Legendary branding initiative that drives a unified message and offers opportunities for local participation including:
 - Marketing grants to support local marketing efforts that use the state brand.
 - Tourism marketing materials providing consistent print and online listings of attractions, accommodations, events and activities.
 - A dedicated website section for industry partners to access resources to help them succeed, such as detailed research and marketing plans.
- Annual tourism stakeholder's meeting, which provides an overview of the annual marketing programs and advertising plans and outlines cooperative marketing opportunities for partners to position their business/attraction alongside the state in targeted marketing efforts.
- Tourism Division in-state familiarization trips for staff to better understand community offerings. Tours are rotated regionally and have touched most North Dakota communities and attractions.
- Tourism regional meetings, workshops and annual state tourism conference to provide education and networking opportunities.
- Collaboration with the Destination Marketing Association of ND (DMAND), the Tourism Alliance Partnership (TAP), and regional and theme-based associations to develop common goals, initiatives and budget priorities.

- ♦ Workforce development programs including:
 - Workforce Enhancement Grant Program.
 - Industry sector workforce and skills needs assessments for the oil and natural gas industry and the information technology industry.
 - Standardized community labor availability studies.
 - Consolidated biennial statewide strategic plan for workforce development, workforce training and talent attraction.
- ♦ Jobs for Americas Graduates program implemented at Williston Public School District #1, Boys and Girls Club Alternative School in Newtown and Williston State College.
- ♦ H1 B Technical Skills Training Grant for Healthcare administered during 2002-2005, which trained 1,175 individuals in nursing career ladder occupations.
- ♦ Statewide North Dakota Talent Strategy developed in 2006.
- ♦ Training for local and state-level economic developers including:
 - Developer certification classes offered by the National Development Council and coordinated by Commerce to certify 30 developers statewide.
 - Quarterly, day-long training sessions for new professionals in economic development involving all divisions at Commerce, the Bank of North Dakota and Rural Development.
 - Biannual half-day roundtables on economic development-related topics.
 - On-going training to the eight Regional Councils and the seven Community Action Agencies.
- ♦ Statewide Technical Assistance Team (STAT) to help developers solve difficult housing issues. Members of the team include Commerce, Bank of North Dakota, Housing Finance Agency, Rural Development, Center for Technology and Business, federal Housing and Urban Development agency and Community Works.
- ♦ Rural Community Development Summit.
- ♦ Rural Leadership Initiative developed by the NDSU Extension Service to train new leaders in rural North Dakota.

Enhance North Dakota's Image.

Goal 6



Strategies

1. Develop a statewide internal marketing effort to improve North Dakota's self-image.
2. Continue to measure aggressive media relations campaigns that enhance North Dakota's image and increase awareness of North Dakota as a great place to live, work, play, visit and be in business.
3. Establish a measurement for social media engagement and its impact on the state's image.
4. Work with our regional partners, overseas offices and Visit America committees and consultants to keep North Dakota in the news and to educate on travel requirements and business opportunities.

Performance Measures

1. Ratio of positive to negative tone in media placements.
2. Number of visits as a result of image enhancement efforts.
3. Expenditures by out-of-state visitors.
4. Number of workforce relocators as a result of image enhancement efforts.
5. Tourism advertising impact on image.
6. Number of active social media influencers who contribute to depicting a fun and friendly North Dakota.
7. International advertising equivalency for positive North Dakota stories.

Existing Initiatives

A significant number of programs and initiatives that help address this goal are already in place. The following is a list of some of them:

- A fully integrated, statewide marketing and communication program that includes:
 - Aggressive in-state, national and international media relations to enhance North Dakota's image and build credibility with media sources.
 - Social networking strategies to maximize distribution of positive images and messages.
 - Ambassador program to leverage the loyalty and power of North Dakota natives.
 - A targeted, research-driven marketing effort to promote tourism in North Dakota and enhance the state's image (8th year).
- Communication of recreation opportunities and quality of life available in North Dakota through paid advertising and media relations efforts.
- National and international business development marketing efforts and stakeholder participation in external marketing trips.
- Fully integrated marketing and communication program to attract visitors from targeted countries including Canada, Norway, Sweden, Denmark, Finland, Iceland, Germany and Australia.

Extra testimony

DEPARTMENT OF COMMERCE - GENERAL FUND APPROPRIATIONS

The table below details 2011-13 biennium general fund appropriations for the Department of Commerce provided in the executive recommendation, Senate version of Engrossed House Bill No. 1018, and the House version of Engrossed Senate Bill No. 2057.

	Executive Recommendation		Engrossed HB 1018 With Senate Amendments (Senate Version)		Engrossed SB 2057 With House Amendments (House Version)		Difference Between House Version SB 2057 and Senate Version HB 1018	
	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Centers of excellence ¹		\$13,000,000		\$13,000,000				(\$13,000,000)
Centers of workforce excellence		2,000,000						
Workforce enhancement grants				2,000,000		\$2,000,000		
Child care								
Development Fund child care loan funding		400,000		250,000		250,000		
Grants for early childhood facilities		500,000		100,000		100,000		
Administration of the child care loan and grant programs		20,338		20,338		20,338		
Grants to individuals seeking a child development associate credential		150,000						
Grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building				250,000		4,935,000		4,685,000
Other								
Tourism infrastructure grants						1,500,000		1,500,000
Minot Air Force Base realignment grant						400,000		400,000
Jobs for America's Graduates programs		100,000		100,000				(100,000)
WorkKeys program		125,000						
American Indian Business Development Office		200,000		200,000		100,000		(100,000)
Energy Division	2.00	619,691	1.00	343,549			(1.00)	(343,549)
North Dakota Trade Office		2,553,000		2,613,400		2,553,000		(60,400)
Electronic portfolio pilot project				150,000				(150,000)
Development Foundation 2020				50,000				(50,000)
IDEA Center grant						300,000		300,000
USS North Dakota grant						100,000		100,000
Grand Forks Air Force Base realignment grant						4,200,000		4,200,000
Other funding		26,421,465		26,421,465		26,421,465		
Total general fund	70.25	\$46,089,494	69.25	\$45,498,752	68.25	\$42,879,803	(1.00)	(\$2,618,949)

Off-budget items				
Great Plains Applied Energy Research Center carryover funding				
Centers of excellence	\$5,000,000	\$5,000,000		(\$5,000,000)
Funding source Nekoma antiballistic missile site acquisition			600,000	600,000
Grants for child care service providers			65,000	65,000
National Energy Center grant to Bismarck State College ²			4,335,000	4,335,000
Other				
Funding source change to lands and minerals trust - Nekoma antiballistic missile site acquisition		600,000		(600,000)
Williston State College - Workforce training building			500,000	500,000
Off-budget/other subtotal	\$5,000,000	\$5,600,000	\$5,500,000	(\$100,000)

¹Details on centers of excellence:

	Executive Recommendation	Engrossed HB 1018 With Senate Amendments (Senate Version)	Engrossed SB 2057 With House Amendments (House Version)
Centers of research excellence			
Research	\$8,000,000	\$8,000,000	
Eminent researcher recruitment grant program	2,000,000	1,000,000	
Infrastructure grants	3,000,000		
Deployment-cooperative airspace project grant		4,000,000	
Centers of entrepreneurship excellence	5,000,000		
Entrepreneurial centers development grants		4,000,000	
Investments to startup stage technology-based businesses from Development Fund		1,000,000	
Total	\$18,000,000	\$18,000,000	\$0
General fund	\$13,000,000	\$13,000,000	\$0
Other funds *	\$5,000,000	\$5,000,000	\$0

*Special fund authority is provided to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

²House Bill No. 1003, relating to higher education, as passed by the House included \$4,335,000 for a National Energy Center grant to Bismarck State College to be funded by unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center. As passed by the Senate, House Bill No. 1003 includes \$3 million from the general fund for the National Energy Center at Bismarck State College.

DEPARTMENT OF COMMERCE - GENERAL FUND APPROPRIATIONS COMPARISON

The table below details 2011-13 biennium general fund appropriations for the Department of Commerce provided in the executive recommendation, Senate version of Engrossed House Bill No. 1018, the House version of Engrossed Senate Bill No. 2057, and the conference committee Senate Bill No. 2057 amendment considerations.

	Executive Recommendation		Engrossed HB 1018 With Senate Amendments (Senate Version)		Engrossed SB 2057 With House Amendments (House Version)		Amendment Considerations SB 2057 (Conference Committee Version)		Difference Between Conference Committee Version SB 2057 and House Version SB 2057	
	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Centers of excellence ¹		\$13,000,000		\$13,000,000				\$12,000,000		\$12,000,000
Centers of workforce excellence		2,000,000								
Workforce enhancement grants				2,000,000		\$2,000,000		375,000		(1,625,000)
Child care										
Development Fund child care loan funding		400,000		250,000		250,000		250,000		
Grants for early childhood facilities		500,000		100,000		100,000		100,000		
Administration of the child care loan and grant programs		20,338		20,338		20,338		20,338		
Grants to individuals seeking a child development associate credential		150,000								
Grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building				250,000		4,935,000		2,600,000		(2,335,000)
Other										
Energy Division	2.00	619,691								
WorkKeys program		125,000								
North Dakota Trade Office		2,553,000		2,613,400		2,553,000		2,613,400		60,400
American Indian Business Development Office		200,000		200,000		100,000		150,000		50,000
Director of Energy FTE and Associated Operating			1.00	343,549						
Jobs for America's Graduates programs		100,000		100,000						
Electronic portfolio pilot project				150,000				150,000		150,000
Development Foundation 2020				50,000				50,000		50,000
Grand Forks Air Force Base realignment grant						4,200,000				(4,200,000)
USS <i>North Dakota</i> grant						100,000				(100,000)
Tourism infrastructure grants						1,500,000				(1,500,000)
Minot Air Force Base realignment grant						400,000				(400,000)
IDEA Center grant						300,000				(300,000)
Other funding		26,421,465		26,421,465		26,421,465		26,421,465		
Total general fund	70.25	\$46,089,494	69.25	\$45,498,752	68.25	\$42,879,803	68.25	\$44,730,203		\$1,850,400

Off-budget items					
Great Plains Applied Energy Research Center carryover funding					
Centers of excellence	\$5,000,000	\$5,000,000		\$2,500,000	\$2,500,000
Funding source Nekoma antiballistic missile site acquisition			600,000		(600,000)
Grants for child care service providers			65,000		(65,000)
National Energy Center grant to Bismarck State College ²			4,335,000		(4,335,000)
Workforce enhancement grants				1,125,000	1,125,000
Tourism infrastructure grants				750,000	750,000
IDEA Center grant				300,000	300,000
Minot Air Force Base realignment grant				325,000	325,000
Other					
Funding source change to lands and minerals trust - Nekoma antiballistic missile site acquisition		600,000		600,000	600,000
Williston State College - Workforce training building			500,000		(500,000)
Off-budget/other subtotal	\$5,000,000	\$5,600,000	\$5,500,000	\$5,600,000	\$100,000

¹Details on centers of excellence:

	Executive Recommendation	Engrossed HB 1018 With Senate Amendments (Senate Version)	Engrossed SB 2057 With House Amendments (House Version)	Amendment Considerations SB 2057 (Conference Committee Version)
Centers of research excellence				
Research	\$8,000,000	\$8,000,000		\$4,000,000
Eminent researcher recruitment grant program	2,000,000	1,000,000		
Infrastructure grants	3,000,000			4,000,000
Deployment-cooperative airspace project grant		4,000,000		4,000,000
Centers of entrepreneurship excellence	5,000,000			
Entrepreneurial centers development grants		4,000,000		1,500,000
Investments to startup stage technology-based businesses from Development Fund		1,000,000		1,000,000
Total	\$18,000,000	\$18,000,000	\$0	\$14,500,000
General fund	\$13,000,000	\$13,000,000	\$0	\$12,000,000
Other funds*	\$5,000,000	\$5,000,000	\$0	\$2,500,000

*Special fund authority is provided to continue unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center.

²House Bill No. 1003, relating to higher education, as passed by the House included \$4,335,000 for a National Energy Center grant to Bismarck State College to be funded by unspent funds relating to the \$5 million 2009-11 general fund appropriation for the Great Plains Applied Energy Research Center. As passed by the Senate, House Bill No. 1003 includes \$3 million from the general fund for the National Energy Center at Bismarck State College.

The table below details 2011-13 biennium major initiative variances for the Department of Commerce budget bill, comparing the conference committee Senate Bill No. 2057 amendment considerations and the House version of Engrossed Senate Bill No. 2057.

Initiative	Engrossed SB 2057 With House Amendments (House Version)		Amendment Considerations SB 2057 (Conference Committee Version)		Difference Between Conference Committee Version SB 2057 and House Version SB 2057	
	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Centers of excellence				\$14,500,000		\$14,500,000
Workforce enhancement grants		\$2,000,000		1,500,000		(500,000)
Electronic portfolio pilot project				150,000		150,000
American Indian Business Development Office		100,000		150,000		50,000
North Dakota Trade Office		2,553,000		2,613,400		60,400
Development Foundation 2020				50,000		50,000
Funding source Nekoma antiballistic missile site acquisition		600,000		600,000		
IDEA Center grant		300,000		300,000		
USS <i>North Dakota</i> grant		100,000				(100,000)
Minot Air Force Base realignment grant		400,000		325,000		(75,000)
Williston State College - Workforce training building		500,000				(500,000)
Tourism infrastructure grants		1,500,000		750,000		(750,000)
Grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building		5,000,000		2,600,000		(2,400,000)
Grand Forks Air Force Base realignment grant		4,200,000				(4,200,000)
National Energy Center grant to Bismarck State College		4,335,000				(4,335,000)
Total		\$21,588,000		\$23,538,400		\$1,950,400
General fund		\$16,088,000		\$17,938,400		\$1,850,400
Other funds		\$500,000		\$600,000		\$100,000
Off-budget		\$5,000,000		\$5,000,000		

	Executive Recommendation		Engrossed HB 1018 With Senate Amendments (Senate Version) ¹		Engrossed SB 2057 With House Amendments (House Version)		Amendment Considerations SB 2057 (Conference Committee Version) ¹	
	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation	FTE	Appropriation
Minot Air Force Base realignment grant								325,000
Other								3,100,000
Department of Human Services' grants to child care providers - General fund				600,000				
Nekoma missile site - Strategic investment and improvements fund						500,000		
Williston State College - Workforce training building								
Total off-budget and other items		\$5,000,000		\$5,600,000		\$5,500,000		\$7,200,000
General fund revenue impact				\$2,000,000 ¹				
Grand total	70.25	\$51,089,494	69.25	\$53,098,752	68.25	\$48,379,803	68.25	\$48,959,865

¹The Senate version of Engrossed House Bill No. 1018 provides a new income tax credit for purchases of machinery and equipment used to automate the manufacturing processes. The tax credits are limited to \$2 million per tax year and are effective for the 2012, 2013, and 2014 taxable years. The related fiscal note states that this provision could result in a reduction of state general fund revenues of up to \$2 million for the 2011-13 biennium and up to \$4 million for the 2013-15 biennium. The conference committee Senate Bill No. 2057 amendment changes the effective years to 2013, 2014, and 2015 taxable years; therefore, there is no fiscal impact for the 2011-13 biennium.

NOTE: The current conference committee version would result in the 2011-13 ending general fund balance decreasing by \$580,062.

Grindberg, Tony S.

From: Chamberlin, Sara E.
Sent: Wednesday, April 27, 2011 5:26 PM
To: Grindberg, Tony S.
Subject: RE:

Senator Grindberg,

Per Section 18 of version 11.0025.03008 of Senate Bill No. 2057, the Great Plains Applied Energy Research Center carryover shall be used as follows:

Off-budget items - Carryover funding	
Centers of excellence- Development Fund Investments to startup stage technology based businesses	\$1,000,000
Nekoma missile site	600,000
Workforce enhancement grants	1,125,000
Tourism infrastructure grants	750,000
IDEA Center grant	300,000
Minot Air Force Base realignment grant	325,000
Great Plains Applied Energy Research Center Authorized Carryover	\$4,100,000
Remaining amount to be returned to the General Fund	\$900,000

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2057

That the House recede from its amendments as printed on pages 1501-1515 of the Senate Journal and pages 1696-1710 of the House Journal and that Engrossed Senate Bill No. 2057 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 10-30.5-13, a new chapter to title 17, three new sections to chapter 54-60, a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a small business technology investment program, a biofuel blender pump incentive program, the internship fund, entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-03, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide for a legislative management study; to provide a vaccinology initiative grant; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide legislative intent; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$851,139	\$10,871,979
Operating expenses	14,478,272	(445,012)	14,033,260
Capital assets	25,000	45,018	70,018
Grants	65,411,058	(2,683,064)	62,727,994
North Dakota development fund	0	250,000	250,000
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	375,000	375,000

Economic development initiatives	186,846	0	186,846
Agricultural products utilization	2,536,630	203,137	2,739,767
Centers of excellence	0	12,000,000	12,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	50,000	2,072,044
Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$35,692,367	\$133,365,140
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$16,723,900	\$44,730,203
Full-time equivalent positions	68.00	0.25	68.25

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-first legislative assembly for the 2009-11 biennium and the 2011-13 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$375,000
American Indian business office	0	50,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	0
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Child care grants and loans	1,820,000	370,338
Child care service provider	0	2,600,000
recruitment, training, and retention grants		
Centers of excellence	19,500,000	12,000,000
Electronic portfolio pilot project	0	150,000
2020 and beyond	0	50,000
Great plains applied energy research center	5,000,000	0
Equine processing study	50,000	0

Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$40,092,088
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>
Total general fund	\$30,470,000	\$15,595,338

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, ~~2014~~2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real

estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities. An award under this subsection may not exceed one hundred thousand dollars per award.

(Effective after July 31, 2014~~2013~~) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;

- (2) Must be a primary sector business in the technology field; and
- (3) Shall meet underwriting guidelines established by the corporation.
- b. Before the corporation distributes funds under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.
- 3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
- 4. An investment under this section is not a business incentive under chapter 54-60.1.

SECTION 5. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. ~~(Effective through July 31, 2011)~~ Definitions.

In this chapter, unless the context otherwise requires:

- 1. "Board" means the state board of higher education.
- 2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
- 3. "Commission" means the centers of excellence commission.
- 4. "Department" means the department of commerce.
- 5. "Foundation" means the North Dakota economic development foundation.
- 5. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value-added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
- 6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 7. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. ~~(Effective through July 31, 2011)~~ Application - Eligibility requirements Centers of excellence program.

1. ~~The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
2. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the~~

application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:

- a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;~~
 - b. ~~Create high-value private sector employment opportunities in this state;~~
 - c. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 8. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. ~~(Effective through July 31, 2011)~~ Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~board~~department, foundation, and budget section of the legislative management with annual audits on all funds distributed to the

center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~

4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. ~~The commission~~department may use funds ~~appropriated for available~~within the centers of excellence program fund to pay for the ~~commission's~~department's administrative expenses, ~~which may include contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.~~

SECTION 9. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

Definitions.

For purposes of this chapter, unless the context otherwise requires:

1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
2. "E85 fuel" means a petroleum product that:
 - a. Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.
3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars

per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location.

2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.

Blender pumps - Requirements.

1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 11. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Entrepreneurial centers development grants.

The department shall administer an entrepreneurial centers development grant program to provide grants to institutions under the control of the state board of higher education which are not research universities as defined under section 13 of this Act. The centers of excellence commission established under chapter 15-69 shall make grant award determinations under this section. A recipient's appropriate use of funds may include awarding a grant to establish a new entrepreneurial center within an eligible institution or to enhance the ability of an existing entrepreneurial center to assist an entrepreneur in growing the entrepreneur's businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

SECTION 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.
2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;

- c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
- a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.

SECTION 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

- 1. "Center" means a center of research excellence that has been designated under this chapter.
- 2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
- 3. "Department" means the department of commerce.
- 4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Value-added agriculture; or
 - e. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.

5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters; and
 - f. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.

5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;

- d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
 5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
 6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
 7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The

department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 14. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 15 of this Act.

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this

limitation must be determined based upon the date of the qualified purchase.

6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.
8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
 - a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

SECTION 16. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 17. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 18. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 19. EXEMPTION - TRANSFER. The amount appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws is not subject to section 54-44.1-11. The department of commerce may spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$1,500,000 of these funds for entrepreneurial centers development grants under section 11 of this Act. The office of management and budget shall transfer \$1,000,000 of these funds to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act. The office of management and budget shall transfer \$1,125,000 of these funds to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22. The department of commerce may use up to \$750,000 of these funds for tourism infrastructure grants, limited to awards of \$25,000 per recipient. The department of commerce may use up to \$325,000 for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission. The department of commerce may use up to \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas.

SECTION 20. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 21. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 22. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 25. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND

- USES. The office of management and budget shall transfer the amount appropriated in the centers of excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. During the biennium beginning July 1, 2011, and ending June 30, 2013, of the funds transferred, the centers of excellence commission may use up to \$4,000,000 for base realignment grants. The centers of excellence commission may not award more than one-half of the amount available for centers of research excellence grants, including base realignment grants, to one research university or nonprofit foundation related to that research university. The commission may use any funds that are not committed within the first eighteen months of the biennium for the centers of research excellence program.

SECTION 26. TRANSFER - EARLY CHILDHOOD FACILITY LOANS. The office of management and budget shall transfer \$250,000 of the amount appropriated in the North Dakota development fund line item in section 1 of this Act to the North Dakota development fund, incorporated, for the purpose of providing financing to early childhood facilities for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 27. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund.

SECTION 28. TRADE OFFICE - MATCHING FUND REQUIREMENT. The total North Dakota trade office special line and the general fund appropriation in section 1 of this Act include \$2,613,400 of funding relating to the North Dakota trade office. The department of commerce may spend seventy percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department for the biennium beginning July 1, 2011, and ending June 30, 2013. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 29. APPROPRIATION. There is appropriated out of any moneys in the strategic investment and improvements trust fund in the state treasury, not otherwise appropriated, the sum of \$600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma.

SECTION 30. DEPARTMENT OF COMMERCE - GRANTS FOR EARLY CHILDHOOD FACILITIES.

1. During the biennium beginning July 1, 2011, and ending June 30, 2013, the department of commerce shall establish and implement a grant program to provide matching grants to North Dakota early childhood facilities.
2. A recipient of a grant under this section shall use the grant funds for technical assistance, a business plan, or infrastructure. A grant awarded under this section for infrastructure may not exceed \$5,000 per recipient

and a grant awarded under this section for technical assistance or a business plan may not exceed \$10,000 per recipient.

3. To receive a grant under this section, an applicant shall establish the applicant has available \$1 of matching funds for every \$3 of grant funds. The matching funds must be in cash and may come from private or public sources, or from a combination of private and public sources.
4. In making awards under this program, the department shall ensure funds are fairly distributed between for-profit early childhood facilities, nonprofit early childhood facilities, and public early childhood facilities.

SECTION 31. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 25 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission.

SECTION 32. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE.

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.
2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;

- d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
 4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 33. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the discretionary funds line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 34. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 35. LEGISLATIVE MANAGEMENT STUDY - EARLY CHILDHOOD SERVICES PROVIDER TRAINING AND ASSISTANCE. During the 2011-12 interim, the legislative management shall consider studying the means by which training and assistance are provided to early childhood services providers and the efficiency of administering training and assistance to early childhood services providers, including whether there is duplication of efforts. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 36. LEGISLATIVE INTENT - CENTER OF RESEARCH EXCELLENCE PROGRAM CONTINUITY. It is the intent of the sixty-second legislative assembly that the center of research excellence program be considered an ongoing program of the department of commerce.

SECTION 37. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 38. EFFECTIVE DATE. Section 37 of this Act becomes effective on August 1, 2023.

SECTION 39. EXPIRATION DATE. Section 9 of this Act is effective through July 31, 2013, and after that date is ineffective.

SECTION 40. EFFECTIVE DATE - EXPIRATION DATE. Sections 14 and 15 of this Act are effective for the first three taxable years beginning after December 31, 2011, and are thereafter ineffective.

SECTION 41. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 9, 10, and 19 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Williston State College						
Total all funds	\$0	\$0	\$0	\$0	\$2,000,000	(\$2,000,000)
Less estimated income	0	0	0	0	1,500,000	(1,500,000)
General fund	\$0	\$0	\$0	\$0	\$500,000	(\$500,000)
Department of Commerce						
Total all funds	\$0	\$20,000,000	\$113,965,140	\$133,965,140	\$131,514,740	\$2,450,400
Less estimated income	0	0	89,234,937	89,234,937	88,634,937	600,000
General fund	\$0	\$20,000,000	\$24,730,203	\$44,730,203	\$42,879,803	\$1,850,400
Bill total.						
Total all funds	\$0	\$20,000,000	\$113,965,140	\$133,965,140	\$133,514,740	\$450,400
Less estimated income	0	0	89,234,937	89,234,937	90,134,937	(900,000)
General fund	\$0	\$20,000,000	\$24,730,203	\$44,730,203	\$43,379,803	\$1,350,400

Senate Bill No. 2057 - Williston State College - Conference Committee Action

The hoghouse amendment removes a general fund appropriation of \$500,000 and authority to borrow up to \$1.5 million from the Bank of North Dakota provided to Williston State College by the House for a workforce training building project.

Senate Bill No. 2057 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages			\$10,871,979	\$10,871,979	\$10,871,979	
Operating expenses			14,033,260	14,033,260	13,883,260	150,000
Capital assets			70,018	70,018	70,018	

Grants			62,727,994	62,727,994	71,512,994	(8,785,000)
Centers of entrepreneurship grants	5,000,000		(5,000,000)			
Limited deployment-cooperative airspace	3,500,000		(3,500,000)			
Workforce enhancement fund transfer	2,000,000		(2,000,000)			
Centers of research excellence grants	8,000,000		(8,000,000)			
Eminent research challenge grants	1,500,000		(1,500,000)			
North Dakota development fund			250,000	250,000	250,000	
Discretionary funds			928,082	928,082	928,082	
Agricultural products utilization			2,739,767	2,739,767	2,739,767	
North Dakota trade office			2,613,400	2,613,400	2,553,000	60,400
Partner programs			2,072,044	2,072,044	2,022,044	50,000
Federal fiscal stimulus funds			24,496,750	24,496,750	24,496,750	
Economic development initiatives			186,846	186,846	186,846	
Workforce enhancement Centers of Excellence			375,000	375,000	2,000,000	(1,625,000)
Nekoma ABM site acquisition			12,000,000	12,000,000		12,000,000
			600,000	600,000		600,000
Total all funds	\$0	\$20,000,000	\$113,965,140	\$133,965,140	\$131,514,740	\$2,450,400
Less estimated income	0	0	89,234,937	89,234,937	88,634,937	600,000
General fund	\$0	\$20,000,000	\$24,730,203	\$44,730,203	\$42,879,803	\$1,850,400
FTE	0.00	0.00	70.25	70.25	68.25	2.00

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Nekoma ABM Site Acquisition ³	Removes Centers of Excellence - Eminent Researcher Recruitment Grant ⁴	Reduces Funding for Workforce Enhancement Grants ⁵	Adds Funding for Child Care Service Provider Grants ⁶
Salaries and wages		\$11,115,528				
Operating expenses		14,233,260				
Capital assets		70,018				
Grants		60,377,994				2,350,000
Centers of entrepreneurship grants	(5,000,000)					
Limited deployment-cooperative airspace	(3,500,000)					
Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					
North Dakota development fund		250,000				
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,613,400				
Partner programs		2,122,044				
Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement Centers of Excellence		2,000,000			(1,625,000)	
Nekoma ABM site acquisition		13,000,000	600,000	(1,000,000)		
Total all funds	(\$20,000,000)	\$134,133,689	\$600,000	(\$1,000,000)	(\$1,625,000)	\$2,350,000
Less estimated income	0	88,634,937	600,000	0	0	0
General fund	(\$20,000,000)	\$45,498,752	\$0	(\$1,000,000)	(\$1,625,000)	\$2,350,000
FTE	0.00	69.25	0.00	0.00	0.00	0.00

	Removes Funding for A Director of Energy FTE and Associated Operating ⁷	Reduces Funding for the American Indian Business Development Office ⁸	Removes Funding for the Jobs for America's Graduates Programs ⁹	Total Conference Committee Changes
Salaries and wages	(\$243,549)			\$10,871,979
Operating expenses	(100,000)		(100,000)	14,033,260
Capital assets				70,018
Grants				62,727,994
Centers of entrepreneurship grants				(5,000,000)
Limited deployment-cooperative airspace				(3,500,000)
Workforce enhancement fund transfer				(2,000,000)
Centers of research excellence grants				(8,000,000)
Eminent research challenge grants				(1,500,000)
North Dakota development fund				250,000
Discretionary funds				928,082
Agricultural products utilization				2,739,767
North Dakota trade office				2,613,400
Partner programs		(50,000)		2,072,044
Federal fiscal stimulus funds				24,496,750
Economic development initiatives				186,846
Workforce enhancement Centers of Excellence				375,000
Nekoma ABM site acquisition				12,000,000
				600,000
Total all funds	(\$343,549)	(\$50,000)	(\$100,000)	\$113,965,140
Less estimated income	0	0	0	89,234,937
General fund	(\$343,549)	(\$50,000)	(\$100,000)	\$24,730,203
FTE	1.00	0.00	0.00	70.25

¹ The amendment removes funding included in the Senate version for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

² The amendment provides the same funding level and FTE positions for the Department of Commerce as approved by the Senate in Engrossed House Bill No. 1018.

³ Funding provided in the Senate version of House Bill No. 1018 from the strategic investment and improvements fund is added for a grant to assist in the acquisition of the antiballistic missile (ABM) site at the Stanley R. Mickelson Safeguard Complex in Nekoma.

⁴ Funding provided in the Senate version of House Bill No. 1018 for an eminent researcher recruitment grant is removed. This change is the same as the House version.

⁵ Funding provided in the Senate version of House Bill No. 1018 for workforce enhancement grants is reduced by \$1,625,000 to provide a total of \$375,000 from the general fund. The House version of House Bill No. 1018 and Senate Bill No. 2057 provided \$2 million from the general fund for these grants. However, the conference committee is authorizing the department to use up to \$1,125,000 from unspent 2009-11 biennium appropriation authority for the Great Plains Applied Energy Research Center for workforce enhancement grants during the 2011-13 biennium, therefore, making available a total of \$1,500,000.

⁶ Funding provided in the Senate version of House Bill No. 1018 for grants to child care service providers is increased by \$2.35 million to provide a total of \$2.6 million. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund. The Department of Commerce shall provide this funding to the Department of Human Services to administer grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided in Section 50-11.1-14.1.

⁷ Funding provided in the Senate version of House Bill No. 1018 for a director of energy position (\$243,549) and associated operating expenses (\$100,000) is removed. The House version of House Bill No. 1018 and Senate Bill No. 2057 did not provide funding for this FTE or related operating.

⁸ Funding provided in the Senate version of House Bill No. 1018 for the American Indian Business Development Office is reduced by \$50,000 to provide a total of \$150,000 from the general fund. The House version provided \$100,000 from the general fund for the American Indian Business Development Office.

⁹ Funding provided in the Senate version of House Bill No. 1018 to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is removed. The House version did not provide funding for this program.

The conference committee amendment is a hoghouse amendment that incorporates the Senate version of House Bill No. 1018 into Senate Bill No. 2057; however, this amendment makes the following changes to the Senate version of House Bill No. 1018:

- The Senate version of House Bill No. 1018 used \$4 million of unspent 2009-11 biennium appropriations from the Great Plains Applied Energy Research Center for entrepreneurial centers development grants and \$1 million to the Development Fund for investments in startup state technology-based businesses. In the conference committee amendment, this is changed to provide \$1.5 million for entrepreneurial centers development grants, \$1 million to the Development Fund for investments in startup state technology-based businesses, \$1.125 million for workforce enhancement grants, \$750,000 of one-time funding for tourism infrastructure grants limited to \$25,000 per recipient, \$325,000 of one-time funding for a Minot Air Force Base realignment grant, and \$300,000 of one-time funding for a grant to the IDEA center.
- Regarding the centers of research excellence program, tourism is being removed from the definition of what is included in an "industry cluster." Under centers of research excellence application and eligibility requirements, limiting research university applications to no more than two for each round of center funding is removed as well as the consideration of a center's ability to become financially self-sustaining from the award determination process. Under centers of research excellence use of funds - terms of funds - distribution of funds - postaward monitoring, the public sector required match is changed to permit a match to be provided by a not-for-profit organization.
- The eminent researcher recruitment grant is removed.
- Funding provided for child care grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building in collaboration with the Department of Human Services is increased from \$250,000 to \$2.6 million.
- A section added in the Senate version of House Bill No. 1018 to provide for a Legislative Management study of gas flaring issues is removed.
- A section is added to provide for a Legislative Management study of early childhood services provider training and assistance.
- A section of legislative intent is added that the centers of research excellence program continue as an ongoing program of the Department of Commerce.
- Authority provided in the Senate version of House Bill No. 1018 to use \$50,000 from the grants line item as a matching grant for an institution of higher education vaccinology initiative is changed to discretionary funds line item.

Other provisions included in the Senate version of House Bill No. 1018 added in this amendment relate to:

- A small business technology investment program that provides matching investments to startup technology-based businesses.

- Centers of excellence statutory provisions are changed to:
 - Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and make other changes and additions relating to postaward monitoring;
 - Centers of research excellence and a centers of research excellence fund; and
 - Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.
- A pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.
- Creating an internship fund.
- Biofuel blender pump incentive program.
- A centers of research excellence fund, and the bill provides for a transfer of the \$12 million provided for centers of excellence to this fund. Of the funding provided, \$4 million is for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).
- An income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.
- Authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.
- A Legislative Management study of the impact of future population growth on state and local government revenues.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2057

That the House recede from its amendments as printed on pages 1501-1515 of the Senate Journal and pages 1696-1710 of the House Journal and that Engrossed Senate Bill No. 2057 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to provide an appropriation for defraying the expenses of the department of commerce; to create and enact section 10-30.5-13, a new chapter to title 17, three new sections to chapter 54-60, a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38 of the North Dakota Century Code, relating to a small business technology investment program, a biofuel blender pump incentive program, the internship fund, entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes; to amend and reenact sections 10-30.5-02, 15-69-01, 15-69-03, 15-69-04, and 15-69-05 of the North Dakota Century Code, relating to the North Dakota development fund, incorporated, and centers of excellence program; to repeal chapter 15-69 of the North Dakota Century Code, relating to the centers of excellence program; to provide for a legislative management study; to provide a vaccinology initiative grant; to provide a continuing appropriation; to provide exemptions; to provide for transfers; to provide legislative intent; to provide an effective date; to provide an expiration date; and to declare an emergency.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2011, and ending June 30, 2013 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and wages	\$10,020,840	\$837,411	\$10,858,251
Operating expenses	14,478,272	(451,622)	14,026,650
Capital assets	25,000	45,018	70,018
Grants	65,411,058	(5,383,064)	60,027,994
Discretionary funds	928,083	(1)	928,082
Workforce enhancement	0	375,000	375,000
Economic development initiatives	186,846	0	186,846

Agricultural products utilization	2,536,630	203,137	2,739,767
Centers of research excellence	0	12,000,000	12,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	50,000	2,072,044
Federal fiscal stimulus funds	<u>0</u>	<u>24,496,750</u>	<u>24,496,750</u>
Total all funds	\$97,672,773	\$32,722,029	\$130,394,802
Less estimated income	<u>69,666,470</u>	<u>18,968,467</u>	<u>88,634,937</u>
Total general fund	\$28,006,303	\$13,753,562	\$41,759,865
Full-time equivalent positions	68.00	0.25	68.25

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO SIXTY-THIRD LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-first legislative assembly for the 2009-11 biennium and the 2011-13 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2009-11</u>	<u>2011-13</u>
Workforce enhancement fund	\$1,000,000	\$375,000
American Indian business office	0	50,000
Biofuel blender pumps	1,000,000	0
Promotion and marketing of USS North Dakota	100,000	0
Lewis and Clark foundation grants	1,500,000	0
Theodore Roosevelt Medora foundation grant	500,000	0
Child care grants and loans	1,820,000	0
Centers of research excellence	19,500,000	12,000,000
Electronic portfolio pilot project	0	150,000
2020 and beyond	0	50,000
Great plains applied energy research center	5,000,000	0
Equine processing study	50,000	0
Federal fiscal stimulus	<u>68,594,635</u>	<u>24,496,750</u>
Total all funds	\$99,064,635	\$37,121,750
Less estimated income	<u>68,594,635</u>	<u>24,496,750</u>

Total general fund

\$30,470,000

\$12,625,000

The 2011-13 one-time funding amounts are not a part of the entity's base budget for the 2013-15 biennium. The department of commerce shall report to the appropriations committees of the sixty-third legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 3. AMENDMENT. Section 10-30.5-02 of the North Dakota Century Code is amended and reenacted as follows:

10-30.5-02. (Effective through July 31, ~~2014~~2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.
5. Moneys in the development fund may be used to provide financing to early childhood facilities licensed under chapter 50-11.1. Moneys also may be used to make grants or loans to match grants or loans made by county-authorized or city-authorized development corporations, job development authorities created under chapter 11-11.1 or 40-57.4, and regional planning councils for acquiring, leasing, or remodeling of real estate facilities or for acquiring equipment for establishing or expanding a licensed early childhood facility. In providing financing under this subsection, the corporation shall ensure funds are distributed fairly among for-profit early childhood facilities, nonprofit early childhood facilities, and

public early childhood facilities. An award under this subsection may not exceed one hundred thousand dollars per award.

(Effective after July 31, 2013) Purpose and fund uses.

1. It is the purpose of this chapter to create a statewide nonprofit development corporation that will have the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital for new or expanding businesses in this state, or relocating businesses to this state. The corporation's principal mission is the development and expansion of primary sector business in this state. The corporation may form additional corporations, limited liability companies, partnerships, or other forms of business associations in order to further its mission of primary sector economic development.
2. The exclusive focus of this corporation is business development in this state; however, it is not excluded from participation with other states or organizations in projects that have a clear economic benefit to state residents in the creation of jobs or secondary business. Emphasis should be to develop jobs that provide an income adequate to support a family above the poverty level.
3. Moneys in the development fund may be used to provide working capital or for financing the purchase of fixed assets but not to refinance existing debt. Moneys may also be used to make matching grants to county-authorized or city-authorized development corporations for the acquisition, leasing, or remodeling of real estate facilities for locating a prospective new primary sector business. A grant must be made as part of a package of financing in which the state is a participant.
4. The commissioner of commerce shall adopt rules, subject to the approval of the board of directors, necessary to implement the administration of the fund. The rules to implement the grant program must be developed to encourage local fundraising initiatives for developing locations for businesses financed by the corporation.

SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.

- b. Before the corporation distributes funds under this section, the recipient shall provide the corporation with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.
- 3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
- 4. An investment under this section is not a business incentive under chapter 54-60.1.

SECTION 5. AMENDMENT. Section 15-69-01 of the North Dakota Century Code is amended and reenacted as follows:

15-69-01. ~~(Effective through July 31, 2011)~~ Definitions.

In this chapter, unless the context otherwise requires:

- 1. "Board" means the state board of higher education.
- 2. "Center" means a center of excellence relating to economic development which has been designated or named under this chapter.
- 3. "Commission" means the centers of excellence commission.
- 4. "Department" means the department of commerce.
- 5. "Foundation" means the North Dakota economic development foundation.
- 5. ~~"Industry cluster" means one of the following industries:~~
 - a. ~~Advanced manufacturing;~~
 - b. ~~Energy;~~
 - c. ~~Information and technology;~~
 - d. ~~Tourism;~~
 - e. ~~Value-added agriculture; or~~
 - f. ~~An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.~~
- 6. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.

SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. ~~(Effective through July 31, 2011)~~ Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission.

SECTION 7. AMENDMENT. Section 15-69-04 of the North Dakota Century Code is amended and reenacted as follows:

15-69-04. ~~(Effective through July 31, 2011)~~ Application—Eligibility requirements Centers of excellence program.

1. ~~The department of commerce shall provide center application forms, accept applications, review applications for completeness and compliance with board and commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of an institution of higher education under the control of the board may be submitted to the department of commerce for each round of center funding.~~
2. ~~The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department of commerce to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.~~
3. ~~In considering whether to approve or disapprove an application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:~~

- a. ~~Use university or college research to promote private sector job growth and expansion of knowledge-based industries or use university or college research to promote the development of new products, high-tech companies, or skilled jobs in this state;~~
 - b. ~~Create high-value private sector employment opportunities in this state;~~
 - e. ~~Provide for public-private sector involvement and partnerships;~~
 - d. ~~Leverage other funding, including cash from the private sector;~~
 - e. ~~Increase research and development activities that may involve federal funding from the national science foundation experimental program to stimulate competitive research;~~
 - f. ~~Foster and practice entrepreneurship;~~
 - g. ~~Promote the commercialization of new products and services in industry clusters;~~
 - h. ~~Become financially self-sustaining; and~~
 - i. ~~Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.~~
4. ~~In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.~~
5. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.

SECTION 8. AMENDMENT. Section 15-69-05 of the North Dakota Century Code is amended and reenacted as follows:

15-69-05. ~~(Effective through July 31, 2014)~~ Use of funds - Terms of funds - Distribution of funds.

1. A center shall use funds awarded under this chapter to enhance capacity and leverage state, federal, and private sources of funding. A center awarded funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. As a condition for receipt of funds under this chapter, a center shall agree to provide the ~~board~~department, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to

provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
3. Before the commission directs the department of commerce to distribute funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed under this chapter. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. ~~In making funding recommendations and designation determinations, the commission, board, foundation, and budget section shall give major consideration to the portion of the matching funds provided in cash by the private sector.~~
4. The commission shall direct the department of commerce to distribute the funds awarded under this chapter in disbursements consistent with the

center's budget and timeframe outlined in the approved award. The commission may not direct distribution of funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.

5. If, before funds are distributed by the department of commerce, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department of commerce withhold all or a portion of any undistributed funds pending commission review of the changes.
6. ~~The commission department may use funds appropriated for available within the centers of excellence program fund to pay for the commission's department's administrative expenses, which may include contracting for independent, expert reviews of complete applications and centers of excellence forums related to this program. The amount of funds the commission uses each biennium for administrative expenses may not exceed two and one-half percent of the funds appropriated for the program that biennium.~~

SECTION 9. A new chapter to title 17 of the North Dakota Century Code is created and enacted as follows:

Definitions.

For purposes of this chapter, unless the context otherwise requires:

1. "Biodiesel" means any non-petroleum-based diesel fuel made from a renewable resource such as vegetable oil or animal fat.
2. "E85 fuel" means a petroleum product that:
 - a. Is a blend of agriculturally derived denatured ethanol and gasoline or natural gasoline;
 - b. Typically contains eighty-five percent ethanol by volume but must at a minimum contain sixty percent ethanol by volume; and
 - c. Complies with the American society for testing materials specification D 5798-96.
3. "Motor fuel retailer" means a person that acquires motor vehicle fuel from a supplier or distributor for resale to a consumer at a retail location.
4. "Retail location" means a site at which motor vehicle fuel is dispensed through a pump from an underground or aboveground storage tank into the supply tank of a motor vehicle.

Biofuel blender pump incentive program - Administration.

1. The department of commerce shall administer the biofuel blender pump incentive program to provide cost-share grants of up to a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the

piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location.

2. In determining eligibility for grant funds, the department shall establish by rule criteria governing:
 - a. The verification of costs for biofuel blender pumps and associated equipment, including the piping system and storage components;
 - b. The eligibility of grant recipients;
 - c. The application and grant award procedure; and
 - d. Reporting and accountability procedures for grant recipients.

Blender pumps - Requirements.

1. To qualify for a grant under this chapter, a retailer must install an ethanol blender pump and an associated storage and piping system. The pump must be the type that:
 - a. Dispenses at retail a blend of gasoline and ethanol in the ratio selected by the purchaser;
 - b. Is manufactured to an industry standard and carries a warranty for compatibility with dispenser components and storage and piping systems;
 - c. Has at least four hoses and dispenses the following:
 - (1) Either a blend of ten percent ethanol or the minimum blend percentage approved for all vehicles by the United States environmental protection agency;
 - (2) A blend of at least twenty percent ethanol; and
 - (3) E85 fuel; and
 - d. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.
2. In order to qualify for a grant under this chapter, a retailer must install a biodiesel blender pump that:
 - a. Dispenses at retail varying blends of biodiesel and mineral diesel in the ratio selected by the purchaser; and
 - b. Complies with all alternative fuel, biofuel, and flexible fuel requirements established by law.

Biofuel blender pump incentive program - Administrative costs.

The department may use up to five percent of any amount appropriated to the biofuel blender pump incentive program for administration, the dissemination of information regarding the biofuel blender pump incentive program, and the dissemination of information regarding the benefits of biofuels.

SECTION 10. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Internship fund - Continuing appropriation.

The internship fund is a special fund in the state treasury. All funds in the internship fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering section 54-60-17. Interest earned by the fund must be credited to the fund.

SECTION 11. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Entrepreneurial centers development grants.

The department shall administer an entrepreneurial centers development grant program to provide grants to institutions under the control of the state board of higher education which are not research universities as defined under section 13 of this Act. The centers of excellence commission established under chapter 15-69 shall make grant award determinations under this section. A recipient's appropriate use of funds may include awarding a grant to establish a new entrepreneurial center within an eligible institution or to enhance the ability of an existing entrepreneurial center to assist an entrepreneur in growing the entrepreneur's businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

SECTION 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.
2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;

- c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
- a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.
5. The division of workforce development shall report to the budget section on the use of the funding provided for this program, including an overview of the program, program expenditures, and statistics on the effectiveness of the program.

SECTION 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

- 1. "Center" means a center of research excellence that has been designated under this chapter.
- 2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
- 3. "Department" means the department of commerce.
- 4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Value-added agriculture; or

- e. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
- 5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
- 6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

- 1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
- 2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission.
- 3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
- 4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:
 - a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;

- e. Promote the commercialization of new products and services in industry clusters; and
 - f. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

- 1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
- 2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
- 3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter after the second full fiscal year of the postaward monitoring and after all funds distributed to the center under this chapter have been expended and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:
 - a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;

- b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
 5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.
 6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
 7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation to enhance

economic development and employment opportunities associated with the Grand Forks air force base resulting from action by the federal defense base closure and realignment commission and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 14. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 15 of this Act.

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.

4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.
8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
 - a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38.

SECTION 16. EXEMPTION. The amount appropriated for the agricultural products utilization commission in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item for grants are available for grants during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 17. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 18. EXEMPTION - TRANSFER. The amount appropriated for internships contained in the operating expenses line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11. The office of management and budget shall transfer any unexpended funds from this appropriation to the internship fund at the end of the 2011-13 biennium.

SECTION 19. EXEMPTION - TRANSFER. The amount appropriated for the great plains applied energy research center in section 1 of chapter 26 of the 2009 Session Laws is not subject to section 54-44.1-11. The department of commerce may spend these funds for the purposes provided for in this section, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$750,000 of these funds for entrepreneurial centers development grants under section 11 of this Act. The office of management and budget shall transfer \$1,000,000 of these funds to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act. The office of management and budget shall transfer \$1,125,000 of these funds to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22. The department of commerce shall use up to \$750,000 of these funds for tourism infrastructure grants. The department of commerce shall use up to \$600,000 of these funds for a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma. The department of commerce shall use up to \$325,000 for providing a base realignment grant to enhance economic development and employment opportunities associated with the Minot air force base resulting from action by the federal defense base closure and realignment commission. The department of commerce shall use up to \$300,000 for a grant to a not-for-profit organization assisting individuals with business ideas.

SECTION 20. EXEMPTION. The amount appropriated for the technology-based entrepreneurship grant program contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 21. EXEMPTION. The amount appropriated for early childhood facility grants in section 6 of chapter 108 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 22. EXEMPTION. The amount appropriated for the biofuel blender pump incentive program in sections 1 and 2 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 23. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 24. TRANSFER - WORKFORCE ENHANCEMENT FUND. The office of management and budget shall transfer the amount appropriated in the workforce enhancement line item in section 1 of this Act to the workforce enhancement fund for the purpose of implementing and administering sections 54-60-21 and 54-60-22 for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 25. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND - USES. The office of management and budget shall transfer the amount appropriated in the centers of research excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. Of the funds transferred, the centers of excellence commission may use up to \$4,000,000 for a limited deployment-cooperative airspace project as provided in section 29 of this Act. Of the \$1,000,000 transferred to the centers of excellence commission may not award more than \$250,000 to any one university or nonprofit foundation related to that university. The amount available to the university of North Dakota, \$3,000,000, shall be used for realignment grants. The commission may use any amount remaining at the end of the first eighteen months of the biennium for the continuation of the program.

SECTION 26. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund.

SECTION 27. TRADE OFFICE - MATCHING FUND REQUIREMENT. The North Dakota trade office special line and the general fund allocation in section 1 of this Act include \$2,813,400 of funding relative to the trade office's export assistance department or commercial spend. The department shall spend no more than 50 percent of any matching funds provided by the state for each \$1 provided by the trade office, to the extent that the North Dakota trade office provides a matching amount from other public sources for each \$1 provided by the state. The trade office shall begin beginning July 1, 2011, and ending June 30, 2013. The trade office shall spend by businesses or organizations to pay for training to export assistants, or buy computer equipment for the trade office's export assistance program.

SECTION 28. APPROPRIATION - DEPARTMENT OF HUMAN SERVICES. There is appropriated out of any moneys in the general fund of the state, or otherwise appropriated, the sum of \$3,100,000, or so much of the sum as may be necessary, to the department of human services, for the purpose of providing grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided for in section 16-11.1-14.1, for the biennium beginning July 1, 2011, and ending June 30, 2013.

SECTION 29. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 25 of this Act for grants to the North Dakota university system's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner

of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission. The commission may use any funds available under this section which are not committed by July 1, 2012, for the centers of research excellence program. Of the remaining available funds, the commission may not award more than one-half to one research university or nonprofit foundation related to that research university.

**SECTION 30. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION
- 2020 AND BEYOND INITIATIVE.**

1. During the 2011-12 interim, the North Dakota economic development foundation shall contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and beyond initiative. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.
2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and

- i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 31. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the discretionary funds line item in section 1 of this Act, \$50,000 from the general fund may be used by the department of commerce to provide a matching grant to an institution of higher education for a vaccinology initiative. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 32. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 33. LEGISLATIVE MANAGEMENT STUDY - EARLY CHILDHOOD SERVICES PROVIDER TRAINING AND ASSISTANCE. During the 2011-12 interim, the legislative management shall consider studying the means by which training and assistance are provided to early childhood services providers and the efficiency of administering training and assistance to early childhood services providers, including whether there is duplication of efforts. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 34. LEGISLATIVE INTENT - CENTER OF RESEARCH EXCELLENCE PROGRAM CONTINUITY. It is the intent of the sixty-second legislative assembly that the center of research excellence program be considered an ongoing program of the department of commerce.

SECTION 35. REPEAL. Chapter 15-69 of the North Dakota Century Code is repealed.

SECTION 36. EFFECTIVE DATE. Section 35 of this Act becomes effective on August 1, 2023.

SECTION 37. EXPIRATION DATE. Section 9 of this Act is effective through July 31, 2013, and after that date is ineffective. Section 12 of this Act is effective through June 30, 2013, and after that date is ineffective.

SECTION 38. EFFECTIVE DATE - EXPIRATION DATE. Sections 14 and 15 of this Act are effective for the first three taxable years beginning after December 31, 2012, and are thereafter ineffective.

SECTION 39. EMERGENCY. Funding of \$900,000 in the operating expenses line item in section 1 of this Act, relating to the operation intern program, and sections 9, 10, and 19 of this Act are declared to be an emergency measure."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2057 - Summary of Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Williston State College						
Total all funds	\$0	\$0	\$0	\$0	\$2,000,000	(\$2,000,000)
Less estimated income	0	0	0	0	1,500,000	(1,500,000)
General fund	\$0	\$0	\$0	\$0	\$500,000	(\$500,000)
Department of Human Services						
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Department of Commerce						
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
Bill total						
Total all funds	\$0	\$20,000,000	\$113,494,802	\$133,494,802	\$133,514,740	(\$19,938)
Less estimated income	0	0	88,634,937	88,634,937	90,134,937	(1,500,000)
General fund	\$0	\$20,000,000	\$24,859,865	\$44,859,865	\$43,379,803	\$1,480,062

Senate Bill No. 2057 - Williston State College - Conference Committee Action

The hoghouse amendment removes a general fund appropriation of \$500,000 and authority to borrow up to \$1.5 million from the Bank of North Dakota provided to Williston State College by the House for a workforce training building project.

Senate Bill No. 2057 - Department of Human Services - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Child care service provider grants			\$3,100,000	\$3,100,000		\$3,100,000
Total all funds	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
Less estimated income	0	0	0	0	0	0
General fund	\$0	\$0	\$3,100,000	\$3,100,000	\$0	\$3,100,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 325 - Department of Human Services - Detail of Conference Committee Changes

	Adds Funding for Child Care Service Provider Grants ¹	Total Conference Committee Changes
Child care service provider grants	\$3,100,000	\$3,100,000
Total all funds	\$3,100,000	\$3,100,000

Less estimated income	0	0
General fund	\$3,100,000	\$3,100,000
FTE	0.00	0.00

¹ Funding is added by the conference committee to provide an appropriation to the Department of Human Services for grants to child care service providers for workforce development, quality improvement, technical assistance, and capacity building as provided in section 50-11.1-14.1. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund, to the Department of Commerce to work in collaboration with the Department of Human Services to administer these grants.

Senate Bill No. 2057 - Department of Commerce - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages			\$10,858,251	\$10,858,251	\$10,871,979	(\$13,728)
Operating expenses			14,026,650	14,026,650	13,883,260	143,390
Capital assets			70,018	70,018	70,018	
Grants			60,027,994	60,027,994	71,512,994	(11,485,000)
Centers of entrepreneurship grants		5,000,000	(5,000,000)			
Limited deployment-cooperative airspace		3,500,000	(3,500,000)			
Workforce enhancement fund transfer		2,000,000	(2,000,000)			
Centers of research excellence grants		8,000,000	(8,000,000)			
Eminent research challenge grants		1,500,000	(1,500,000)			
North Dakota development fund					250,000	(250,000)
Discretionary funds			928,082	928,082	928,082	
Agricultural products utilization			2,739,767	2,739,767	2,739,767	
North Dakota trade office			2,613,400	2,613,400	2,553,000	60,400
Partner programs			2,072,044	2,072,044	2,022,044	50,000
Federal fiscal stimulus funds			24,496,750	24,496,750	24,496,750	
Economic development initiatives			186,846	186,846	186,846	
Workforce enhancement Centers of Research Excellence			375,000	375,000	2,000,000	(1,625,000)
			12,000,000	12,000,000		12,000,000
Total all funds	\$0	\$20,000,000	\$110,394,802	\$130,394,802	\$131,514,740	(\$1,119,938)
Less estimated income	0	0	88,634,937	88,634,937	88,634,937	0
General fund	\$0	\$20,000,000	\$21,759,865	\$41,759,865	\$42,879,803	(\$1,119,938)
FTE	0.00	0.00	70.25	70.25	68.25	2.00

Department No. 601 - Department of Commerce - Detail of Conference Committee Changes

	Removes Funding for Grants ¹	Adds Funding for Department of Commerce ²	Removes Centers of Excellence - Eminent Researcher Recruitment Grant ³	Reduces Funding for Workforce Enhancement Grants ⁴	Removes Funding for Child Care Service Provider Grants ⁵	Removes Funding for Child Care Grants and Loans ⁶
Salaries and wages		\$11,115,528				(\$13,728)
Operating expenses		14,233,260				(6,610)
Capital assets		70,018				
Grants		60,377,994			(250,000)	(100,000)
Centers of entrepreneurship grants	(5,000,000)					
Limited deployment-cooperative airspace	(3,500,000)					

Workforce enhancement fund transfer	(2,000,000)					
Centers of research excellence grants	(8,000,000)					
Eminent research challenge grants	(1,500,000)					
North Dakota development fund		250,000				(250,000)
Discretionary funds		928,082				
Agricultural products utilization		2,739,767				
North Dakota trade office		2,613,400				
Partner programs		2,122,044				
Federal fiscal stimulus funds		24,496,750				
Economic development initiatives		186,846				
Workforce enhancement		2,000,000		(1,625,000)		
Centers of Research Excellence		13,000,000	(1,000,000)			
Total all funds	(\$20,000,000)	\$134,133,689	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
Less estimated income	0	88,634,937	0	0	0	0
General fund	(\$20,000,000)	\$45,498,752	(\$1,000,000)	(\$1,625,000)	(\$250,000)	(\$370,338)
FTE	0.00	69.25	0.00	0.00	0.00	0.00

	Removes Funding for A Director of Energy FTE and Associated Operating ⁷	Reduces Funding for the American Indian Business Development Office⁸	Removes Funding for the Jobs for America's Graduates Programs⁹	Total Conference Committee Changes
Salaries and wages	(\$243,549)			\$10,858,251
Operating expenses	(100,000)		(100,000)	14,026,650
Capital assets				70,018
Grants				60,027,994
Centers of entrepreneurship grants				(5,000,000)
Limited deployment-cooperative airspace				(3,500,000)
Workforce enhancement fund transfer				(2,000,000)
Centers of research excellence grants				(8,000,000)
Eminent research challenge grants				(1,500,000)
North Dakota development fund				928,082
Discretionary funds				2,739,767
Agricultural products utilization				2,613,400
North Dakota trade office				2,072,044
Partner programs		(50,000)		24,496,750
Federal fiscal stimulus funds				186,846
Economic development initiatives				375,000
Workforce enhancement				12,000,000
Centers of Research Excellence				
Total all funds	(\$343,549)	(\$50,000)	(\$100,000)	\$110,394,802
Less estimated income	0	0	0	88,634,937
General fund	(\$343,549)	(\$50,000)	(\$100,000)	\$21,759,865
FTE	1.00	0.00	0.00	70.25

¹ The amendment removes funding included in the Senate version for the following grants:

- Centers of entrepreneurship grants.
- Limited deployment-cooperative airspace.
- Workforce enhancement fund transfer.
- Centers of research excellence grants.
- Eminent researcher recruitment challenge grants.

² The amendment provides the same funding level and FTE positions for the Department of Commerce as approved by the Senate in Engrossed House Bill No. 1018.

³ Funding provided in the Senate version of House Bill No. 1018 for an eminent researcher recruitment grant is removed. This change is the same as the House version.

⁴ Funding provided in the Senate version of House Bill No. 1018 for workforce enhancement grants is reduced by \$1,625,000 to provide a total of \$375,000 from the general fund. The House version of House Bill No. 1018 and Senate Bill No. 2057 provided \$2 million from the general fund for these grants. However, the conference committee is authorizing the department to use up to \$1,125,000 from unspent 2009-11 biennium appropriation authority for the Great Plains Applied Energy Research Center for workforce enhancement grants during the 2011-13 biennium, therefore, making available a total of \$1,500,000.

⁵ Funding of \$250,000 provided in the Senate version of House Bill No. 1018 for grants to child care service providers is removed. The conference committee amendment provides a separate appropriation of \$3.1 million to the Department of Human Services for grants to child care service providers. The House provided \$5 million for these grants, of which \$4,935,000 is from the general fund.

⁶ Funding provided in the Senate version of House Bill No. 1018 for the child care grants and loans is removed. The House version provided \$100,000 from the general fund for grants, \$250,000 for child care loans, and \$20,338 for the administration of the child care loan and grant program.

⁷ Funding provided in the Senate version of House Bill No. 1018 for a director of energy position (\$243,549) and associated operating expenses (\$100,000) is removed. The House version of House Bill No. 1018 and Senate Bill No. 2057 did not provide funding for this FTE position or related operating expenses.

⁸ Funding provided in the Senate version of House Bill No. 1018 for the American Indian Business Development Office is reduced by \$50,000 to provide a total of \$150,000 from the general fund. The House version provided \$100,000 from the general fund for the American Indian Business Development Office.

⁹ Funding provided in the Senate version of House Bill No. 1018 to continue four Jobs for America's Graduates programs previously paid with federal funds in the 2009-11 biennium is removed. The House version did not provide funding for this program.

The conference committee amendment is a hoghouse amendment that incorporates the Senate version of House Bill No. 1018 into Senate Bill No. 2057; however, this amendment makes the following changes to the Senate version of House Bill No. 1018:

- The Senate version of House Bill No. 1018 used \$4 million of unspent 2009-11 biennium appropriations from the Great Plains Applied Energy Research Center for entrepreneurial centers development grants and \$1 million to the Development Fund for investments in startup stage technology-based businesses. In the conference committee amendment, this is changed to provide \$750,000 for entrepreneurial centers development grants, \$1 million to the Development Fund for investments in startup stage technology-based businesses, \$1.125 million for workforce enhancement grants, \$750,000 of one-time funding for tourism infrastructure grants, \$600,000 for a grant to assist in the acquisition of the antiballistic missile site (ABM) at the Stanley R. Mickelson safeguard complex in Nekoma, \$325,000 of one-time funding for a Minot Air Force Base realignment grant to the Minot TF-21 Committee, and \$300,000 of one-time funding for a grant to the IDEA Center.
- The funding source for a grant to assist in the acquisition of the ABM site at the Stanley R. Mickelson Safeguard Complex in Nekoma provided in the Senate version of House Bill No. 1018 is changed from the strategic investment and improvements fund (formerly lands and minerals trust fund) to the Great Plains Applied Energy Research Center carryover.
- Regarding the centers of research excellence program, tourism is being removed from the

definition of what is included in an "industry cluster." Under centers of research excellence application and eligibility requirements, limiting research university applications to no more than two for each round of center funding is removed as well as the consideration of a center's ability to become financially self-sustaining from the award determination process. Under centers of research excellence use of funds - terms of funds - distribution of funds - postaward monitoring, the public sector required match is changed to permit a match to be provided by a not-for-profit organization.

- Under centers of excellence and centers of research excellence postaward monitoring section, an audit is required on all funds distributed to the center after the second full fiscal year and after all funds distributed to the center have been expended and that for all other years during the postaward monitoring a center may contract with an independent accountant for an agreed-upon procedures engagement.
- The eminent researcher recruitment grant is removed.
- The automating manufacturing processes tax credit effective date is changed from December 31, 2011, to December 31, 2012.
- A section added in the Senate version of House Bill No. 1018 to provide for a Legislative Management study of gas flaring issues is removed.
- The higher education electronic portfolio system pilot program is changed to expire as of June 30, 2013, and the department is to provide a report on the program to the Budget Section.
- A section is added to provide for a Legislative Management study of early childhood services provider training and assistance.
- A section of legislative intent is added that the centers of research excellence program continue as an ongoing program of the Department of Commerce.
- Authority provided in the Senate version of House Bill No. 1018 to use \$50,000 from the grants line item as a matching grant for an institution of higher education vaccinology initiative is changed to discretionary funds line item.
- Other provisions included in the Senate version of House Bill No. 1018 added in this amendment relate to:
 - A small business technology investment program that provides matching investments to startup technology-based businesses.
 - Centers of excellence statutory provisions are changed to:
 - Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and make other changes and additions relating to postaward monitoring;
 - Centers of research excellence and a centers of research excellence fund; and
 - Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.
 - A pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.
 - Creating an internship fund.
 - Biofuel blender pump incentive program.
 - A centers of research excellence fund, and the bill provides for a transfer of the \$12 million provided for centers of excellence to this fund. Of the funding provided, \$4 million is for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).
 - An income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. This credit is anticipated to reduce 2011-13 biennium general fund revenues by \$2 million.
 - Authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.
 - A Legislative Management study of the impact of future population growth on state and local government revenues.