

ECONOMIC DEVELOPMENT EFFORTS STUDY - BACKGROUND MEMORANDUM

INTRODUCTION

House Concurrent Resolution No. 3051 (2003), attached as Appendix A, provides for the study of economic development efforts associated with and including establishment of a Red River Valley business and technology development zone and methods through which programs receiving funding from the United States Department of Agriculture rural economic area partnership, empowerment zone, enterprise community, and champion community programs can be enhanced.

LEGISLATIVE BACKGROUND Related Studies

2003-04 Interim

Under Section 9 of House Bill No. 1019, the commissioner of commerce will be reporting regarding specified economic goals and associated benchmarks. (Economic Development Committee)

Under North Dakota Century Code (NDCC) Section 40-63-03, the Division of Community Services will be reporting regarding renaissance zone progress. (Economic Development Committee)

Under NDCC Section 15-10-41, the State Board of Higher Education will be reporting on definitions and eligibility criteria regarding the centers of excellence program relating to economic development. (Economic Development Committee)

Section 1 of House Bill No. 1504 provides for a study of the state's business climate, including creation of an index of key objective measurements that address the state's competitiveness with other states; consideration of methods of creating business partnerships with North Dakota Indian tribes in order to increase primary sector business growth in the state; and active participation in the activities of the primary sector business congress. (Economic Development Committee)

Section 24 of House Bill No. 1003 provides for the continuation of the study of higher education, which may include use of the Higher Education Roundtable format to further refine the expectations of the North Dakota University System in meeting the state's needs. (Higher Education Committee)

2001-02 Interim

Section 18 of Senate Bill No. 2003 provided for a study of the State Board of Higher Education's implementation of the performance and accountability measures report required by Senate Bill No. 2041 (2001),

including information on education excellence, economic development, student access, student affordability, and financial operations. (Higher Education Committee)

Section 17 of Senate Bill No. 2003 provided for a study of the responsibilities and the functions of the College Technical Education Council and the implementation of the workforce training regions, including how the regions are functioning. (Higher Education Committee)

Section 16 of Senate Bill No. 2019 provided for a study of the availability of venture capital, tax credits, and other financing and research and development programs for new or expanding businesses, including an inventory of the programs available, a review of the difference between public and private venture capital programs, and assessment of the needs of business and industry, the research and development efforts of the North Dakota University System, and to review the investments of the State Investment Board and the feasibility and desirability of investing a portion of these funds in North Dakota. (Commerce Committee)

Section 17 of Senate Bill No. 2019 provided for a study of the feasibility and desirability of expanding North Dakota's economic development marketing efforts to include international markets and establishing a global marketing division within the Department of Commerce. (Commerce Committee)

Section 4 of Senate Bill No. 2020 provided for a study of the workforce training and development programs in North Dakota, including efforts to recruit and retain North Dakota's workforce, underemployment and skills shortages, current workforce training efforts, and the involvement of the New Economy Initiative goals and strategies; and the Work Force 2000 and new jobs training programs and other workforce training and development programs administered by agencies of the state of North Dakota, and the feasibility and desirability of consolidating in a single agency the funding and administration of those programs. (Commerce Committee)

Section 15 of 2001 S.L., ch. 109, provided for receipt of a report from the Securities Commissioner of the commissioner's findings and recommendations resulting from the commissioner's review of policies and procedures relating to access to capital for North Dakota companies, with the goal of increasing North Dakota companies' access to capital investment. (Commerce Committee)

1999-2000 Interim

Section 16 of House Bill No. 1019 provided for a study of the economic development efforts in the state, including the provision of economic development services statewide and the related effectiveness, the potential for the privatization of the Department of Economic Development and Finance, and the appropriate location of the North Dakota Development Fund, Inc., including the potential transfer of the fund to the Bank of North Dakota. (Commerce and Labor Committee)

1997-98 Interim

Section 12 of Senate Bill No. 2019 provided for a study of the economic development functions in this state, including the Bank of North Dakota programs, Technology Transfer, Inc., the North Dakota Development Fund, Inc., the Department of Economic Development and Finance, and other related state agencies. (Commerce and Agriculture Committee)

Related Legislation

2003 Legislation

Section 23 of House Bill No. 1019 provides for the creation of a State Board of Higher Education Centers of Excellence program to develop and engage strategies for science technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities to develop innovative approaches that expand the gross state product. The two centers designated in the bill are the North Dakota State University Center for Technology Enterprise and the University of North Dakota Center for Innovation. Section 23 creates NDCC Section 15-10-41:

Centers of excellence.

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose under subsection 2.

The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to

economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.
3. The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership with the North Dakota economic development foundation, to the budget section. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of

funding. Funds awarded under this section may not be used to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall:

- a. Provide the board of higher education with documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and
- b. Provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

Sections 17 and 19 of House Bill No. 1019 provide that \$200,000 of the discretionary grants line item for the Department of Commerce appropriation is for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the Red River Valley Research Corridor during the second year of the biennium. Additionally, the Department of Commerce shall provide a centers of excellence grant from the North Dakota Development Fund, Inc., of \$1,250,000 to the North Dakota State University Center for Technology Enterprise and of \$800,000 to the University of North Dakota Center for Innovation.

The department shall provide the grants on October 1, 2003.

House Bill No. 1127 expands the lending sources from which a student seeking assistance under the technology occupations student loan program may obtain a student loan.

House Bill No. 1426 allows political subdivisions to create commerce authorities.

House Bill No. 1207 allows political subdivisions to establish municipal port authorities or regional port authorities.

Senate Bill No. 2393 increases the duties of the North Dakota Economic Development Foundation to include recommending and monitoring legislation and initiatives to strengthen and impact the state's economy and population.

House Bill No. 1423 expands the rural growth incentive city program to include grants related to location of new businesses within the city.

Senate Bill No. 2335 authorizes the Bank of North Dakota to invest in North Dakota alternative and venture capital investments and early stage capital funds.

Senate Bill No. 2259 revises the law relating to renaissance zones, including authorizing renaissance fund organizations to provide financing to businesses outside a renaissance zone.

House Bill No. 1457 authorizes a renaissance zone city of over 5,000 population to expand the zone to a maximum size of 35 blocks, based upon population.

2001 Legislation

Senate Bill No. 2032 created the Department of Commerce, North Dakota Commerce Cabinet, and North Dakota Economic Development Foundation.

House Bill No. 1400 created the rural growth incentive program.

House Bill No. 1283 created the technology occupations student loan program administered by the State Board of Higher Education.

Senate Bill No. 2349 increased the maximum amounts of loans available under the beginning entrepreneur loan guarantee program.

House Bill No. 1413 expanded the seed capital investment tax credit program.

Senate Bill No. 2352 provided a sales tax exemption for the purchase of computer and telecommunications equipment that is an integral part of a new primary sector business or a physical or an economic expansion of a primary sector business.

Senate Bill No. 2033 revised the renaissance zone law.

House Bill No. 1460 increased the tax credits available for renaissance zone investments.

1999 Legislation

House Bill No. 1443 created the quadrant system for workforce training.

Senate Bill No. 2242 created the beginning entrepreneur loan guarantee program.

House Bill No. 1141 eliminated the requirement that the Department of Economic Development and Finance have a Division of Science and Technology.

House Bill No. 1492 allowed for the establishment of renaissance zones in cities.

Senate Bill No. 2096 provided new jobs training and education program services developed and coordinated by Job Service North Dakota must be provided to primary sector businesses that provide self-financing as funding for new jobs training programs.

BACKGROUND - STATE ENHANCEMENT OF FEDERAL PROGRAMS

There are several federal economic development programs being utilized in the state, including the rural economic area partnership (REAP) zones, rural empowerment zones, rural champion community program, and urban and rural renewal communities. State economic development programs closely related to technology economic development, closely related to economic development with a focus on geographical region, or that have a strong federal link include the renaissance zone program, rural growth incentive program, and manufacturing extension program.

Federal Programs

Federal economic development designation programs in the state include the United States Department of Agriculture (USDA) rural economic area partnership zones, rural empowerment zones, and rural champion communities. The United States Department of Housing and Urban Development (HUD) economic development designation programs include the urban and rural renewal communities.

Rural Economic Area Partnership Zones

The United States Department of Agriculture has implemented a pilot concept for rural revitalization and community development called rural economic area partnership zones. The USDA reports that "the REAP Initiative was established to address critical issues related to constraints in economic activity and growth, low density settlement patterns, stagnant or declining employment, and isolation that has led to disconnection from markets, suppliers, and centers of information and finance."

In 1995 the first two REAP zones created were the Center of North America Coalition (CONAC) for Rural Development REAP zone and the Southwest REAP zone, both in North Dakota. The CONAC zone consists of Towner, Benson, Pierce, Bottineau, Rolette, and McHenry Counties and the Spirit Lake and Turtle Mountain Indian Reservations. The Southwest REAP zone consists of Billings, Dunn, Golden Valley, Stark, Slope, Hettinger, Bowman, and Adams Counties and the south segment of the Three Affiliated Tribes Indian Reservations. Since 1995 two REAP zones have been established in New York and one zone has been established in Vermont.

The USDA reports that the REAP zone status of the two North Dakota REAP zones is scheduled to end September 30, 2005. Additionally, the USDA reports the following responsibilities of REAP zones:

- Conduct a citizen-led, comprehensive, long-term, strategic planning process for development of the community according to the principles of the Community Empowerment Initiative.
- Develop specific performance benchmarks and indicators from the strategic plan; enter these in the USDA-Rural Development-Office of

Community Development's on-line benchmark management system; and keep them current.

- Seek a broad range of resources to implement the strategic plan, with emphasis on mobilizing local and regional resources that will continue to be available after the REAP zone designation expires, rather than looking to USDA or other outside sources to subsidize local development.
- Obtain approval from USDA-Rural Development before amending any of the community's strategic plan elements, benchmarks, or performance measures.
- Provide USDA-Rural Development-Office of Community Development with descriptions of successful practices that have potential application in other communities facing similar conditions and issues.
- Report regularly on the community's progress in implementing its strategic plan through the benchmark management system and other reports as requested by USDA.
- Manage all funds used to implement the strategic plan responsibly and report publicly on their use and accomplishments; and conduct annual independent audits of all funds used to implement the strategic plan, whether government or private.
- Recognize that the objective of the REAP zone program is not merely project implementation, but community empowerment, and devote significant resources and attention to achieving this by building the skills of citizens and leaders to plan, implement, manage, and evaluate their own programs.
- Develop and maintain broad and open partnerships with other local and regional organizations that have a stake in the enhancement of the quality of life in the REAP zone. These partnerships will become a bridge to establishing the permanent capability of the community to make continuing improvements without special federal assistance after the REAP zone designation expires.
- Remain faithful to the principles of the Community Empowerment Initiative that put strong emphasis on the critical importance of broad-based citizen participation in all phases of the development, implementation, and evaluation of the strategic plan, with special emphasis placed on welcoming those members of the community (minorities, low-income citizens) who are traditionally left out of the process.
- Participate in USDA-sponsored training for REAP zones.

The CONAC and Southwest REAP zones have each created strategic plans. The CONAC REAP zone strategic plan, information technology plan, information

technology implementation plan, and annual reports are available at www.ndalliancelink.com/CONAC_Strategic_Plan.htm.

The Southwest REAP zone work plan, information technology plan, information technology implementation plan, and annual reports are available at www.ndalliancelink.com/SW_home.asp.

State funding for the REAP zones has been combined with the state funding of the champion communities. In 1999 the Legislative Assembly provided the Champion/REAP Alliance \$50,000 in matching funds, in 2001 the Legislative Assembly provided \$75,000 in matching funds, and in 2003 the Legislative Assembly, through discretionary funds of the director of the Division of Economic Development and Finance, provided approximately \$70,338 in matching funds to assist the programs.

Rural Empowerment Zone

The USDA administers the rural empowerment zone and rural enterprise community programs as part of the community empowerment program, which was enacted into law in August 1993. The first round of designation of three rural empowerment zones and 30 rural enterprise communities was in December 1994; the second round, which was enacted into law by the federal Taxpayer Relief Act of 1997, resulted in 1998 in the designation of five new rural empowerment zones and 20 new rural enterprise communities; and the third round, which was enacted into law by the federal Consolidated Appropriations Act of 2001, resulted in 2001 in the designation of two new rural empowerment zones. The funding, benefits, and eligibility of rural empowerment zone and enterprise community vary according to which of the three rounds the designation was made.

The Griggs-Steele empowerment zone was a Round II designation that includes all of Steele County and one census tract in Griggs County, including the cities of Hannaford and Binford. There is only one rural empowerment zone in the state, and there are not any rural enterprise communities in the state. The USDA reports that each Round II rural empowerment zone received \$2 million in funds the first year, with the funding for the remaining seven years to be determined at a later date. Benefits of Round II designation include bond financing, work opportunity tax credits, federal income tax deductions, and brownfields income tax deductions. The March 12, 2002, USDA rural empowerment program guide is attached as Appendix B and is available at www.ezec.gov/Communit/rurempowprogguide.pdf.

Rural Champion Community Program

The USDA implemented the rural champion community program in 1999. Apparently the determination of what communities would be designated as rural champion communities was that communities that submitted

applications in Round I or II for rural enterprise zone or empowerment community status, but which were not selected, were invited to sign champion community agreements with the USDA. The eight champion communities in the state are Rolette County champion community; Burke-Divide champion community; Cavalier County champion community; Dakota heartland champion community, which includes all of McIntosh County and the developable sites of Edgeley, Kulm, and Napoleon; Dakota partners champion community, which includes Pierce County, the city of Bowman, and the city of Hettinger; Dakota State Line Regional Alliance; Pembina County champion community; and Renville County champion community. The USDA reports the following benefits of champion community status:

- USDA rural development has funded more than \$431 million in development projects in champion communities since 1995;
- Other agencies have targeted funds and other initiatives to champions;
- USDA rural development has sponsored conferences to train community leaders and promote networking among communities; and
- USDA provides targeted technical assistance to champions and gives them preference points in decisions on project funding.

State funding of rural champion communities is combined with the funding for REAP zones. Detailed information regarding the rural champion communities is available at www.ndalliancelink.com/CC_home.asp.

Urban and Rural Renewal Communities

The United States Department of Housing and Urban Development (HUD) administers the urban and rural renewal communities, urban empowerment zone, and urban enterprise community programs. The Renewal Community Initiative was established by the federal 2000 Community Renewal Tax Relief Act.

The HUD reports that over 100 applications were received for designation as a renewal community. The Turtle Mountain Indian Reservation is one of 40 renewal communities and is the only renewal community in the state. The HUD reports that renewal communities will be able to take advantage of approximately \$6 billion in tax incentives that are exclusively available to renewal communities and as a distressed area, the renewal communities will also be eligible to share in an additional \$11 billion in low-income housing and new market tax credits. Specifically, benefits of designation as a renewal community include access to tax credits, such as wage credits, work opportunity credits, and welfare-to-work credits; tax deductions, such as commercial revitalization deductions, Section 179 deductions, and environmental cleanup cost deductions; capital gains exclusions; and bond financing. A HUD press release detailing the benefits of

renewal community designation is attached as Appendix C and is available at www.hud.gov/news/release.cfm?content=pr02-013nd.cfm.

State Programs

Previous studies have indicated there are a broad range of state programs designed to address economic development in some fashion. The following list is narrowed in scope to address state programs addressing technology economic development, addressing economic development with a focus on a geographical region, and state economic development programs that have a strong federal link.

Renaissance Zones

In 1999 the Legislative Assembly enacted NDCC Chapter 40-63, which created the renaissance zone program. The Tax Commissioner implemented the program and the Department of Commerce Division of Community Services administers the program. The renaissance zone program provides for tax incentives to encourage investment in renaissance zones. The scope of authority of renaissance fund organizations was expanded by Senate Bill No. 2259 (2003) to allow these organizations to provide financing to businesses outside a renaissance zone. The 20-block geographical limitation was expanded by House Bill No. 1457 (2003) to allow cities of over 5,000 population to expand a renaissance zone beyond the 20-square-block limit at the rate of one additional block for each additional 5,000 population to a maximum size of 35 blocks.

Currently, there are renaissance zones in Fargo, West Fargo, Casselton, Valley City, Jamestown, Grand Forks, Bismarck, Minot, Watford City, Carrington, and Buffalo. The *North Dakota Renaissance Zone Tax Incentives* is a guideline of tax incentives which is published by the Tax Commissioner. A copy of this document is attached as Appendix D and is available at www.state.nd.us/taxdpt/genpubs/renaissance.pdf. The guidelines list the specific tax incentives available through the renaissance zone program, details regarding each of these incentives, and details regarding eligibility for these incentives. Tax incentives under the renaissance zone program include a single-family residence tax credit, business or investment income exemption, business purchase or expansion tax credit, historic property preservation or renovation tax credit, and renaissance fund organization investment tax credit. The 2003-04 interim Economic Development Committee is charged with receiving annual reports from the Division of Community Services on the status of the renaissance zone program.

Rural Growth Incentive Program

In 2001 the Legislative Assembly created and enacted NDCC Section 54-34.3-13, which created the

rural growth incentive program. The program is managed and administered by the Department of Commerce Division of Economic Development and Finance. As initially enacted, the program was limited to providing loans to small communities; however, House Bill No. 1423 (2003) expands the program to include grants to small communities. The expansion of the program is effective through July 31, 2005, and after that date returns to the original scope of providing loans. The law provides:

54-34.3-13. (Effective through July 31, 2005)

Rural growth incentive program.

1. The department shall manage and administer the rural growth incentive program. A city with a population of less than two thousand five hundred may apply to the department to be designated as a rural growth incentive city. A rural growth incentive city may be eligible for a loan, grant, or both under this section.
2. The department shall designate an applicant city as a rural growth incentive city eligible for a loan if the city raises funds in the amount of a dollar-for-dollar match for the amount requested in the loan, prepares an economic development strategic plan, and meets any additional program requirements provided by rule. The source of city funds used for loan matching funds may be any combination of public and private funds. If the department designates a city as a rural growth incentive city eligible for a loan under this section, subject to the availability of funds, the state shall make a loan to the city in an amount not less than twenty-five thousand dollars and not more than seventy-five thousand dollars. The department shall establish the amount of the interest rate for loans provided to a city under this subsection. The funding source of the state loan is the North Dakota development fund. The city shall distribute the city and state funds to qualifying new or expanded primary sector businesses in the city. A qualifying business in the city includes a business that provides essential services to the city. For purposes of this subsection, a business that provides essential services does not include a public utility. The governing body of the city determines whether a new or expanded primary sector business qualifies for funding, and the director of the department determines whether a business that provides essential services to the city qualifies for funding. The state shall distribute a loan to a rural growth incentive

- city once the city establishes the city has chosen a specified qualified business to receive funding.
3. The department shall designate an applicant city as a rural growth incentive city eligible for a grant if the city raises funds in the amount of a dollar-for-dollar match for the amount requested in the grant application and meets any additional program requirements provided by rule. The source of city funds used for grant matching funds may be any combination of public and private funds. If the department designates a city as a rural growth incentive city eligible for a grant under this section, subject to availability of funds, the state shall make a grant to the city in an amount not to exceed ten thousand dollars. The recipient rural growth incentive city shall use the grant money received to conduct a feasibility study for the location of a new business, including an expansion of a business with the primary place of business outside the rural growth incentive city. The business under this subsection is not limited to primary sector businesses. The funding source of the state grant is the North Dakota development fund. Total grants awarded by the department under this subsection may not exceed one hundred thousand dollars per biennium.
 4. The city may not use city or state funds raised or provided under this section for costs associated with administering the rural growth incentive city. The department shall provide the rural growth incentive city with training to assist the city in expanding primary sector businesses, locating new businesses, and working with state economic development programs.

(Effective after July 31, 2005) Rural growth incentive program.

1. The department shall manage and administer the rural growth incentive program. A city with a population of less than two thousand five hundred may apply to the department to be designated as a rural growth incentive city. The department shall designate an applicant city as a rural growth incentive city if the city raises funds in the amount of a dollar-for-dollar match for the amount requested in the loan, prepares an economic development strategic plan, and meets any additional program requirements provided by rule. The source of city funds may be any combination of public and private funds.

2. If the department designates a city as a rural growth incentive city:
 - a. Subject to the availability of funds, the state shall make a loan to the city in an amount not less than twenty-five thousand dollars and not more than seventy-five thousand dollars. The department shall establish the amount of the interest rate for loans provided to a city under this section. The funding source of the state loan is the North Dakota development fund. The city shall distribute the city and state funds to qualifying new or expanded primary sector businesses in the city. A qualifying business in the city includes a business that provides essential services to the city. For purposes of this section, a business that provides essential services does not include a public utility. The governing body of the city determines whether a new or expanded primary sector business qualifies for funding, and the director of the department determines whether a business that provides essential services to the city qualifies for funding. The state shall distribute a loan to a rural growth incentive city once the city establishes the city has chosen a specified qualified business to receive funding. The city may not use city or state funds raised or provided under this section for costs associated with administering the rural growth incentive city.
 - b. The department shall provide the city with training to assist the city in expanding primary sector businesses and working with state economic development programs.

Manufacturing Extension Program

The North Dakota manufacturing extension partnership (MEP) program is a nonprofit organization with the mission to "grow North Dakota manufacturing." The North Dakota MEP is a partnership of federal, state, local, and private sector resources and is part of a nationwide network of more than 70 MEP centers. The federal Department of Commerce National Institute of Standards and Technology provides:

MEP is a nationwide network of not-for-profit centers in over 400 locations nationwide, whose sole purpose is to provide small and medium sized manufacturers with the help they need to succeed. The centers, serving all 50 States and Puerto Rico, are linked together

through the Department of Commerce's National Institute of Standards and Technology. Centers are funded by federal, state, local and private resources to serve manufacturers. . . . Each center works directly with area manufacturers to provide expertise and services tailored to their most critical needs, which range from process improvements and worker training to business practices and applications of information technology. Solutions are offered through a combination of direct assistance from center staff and outside consultants. Centers often help small firms overcome barriers in locating and obtaining private-sector resources.

The North Dakota MEP reports that it provides training, assessment, and technical assistance services in the areas of people, management, manufacturing, marketing, and information technology. However, the North Dakota MEP specializes in providing lean enterprise services, which focus on trimming waste and improving efficiency.

The North Dakota MEP receives federal funding, state funding, private sector fee-for-service funding, and private sector in-kind funding. The funding for the 2001-03 biennium included approximately \$400,000 in federal funding and approximately \$400,000 in state funding. State funding for the 2003-05 biennium is expected to be \$639,100.

BACKGROUND - RED RIVER VALLEY BUSINESS AND TECHNOLOGY DEVELOPMENT ZONE

The concept of creation and support of a Red River Valley business and technology development zone has been a topic addressed by a variety of actors at the state, local, and federal levels.

Congressional Activities

Activities related to the creation of such a zone include promotion of such a zone by United States Senator Byron Dorgan. A March 26, 2002, news release indicates that the Senator is a proponent of creation of "a world class research corridor that helps link the research resources and capabilities of North Dakota colleges and universities to federal government research needs." Senator Dorgan states that he "envision[s] the University of North Dakota (UND) in Grand Forks and North Dakota State University (NDSU) in Fargo anchoring the research corridor, and then reaching out and working cooperatively with state colleges and universities throughout the state." dorgan.senate.gov/newsroom/record.cfm?id=190274. As part of this support for this zone concept, Senator Dorgan has participated in regional technology conferences such as the 2002 second annual North Dakota University System Research and Development Showcase and the 2002 Upper Great Plains Technology Conference and Trade Show, and he is scheduled to participate in the 2003 trade show. A July 21, 2003, news release reports that the United States Senate recently approved appropriations that provide for \$53.5 million in federal Department of Defense-related research projects in North Dakota.

State Activities

State activities related to technology in the Red River Valley appear in large part to cluster around the campuses of NDSU and UND. These activities related around the universities include state, federal, and privately funded programs.

North Dakota State University

North Dakota State University has committed resources to technology in the region. For example, NDSU has a Division of Research, Creative Activities, and Technology Transfer, which reports that the division is dedicated to:

- Advancing NDSU research, creative activities, and technology transfer;
- Fostering entrepreneurial projects;
- Interacting with the Legislative Assembly, the State Board of Higher Education, federal program officers and administrative personnel, and congressional delegations and their staffs;

- Providing leadership for enhancing NDSU's national status as a research and graduate institution; and
- Establishing NDSU's new Research and Technology Park.

The North Dakota State University Research and Technology Park, Inc., is a university-owned, nonprofit corporation that is managed outside the University System. The mission of the park is to enhance the investments in North Dakota State University by the citizens of North Dakota. The park's web page, www.ndsuresearchpark.com/info/about.epl, states:

- Through partnerships with international, national, and regional centers of excellence; high technology-based businesses; and the research community at the North Dakota State University, the Research and Technology Park will achieve successful technology-based development and broaden the economic base of the state.
- Scientific and technological advancement will be promoted through the development of facilities and research centers conducive to cutting edge research.
- The park will establish an innovation accelerator unit, which offers space, facilities, and services to technology-based entrepreneurs and businesses.

University of North Dakota

The University of North Dakota has committed resources to technology in the region, for example, the UND Energy and Environmental Research Center and the University Technology Park. The University Technology Park was developed by the UND Aerospace Foundation, a public, nonprofit corporation that serves as a link between industry and the John D. Odegard School of Aerospace Sciences at UND. The technology park includes technology tenants and the North Dakota Center for Innovation.

The University of North Dakota Center for Innovation reports that the "Center for Innovation helps entrepreneurs, students and researchers launch new technologies, products and ventures, develop business and marketing plans, and access talent and sources of venture financing. The Center manages the Technology Incubator and coordinates the development of the University Technology Park." www.innovators.net. The Center for Innovation Foundation reports that the "Center for Innovation Foundation serves as a link between successful entrepreneurs and the Center for Innovation and its Rural Technology Incubator in the University Tech Park on the UND campus to encourage and foster entrepreneur outreach and new ventures in the region."

Federal Programs

In addition to the above programs, there are federal business and technology programs associated with the universities, such as the Experimental Program to Stimulate Competitive Research (EPSCoR) and the North Dakota Small Business Innovation and Research and the Small Business Technology Transfer (SBIR/STTR) (NDSS).

Experimental Program to Stimulate Competitive Research

The EPSCoR is a joint program of the National Science Foundation and 22 states, of which North Dakota is one. The EPSCoR web page, www.ehr.nsf.gov/epscor/start.cfm, reports that the "program promotes the development of the states' science and technology (S&T) resources through partnerships involving a state's universities, industry, and government, and the Federal research and development (R&D) enterprise."

North Dakota SBIR/STTR

Located at the Center for Innovation, the NDSS assists small businesses in seeking federal assistance in developing products and services based on advanced technology. Through a federal and state technology (FAST) partnership program grant from the United States Small Business Administration, the NDSS assists small businesses in participating more competitively in the national Small Business Innovation and Research (SBIR) program and the Small Business Technology Transfer (STTR) program.

STUDY APPROACH

This study focuses on two primary topics--state enhancement of federal economic development programs and establishment of a Red River Valley business and technology development zone.

State Enhancement of Federal Programs

The study of state enhancement of federal economic development programs may include receipt

of testimony of representatives of federal agencies related to the federal programs; representatives of local recipients of federal economic development program funds or services; representatives of state and local economic development actors; and private economic development actors. Testimony might provide a basic summary of federal economic development programs; testimony regarding how the state's economic development programs and resources do or do not complement these federal programs; and whether there are actions the state could take to improve or enhance the impact of these federal economic development programs.

Red River Valley Business and Technology Development Zone

The study of establishment of a Red River Valley business and technology development zone will likely be closely related to activities of North Dakota University System campuses located in the Red River Valley, and as such the receipt by the committee of the presentation from the State Board of Higher Education on definitions and eligibility criteria regarding the centers of excellence program may be relevant to this study and the committee may wish to consider and follow the implementation by the Department of Commerce of the marketing and image-building campaign for the Red River Valley research corridor provided for under 2003 House Bill No. 1019, the Department of Commerce appropriation.

In addition to receiving testimony regarding the UND and NDSU programs addressed in the background portion of this memorandum, the committee may request testimony regarding additional state and federal business and technology programs related to UND and NDSU, as well as Mayville State University, North Dakota State College of Science, and Valley City State University.

ATTACH:4