

WORKFORCE SYSTEM STUDY - BACKGROUND MEMORANDUM

INTRODUCTION

Section 20 of 2007 House Bill No. 1018 (attached as an [appendix](#)) provides for a Legislative Council study of the state's system for addressing workforce needs through a workforce system initiative. The workforce system initiative must include receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session, active participation in focus groups across the state, and active participation in a workforce congress.

The Legislative Council has charged the interim Workforce Committee with performing the workforce system study. Additionally, under Section 3 of Senate Bill No. 2149 the committee is charged with studying job development authorities, under House Concurrent Resolution No. 3025 the committee is charged with studying possible methods of growing North Dakota's population and increasing the available workforce in the state, and under a Legislative Council chairman directive the committee is charged with studying the means by which the University System fulfills North Dakota's workforce needs. The details of these three studies are addressed in separate background memorandums.

Under Section 20 of House Bill No. 1018, the three main directives for the committee during the 2007-08 interim are:

1. Receipt of agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session;
2. Active participation in focus groups across the state; and
3. Active participation in a workforce congress.

REQUIRED ACTIVITIES

Receipt of Reports

Under the workforce system initiative, the Workforce Committee is charged with receipt of two types of agency reports. The committee is charged with receiving agency reports regarding implementation of workforce legislation enacted during the 2007 legislative session. Additionally, the Legislative Council has charged the committee with receiving six specified agency reports.

2007 Workforce Legislation

House Bill No. 1018 was the primary vehicle of workforce legislation during the 2007 legislative session. Although they underwent significant modification from the introduced versions, several of the provisions of House Bill No. 1018 were rooted to the activities of the 2005-06 Economic Development Committee's business climate study. The workforce-related provisions included in House Bill No. 1018 include:

- Section 29, which created a Department of Career and Technical Education grants for innovation program;
- Sections 30 through 33, which amended the centers of excellence program;
- Sections 36 and 37, which expanded the duties of the Department of Commerce Division of Workforce Development to include higher education internships, career specialists for high schools, and a talent strategy;
- Section 44, which created an internship employment tax credit;
- Section 45, which created a workforce recruitment credit for hard-to-fill employment positions; and
- Section 47, which expanded the income tax credit for research and experimental expenditures.

Agency Reports

The committee is charged with receiving these agency reports:

1. A report from the Statewide Longitudinal Data System Committee before the 61st Legislative Assembly on the status of the plan for a longitudinal data system (North Dakota Century Code (NDCC) Section 15.1-02-18);
2. Annual reports from the Department of Commerce Division of Community Services on renaissance zone progress (NDCC Section 40-63-03);
3. A biennial report from the Commissioner of Commerce on the process used and factors considered by the commissioner in identifying target industries on which economic development efforts are focused and the special focus target industry (NDCC Section 54-60-11);
4. Annual reports by the Department of Commerce of filed compilations and summaries of state grantor reports and the reports of state agencies that award business incentives for the previous calendar year (NDCC Section 54-60.1-07);
5. A report from the Department of Commerce before July 1, 2008, on the department's Renaissance Zone Conference activities and the department's recommendations resulting from the conference (Sections 18 and 19 of 2007 House Bill No. 1018); and
6. A report from the Department of Commerce during the 2007-08 interim on the implementation and successes and failures of the Beginning Again North Dakota pilot program and whether the program should be continued or continued and expanded (Section 38 of 2007 House Bill No. 1018).

Participation in Focus Groups

The committee is charged with actively participating in a minimum of four workforce focus groups across the state. According to the study charge, the focus groups are responsible for discussing ways to enhance the state's system for addressing workforce needs, including:

- Consideration of workforce availability;
- Skilled workforce needs;
- Future workforce needs; and
- Alignment of the state's higher education curriculum with the state's current and future workforce needs.

The Department of Commerce has several duties relating to the activities of the workforce system initiative. The study charge provides the department, in consultation with the committee, shall:

- Organize the focus groups;
- Convene a minimum of four focus groups;
- Compile focus group participant invitation lists;
- Draft and distribute focus group invitations;
- Establish focus group dates and locations; and
- Prepare agendas for focus groups.

The focus group schedules and activities must take into consideration the workforce study activities of the Department of Commerce. The workforce activities of the department will include the Governor's Workforce Summit scheduled for October 11-12, 2007, in Bismarck.

Additionally, the Legislative Council and the Department of Commerce are charged with entering a joint contract with a third party to provide the committee and the department with professional services to plan, facilitate, report on, and coordinate followup for the focus groups and the workforce congress. House Bill No. 1018 includes an appropriation of \$50,000 to the department to help fund the workforce system initiative.

Participation in Workforce Congress

Much like the focus groups, the committee is charged with actively participating in a workforce congress. The activities of the workforce congress must include:

- Receipt of a report on the activities of the focus groups;
- Identification of methods to enhance the state's workforce system in order to be well-positioned to participate in a knowledge-driven economy and to be globally competitive; and
- Evaluation of the impact and effectiveness of the state's existing workforce system.

Again the study charge in effect provides the Department of Commerce, along with a consultant, are responsible for a large portion of the preparatory work and implementation of the workforce congress. Specifically, the study charge provides the department, in consultation with the committee, shall:

- Organize the workforce congress, which must be held before June 1, 2008;

- Compile workforce congress participant invitation lists;
- Draft and distribute workforce congress invitations;
- Establish a workforce congress date and location; and
- Prepare the agenda for the workforce congress.

RELATED ACTIVITIES DURING 2007-08 INTERIM

In addition to the activities of the Workforce Committee during the 2007-08 interim, there are several committees with workforce-related charges.

Budget Section

The workforce-related charges of the Budget Section include:

- Approve, reject, or refer, upon receiving a recommendation from the Emergency Commission and in conjunction with the State Board of Higher Education and the North Dakota Economic Development Foundation, designation of a center of excellence recommended by the Centers of Excellence Commission (NDCC Section 15-69-02);
- Receive annual audits from a center of excellence that is awarded funds under NDCC Chapter 15-69 on the funds distributed to the center, until completion of four years following the final distribution of funds (NDCC Section 15-69-05);
- Approve any annual tuition increase of more than 5 percent for each year by the State Board of Higher Education for students attending institutions under its control for the 2007-08 and 2008-09 academic years (Section 18 of House Bill No. 1003);
- Approve up to \$10 million for funding centers of excellence at the first Budget Section meeting after September 1, 2007, and approve the remainder of the \$15 million appropriation for funding centers of excellence at the first Budget Section meeting after September 1, 2008 (Section 14 of House Bill No. 1018); and
- Approve, with the Emergency Commission, a loan of \$5 million by the Bank of North Dakota to the Office of Management and Budget for the purpose of providing funding to centers of excellence as directed by the Centers of Excellence Commission (Section 15 of House Bill No. 1018).

Education Committee

The workforce-related charges of the interim Education Committee include:

- Study the appropriateness and adequacy of high school curricula, with respect to preparing students for higher education and for the workplace, and examine curricular changes implemented in other states and expectations

placed on students in other countries (Section 11 of Senate Bill No. 2030);

- Receive report from the Statewide Longitudinal Data System Committee before the 61st Legislative Assembly on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive report from the Superintendent of Public Instruction during the 2007-08 interim regarding the planning and development of the electronic course delivery approval process for approving the provision of elementary or high school courses electronically to a student, school, or school district (Section 2 of House Bill No. 1491).

Higher Education Committee

The workforce-related charges of the interim Higher Education Committee include:

- Study the means by which the North Dakota University System can further contribute to developing and attracting the human capital to meet North Dakota's economic and workforce needs, including ways to increase postsecondary access, improve the quality of education, contain costs, and other means, including productivity, to maximize the usage of the University System in meeting the human capital needs of the state; including a review of policy recommendations that address the postsecondary delivery system, including the mix of institutions, educational attainment gaps, degree production gaps, recruitment and retention of students, and workforce training needs; and including a review of the impact of the state's changing demographics on the University System long-term financing plan (Section 23 of House Bill No. 1003); and
- Receive report from the State Board of Higher Education before July 1, 2008, on the status of the implementation of the CCbenefits, Inc., services and any recommendations relating to the use of the CCbenefits, Inc., services (Section 23 of House Bill No. 1018).

Human Services Committee

The workforce-related charges of the interim Human Services Committee include:

- Study the temporary assistance for needy families program administered by the Department of Human Services, including review of the sustainability of current services and programs being funded by temporary assistance for needy families funds, review of the potential programs and services that could be funded by use of temporary assistance for needy families funds, and review of the need for increased assistance to recipients of temporary assistance for needy families who are attending

a postsecondary institution of learning (Section 3 of Senate Bill No. 2186);

- Receive report from the Department of Human Services during the 2007-08 interim regarding the transition assistance for the child care program implemented pursuant to Section 1 of Senate Bill No. 2186 (Section 5 of Senate Bill No. 2186); and
- Receive report from the dean of the University of North Dakota College of Nursing regarding the Nursing Education Consortium to address common concerns in nursing education (Section 1 of Senate Bill No. 2379).

Industry, Business, and Labor Committee

The workforce-related charges of the interim Industry, Business, and Labor Committee include:

- Participate in the Department of Commerce Renaissance Zone Conference to review the list of projects in the state which have been undertaken under the renaissance zone program, evaluate whether the projects have positively impacted the renaissance zone communities, consider options for smaller communities to become involved in the renaissance zone program or a similar program, and make recommendations regarding how the program could be improved to further meet the needs of the state and local communities (Section 19 of House Bill No. 1018);
- Study the organization, powers, duties, and effectiveness of the Department of Commerce, including review of the legislative history leading to the creation of the department; review of the legislative and executive branch expectations in the creation of the department and whether those expectations are being met; evaluation of the effectiveness of the North Dakota Economic Development Foundation in providing a nonpartisan, private sector perspective to the department's approach to the department's duties; evaluation of the organizational structure of the department, including whether the department should include a division of science and technology; and evaluation of the strategic planning process of the department and its effectiveness (Section 21 of House Bill No. 1018);
- Study the licensure, training, and classroom education requirements for electricians in this state; reciprocity agreements with other states and the effect of those agreements on standards in this state; and the effect of the licensure, training, classroom education requirements, and reciprocity agreements on the availability of qualified electricians in this state (Section 2 of House Bill No. 1218);
- Study the regulation and licensing of pharmacists in this state, including an

examination of the State Board of Pharmacy, the board's size, the manner of board membership appointment, and whether the board is representative of commercial and noncommercial pharmacists; the state's demographics and the impact changing demographics in rural areas will have on the ability of small, locally owned pharmacies to remain economically viable and of rural residents to access low-cost pharmaceuticals and pharmacy and pharmacists' services; pharmacy ownership restrictions, the relevance of those restrictions in terms of marketplace competition, and the impact of those restrictions on the price and availability of pharmaceuticals and on pharmacy and pharmacists' services; and statutory interplay between the board and the North Dakota Pharmaceutical Association and whether the regulatory function of the board conflicts with the advocacy function of the association (Section 2 of House Bill No. 1299); and

- Study issues relating to wireless service providers in the state and how wireless service impacts the business climate in the state (Section 28 of House Bill No. 1018).

Information Technology Committee

The workforce-related charges of the Information Technology Committee include:

- Receive report from the State Board of Higher Education, on request, regarding higher education information technology planning, services, and major projects (NDCC Section 15-10-44);
- Receive report from the Statewide Longitudinal Data System Committee before the 61st Legislative Assembly on the status of the plan for a longitudinal data system (NDCC Section 15.1-02-18); and
- Receive information from the State Board of Higher Education regarding higher education information technology planning, services, and major projects (NDCC Section 54-35-15.2).

BACKGROUND

The 2007-08 workforce system initiative essentially takes the place of what would have been the third of a three-interim business climate initiative of the Legislative Council. During the 2003-04 interim, in accordance with House Bill No. 1504 (2003), the Legislative Council's interim Economic Development Committee conducted a primary sector business climate study--the first of the three-interim business climate initiative. The committee recommended Senate Bill No. 2032 (2005), which under Section 17, provided for a two-interim continuation of the activities begun under House Bill No. 1504 (2003). Through the course of the 2005 legislative session, several of the provisions of Senate Bill No. 2032, as introduced,

were relocated to Senate Bill No. 2018, the appropriation bill for the Department of Commerce. Therefore, the initiatives of the 2003-04 Economic Development Committee are identified as being from Senate Bill No. 2032 or Senate Bill No. 2018.

During the 2005-06 interim, in accordance with Section 17 of Senate Bill No. 2032 (2005), the Legislative Council's interim Economic Development Committee conducted a business climate study--the second of the three-interim business climate initiative. The committee recommended House Bill No. 1027 (2007) as the business climate initiative bill draft. House Bill No. 1027 failed in the Senate but the provisions of the bill were relocated to several bills, with House Bill No. 1018, the appropriation bill for the Department of Commerce, being the primary vehicle for the committee's recommendations.

The recommendation of the 2005-06 Economic Development Committee was to expand the 2007-08 interim focus group activities to include young professionals. Through the course of the 2007 legislative session, the committee's recommendation was replaced with a repeal of the 2007-08 interim business climate study and the creation of the workforce system study. In effect, the workforce system study takes the place of the third of the three-interim business climate initiative.

2003-04 Interim

Committee Activities

Under House Bill No. 1504 (2003), the Economic Development Committee studied the state's business climate, including the creation of an index of key objective measurements that address the state's competitiveness with other states, the 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. In conducting the study, the Legislative Council was directed to create a Primary Sector Business Congress. The purpose of the congress was to assist in the business climate study, evaluate the impact of existing state economic development programs on primary sector businesses, identify methods to increase primary sector business job growth in the state, and prioritize for the Legislative Council the state's primary sector business economic development programs and initiatives.

During the 2003-04 interim, the Economic Development Committee held nine meetings, which included a joint meeting with representatives of the North Dakota American Indian tribes; six business community focus group discussions, with participation by the business communities of Grand Forks, Fargo, Bismarck, Minot, eastern rural North Dakota, and western rural North Dakota; one focus group discussion specifically for economic developers in the state; and a Primary Sector Business Congress held at the State Capitol in the House chamber. The committee contracted with a third party for

professional services in facilitating the focus groups and the Primary Sector Business Congress.

Using the information gathered during the course of the committee meetings, focus group discussions, and Primary Sector Business Congress, the committee crafted a business initiative and related legislative recommendations. In crafting the committee's business climate initiative, the committee considered the following 21 action items:

1. External image.
2. Internal image.
3. Marketing available resources.
4. International business development.
5. Support for local economic developers.
6. Manufacturing.
7. Procurement.
8. Ongoing consultation on strategies.
9. Targeting industry.
10. Taxes.
11. Tribal businesses.
12. Technology commercialization.
13. North Dakota University System.
14. Venture capital.
15. Workforce development.
16. Education.
17. Intellectual property protection.
18. Liability and insurance.
19. Energy.
20. Transportation.
21. Gauging return on investment for economic development.

The 21 action items fell into one or more of the following five major categories:

1. General business climate.
2. Business services.
3. Image and marketing.
4. Support for local economic development.
5. Education partnerships.

For each of these 21 action items, the committee took one or more of the following actions:

1. Drafted proposed legislation.
2. Referred the issue to relevant lead agencies or private entities to report additional information to the committee.
3. Directed long-term, further study.

The committee drafted and reviewed bill drafts addressing the action items. Written action item-related information provided by 11 agencies and private sector entities was considered in drafting and revising the bill drafts. To address accountability for the committee's business climate initiative following the Primary Sector Business Congress, each bill draft considered by the committee provided for a report to the Legislative Council during the 2005-06 interim on the status of the implementation of the legislation.

After receiving and reviewing all the bill drafts, the committee determined whether to include each separate bill draft in a consolidated bill draft that would reflect the business climate initiative resulting from the Primary Sector Business Congress. Ultimately, the committee recommended two bills. Senate Bill

No. 2032 addressed a broad range of economic development and business climate issues and was enacted. House Bill No. 1031, which did not pass the Senate, would have modified the law relating to tax exemptions within urban renewal development or renewal areas.

Enacted Legislation

The Legislative Assembly enacted a majority of the programs recommended by the 2003-04 interim Economic Development Committee as part of the business climate initiative bill. As enacted, Senate Bill No. 2032:

- Extended and expanded the Bank of North Dakota's authority to invest its funds in North Dakota alternative and venture capital investments and early-stage capital funds.
- Rewrote the centers of excellence law, repealing the existing North Dakota Century Code section and creating a new chapter.
- Modified the membership of the Emergency Commission.
- Required the Office of Management and Budget to establish a procurement information Internet web site.
- Modified the seed capital investment tax credit laws.
- Repealed the laws relating to venture capital corporations and the Myron G. Nelson Fund, Inc., effective August 1, 2007.
- Required the North Dakota business climate initiative study during the 2005-06 interim.
- Required multiple agency studies and reports to the Legislative Council.

As enacted, Senate Bill No. 2018, the Department of Commerce appropriation, included several provisions that came from the recommendations of the 2003-04 interim Economic Development Committee, including:

- Modifying the organization of the Department of Commerce Division of Economic Development and Finance to:
 - Rename and modify the International Business and Trade Office; and
 - Clarify the duties of the North Dakota American Indian Business Development Office.
- Providing a Division of Economic Development and Finance program for local economic developer certification.
- Requiring the Commissioner of Commerce to identify target industries.
- Providing for a Department of Commerce program for North Dakota image information.
- Providing for a Department of Commerce business hotline program.
- Providing for a Dakota Manufacturing Initiative, through which the Department of Commerce was directed to seek to contract with The

Dakota Manufacturing Extension Partnership, Inc.

- Requiring multiple agency studies and reports to the Legislative Council.

2005-06 Interim

Committee Activities

Section 17 of Senate Bill No. 2032 (2005) directed a study of the state's business climate through a business climate initiative, including receipt of agency reports regarding economic development legislation introduced by the Legislative Council during the previous legislative session, participation in business climate focus groups across the state, and participation in a Business Congress.

In addition to working with the Department of Commerce, the committee received assistance from the Greater North Dakota Chamber of Commerce in conducting the business climate study. The Legislative Council contracted with two private consultants to provide professional services to plan, facilitate, report on, and coordinate followup for the focus groups and Business Congress.

During the 2005-06 interim, the committee, with the assistance of the Department of Commerce, held seven half-day focus groups--four for business leaders, two for local economic developers, and one for young professionals. The business leader focus groups were held in Grand Forks, Fargo, Minot, and Bismarck; the local economic developer focus groups were held in Fargo and Bismarck; and the focus group for young professionals was held in Bismarck.

Following the seven focus group discussions, the committee held and participated in the Business Congress. The Business Congress received a report from the two committee consultants which included an overview of the focus group activities and identified five key issues and corresponding proposed actions to address the key issues. The proposed action items were identified from ideas from focus group activities, surveys, the North Dakota Commerce Cabinet, and the two committee consultants. The following is the list of key issues and related proposed action items:

1. Workforce development:
 - a. Internship program for target industries;
 - b. State grant program to promote school/business partnerships;
 - c. Central web site for information and resources;
 - d. Marketing and incentives to recruit workers; and
 - e. Early career counseling;
2. North Dakota's image:
 - a. Tourism marketing;
 - b. Media relations;
 - c. Ambassadors program;
 - d. Online resources and toolkit for teachers and speakers; and
 - e. Incentives for tourism facilities;
3. Attracting and retaining young people:
 - a. Entrepreneur programs;

- b. Governor's awards for young entrepreneurs;
- c. Entrepreneurial training;
- d. Business mentors;
- e. Targeted marketing to young people;
- f. Focus groups for young professionals; and
- g. Recruit for college and technical schools;

4. Transportation:
 - a. Upper Great Plains Transportation Institute study;
 - b. Expansion of air transportation;
 - c. Incentives to airlines;
 - d. Freight rail improvement;
 - e. Certified cities program; and
 - f. Commerce Cabinet recommendations; and
5. University participation in economic development:
 - a. Inventory avenues for communication with business;
 - b. Fund commercial evaluation of new technologies;
 - c. Awards program to technology companies;
 - d. Centers of excellence followup;
 - e. Incentives to students for technology courses;
 - f. Add ways for business to interact with and advise universities;
 - g. Speakers bureau for business lecturers; and
 - h. Recruit faculty in target disciplines.

Using the information gathered through the focus group process, through the Business Congress activities, through receipt of reports on the activities of other interim committees as they related to the key issues identified by the committee, and through traditional committee meetings, the committee crafted a single bill draft to serve as the committee's business climate initiative and the legislative recommendation. In crafting this initiative, the committee reviewed, revised, received testimony regarding, and discussed in detail, each of the key issues and related proposed action items.

Introduced Legislation

Although the Legislative Assembly enacted several of the provisions recommended by the 2005-06 interim Economic Development Committee in House Bill No. 1027, the bill failed to pass in the Senate but the provisions of the bill were relocated to several other bills. The committee recommendations underwent significant revision in the course of the legislative session. As introduced, House Bill No. 1027 would have:

- Amended Section 17 of 2005 Senate Bill No. 2032, the provision that provides for a two-interim business climate study. This provision would have retained the requirement of a minimum of six focus group discussions but removed the specific references to what groups need to specifically be addressed at each focus group and added young professionals to the

already existing two groups that need to be addressed in the focus groups. This provision was replaced with Section 20 of House Bill No. 1018 providing for this workforce system study.

- Created a new section to NDCC Chapter 2-05 relating to the Aeronautics Commission. This provision would have created a rural airport economic development fund and would have provided for a \$5 million appropriation. The money in the fund could have been used for matching fund grants to a public airport that is owned or operated by a public entity or airport operated by an airport authority. A recipient could use funds for the following purposes: automated weather-reporting facilities; computers and terminals to obtain weather information relating to flight plans; equipment to enhance flight operational safety; obstruction removal to facilitate global positioning satellite all-weather instrument approach technology; construction, rehabilitation, or extension of runway areas; and development of airport infrastructure.
- Amended NDCC Section 54-17-07.3, which authorizes the Industrial Commission, acting as the Housing Finance Agency, to establish certain housing finance programs. Specifically, the scope of the mortgage loan financing program would have been expanded to include assistance in the development of low-income to moderate-income housing or to assist a developing community address unmet housing needs or alleviate a housing shortage and the scope of the housing grant program would have been expanded to include assisting a developing community address unmet housing needs or alleviate a housing shortage. Additionally, there was a provision for a Legislative Council study of housing needs during the 2007-08 interim. These provisions were relocated to House Bill No. 1018.
- Expanded the definition of "agricultural commodity processing facility" for purposes of the agricultural business investment tax credit law, to provide an agricultural commodity processing facility may include a livestock feeding, handling, milking, or holding operation that uses a byproduct from an ethanol or biodiesel plant located in this state. As amended, this provision was relocated to House Bill No. 1018.
- Amended the laws relating to the beginning entrepreneur loan program by amending the definition of "beginning entrepreneur" by simplifying the net worth limitations and increasing from \$4 million to \$8 million the maximum amount the Bank of North Dakota may guarantee in loans under the beginning entrepreneur loan program. As amended, these provisions were relocated to Senate Bill No. 2120.
- Amended the laws relating to the Biodiesel partnership in assisting community expansion (PACE) program and would have provided appropriations for the Biodiesel PACE program and the PACE (flex PACE) program. Specifically, the provisions would have amended the definition of "biodiesel production facility" for purposes of the Biodiesel PACE program; appropriated \$1.2 million of general fund money to the Bank of North Dakota for the Biodiesel PACE program; and appropriated \$8 million to the Bank of North Dakota for the PACE (flex PACE) program. As amended, these provisions were relocated to House Bill No. 1014 and Senate Bill No. 2180.
- Created a Department of Commerce-administered rural community tourism enhancement grant program, which would have provided matching funds to cities of under 8,000 for the purpose of helping rural communities access public or private grants for helping communities identify and enhance their unique characteristics in attracting visitors and improve the appearance of the rural communities. The maximum grant would have been \$10,000 per applicant, with a maximum total of \$100,000 per biennium.
- Created a Department of Commerce Division of Tourism visitor information center assistance program.
- Expanded the Department of Commerce image information program to require services be offered to the public sector.
- Created a business and tourism acceleration commission to administer grant programs for innovation, tourism, and international trade. The language was modeled on the Agricultural Products Utilization Commission law and would have directed the commission to provide necessary assistance for the research, development, technology, and marketing needs of businesses and entrepreneurs to aid in innovation for new or existing businesses, expansion of existing and development of new tourism-based businesses, and growth of international business through trade.
- Required the Commissioner of Commerce to create a biennial tax expenditure report and a state business incentive expenditure report. As amended, these provisions were relocated to House Bill No. 1018.
- Increased the annual cap of the seed capital investment tax credit from \$2.5 million to \$5 million. As amended, this provision was relocated to House Bill No. 1018.
- Expanded the sales tax exemptions to include tourism equipment and wireless service

provider equipment. This provision was relocated to House Bill No. 1018.

- Provided for a Legislative Council study of wireless service providers during the 2007-08 interim.
- Repealed the beginning entrepreneur income tax incentives. This provision was relocated to House Bill No. 1018.
- Created a tax credit for business expenses associated with recruitment for hard-to-fill employment positions. As amended, this provision was relocated to House Bill No. 1018.
- Created an internship employment tax credit. As amended, this provision was relocated to House Bill No. 1018.
- Created a Department of Commerce Division of Innovation and Technology.
- Created a new section to NDCC Chapter 15-20.1 directing the Department of Career and Technical Education to administer a program to provide matching fund grants to teachers and schools for the purpose of funding innovative science, technology, or innovation programs for students in kindergarten through grade 12. The maximum amount of a grant would have been \$7,500, the department would have been required to consult with the Department of Commerce Division of Innovation and Technology in making award decisions, and \$45,000 would have been appropriated to the Department of Career and Technical Education for the funding of the innovation grants. As amended, this provision was relocated to House Bill No. 1018.
- Amended NDCC Section 57-38-30.5, increasing the research and experimental expenditures tax credit from 8 percent of the first \$1.5 million in research expense and 4 percent of research expenses in excess of \$1.5 million to 25 percent of the first \$100,000 in research expenses and 20 percent of research expenses in excess of \$100,000; redefining "base period research expenses" to only include research conducted in North Dakota; and allowing taxpayers to "assign" unused tax credits. As amended, this provision was relocated to House Bill No. 1018.
- Modified the requirements of the Department of Commerce target industries report to the Legislative Council during the 2007-08 interim to include a study of cluster industries related to the state's target industries and to include an inventory of innovation assets relevant to the target and cluster industries, how target and cluster industries may be better aligned with state economic development activities, and how to stimulate development in target and cluster industries.
- Provided statutory requirements for required elements of the State Board of Higher

Education annual performance and accountability report, including economic development information and student recruitment information.

- Created a new startup grant program for higher education programs through which grants would have been awarded on a competitive basis with a matching fund requirement. The State Board of Higher Education would have been required to consult with the Department of Commerce and Job Service North Dakota in making award determinations.
- Required the Department of Commerce Division of Economic Development and Finance International Business and Trade Office to work with the State Board of Higher Education to implement international business expertise with students of higher education.
- Provided for the State Board of Higher Education to study implementation of services of CCbenefits, Inc., and report to the Legislative Council during the 2007-08 interim. This provision was relocated to House Bill No. 1018.
- Modified the centers of excellence program to provide for making a distinction among three types of centers--commercialization, workforce, and infrastructure; to provide that the Department of Commerce provide the Centers of Excellence Commission with staff services, including assisting with preaward reviews and postaward monitoring; requiring the commission to provide for independent expert review of complete applications to establish viability and likelihood of desired economic impact; requiring the commission to conduct postaward monitoring of centers for 6 to 10 years; requiring an applicant to show due diligence in putting together the proposal and high likelihood of viability and success; and clarifying that funds are not to be distributed if private sector participants stop participating. As amended, these provisions were relocated to House Bill No. 1018.
- Provided for a Job Service North Dakota study and report to the Legislative Council during the 2007-08 interim regarding chronic unemployment and soft skills training for the chronically unemployed and as an element of workforce training; the evaluation of costs and effectiveness of current unemployment, reemployment, and workforce training used by Job Service North Dakota; the progress and results of the chronic unemployment demonstration project; and consideration of appropriate funding for implementing recommendations.
- Provided a \$600,000 appropriation to Job Service North Dakota for increasing the level of the web site spider program used to identify job listings available in North Dakota. As amended,

this provision was relocated to House Bill No. 1016.

- Expanded the duties of the Department of Commerce Division of Workforce Development adding the duties of developing and implementing the state's talent strategy and a statewide intelligence coordination strategy, which would include establishing details of the talent strategy, developing a consolidated biennial statewide strategic plan for the state's system for workforce development, workforce training, and talent attraction; continuously reviewing the state's workforce development system; developing a system of performance and accountability measures for the state's workforce development system; requiring that intelligence be disseminated to partners; requiring that followup information on North Dakota education and training (FINDET) data be a central source of intelligence; and requiring that the Division of Workforce Development administer the FINDET system. As amended, these provisions were relocated to House Bill No. 1018.
- Provided for a Department of Commerce study of workforce intelligence needs in the state and a report to the Legislative Council during the 2007-08 interim.
- Required the Division of Workforce Development to administer a higher education internship program to increase use of higher education internships, including focusing on internships in target industries; providing services to employers, communities, and business organizations; collecting and analyzing data on use of internships; marketing internships to private and public sector employers; consulting with the State Board of Higher Education to develop strategies to decrease barriers to use of internships; and developing a program to provide incentives for state and local government employers to use internships.
- Provided for the Department of Commerce, in consultation with the State Board of Higher Education, to study and report to the Legislative Council during the 2007-08 interim the status of higher education internship opportunities in the state and strategies to increase higher education internships in the state.
- Provided for the Department of Commerce to provide career education and career promotion services. As amended, this provision was relocated to House Bill No. 1018.
- Provided for the Department of Commerce, in consultation with the Department of Career and Technical Education, Job Service North Dakota, and the Superintendent of Public Instruction, to study and report to the Legislative Council during the 2007-08 interim regarding career education needs of public school students.

- Provided for a Department of Commerce-administered talent attraction program to attract workers from out of state.
- Provided for a Division of Workforce Development program for foreign worker recruitment to implement strategies to assist North Dakota businesses in recruitment of permanent legal immigrants to fill occupations that are in high demand and require high skill.

STUDY PLAN

Even though Section 20 of House Bill No. 1018 is very detailed and specific regarding the committee's charge of studying the state's workforce system through a workforce system initiative, there are several aspects of the study which will require committee consideration and direction.

Agencies will be reporting to the committee on the status of implementation of workforce legislation enacted during the 2007 legislative session. In receiving these reports the committee may wish to consider how best to evaluate whether the legislation has been successful in addressing the issue as intended.

For purposes of the focus groups and workforce congress, the Legislative Council and Department of Commerce will be contracting with a third party to provide professional services. Additionally, the committee participation in focus groups and the workforce congress will likely include establishing a conceptual framework within which the Department of Commerce and consultant work. Matters to consider in establishing this framework may include:

- Clarification of the expectations and purposes for holding the focus groups and for holding the workforce congress.
- Tentative dates and locations for focus groups and the workforce congress.
- Considerations in establishing invitation lists for focus groups and the workforce congress.
- Agenda recommendations for focus groups and the workforce congress, including whether any other committee studies will be addressed through the focus group and workforce congress activities.
- The committee process expected to follow completion of the focus groups and workforce congress.
- The process through which the Department of Commerce and consultant will work with the committee and consult with the committee in implementing the focus groups and workforce congress.

On a more pragmatic note, the committee is charged with contracting with a third party to provide professional services to plan, facilitate, report on, and coordinate followup for the focus groups and workforce congress. Not only does the committee need to determine what procedure to follow to solicit these services and with whom to contract, but as part

of this contract will need to determine the specifics of the services for which the committee seeks to contract.

Following receipt of agency reports, participation in focus groups, and participation in the workforce congress, the committee will be left with the task of translating into committee recommendations the significant amount of information gathered and issues raised. Traditionally, committee recommendations are in the form of recommended legislation.

As part of the workforce system study charge, the committee's consultant is directed to coordinate followup for the focus groups and workforce congress.

The committee may wish to consider whether the followup services provided by the consultant should include legislative recommendations. Additionally, the committee may wish to receive testimony and information from state agencies and the private sector in formulating committee recommendations.

The committee may consider whether committee recommendations for the workforce system study should incorporate recommendations relating to the committee's population study, job development authority study, or higher education study.

ATTACH:1