

NORTH DAKOTA LEGISLATIVE COUNCIL

Minutes of the

ECONOMIC DEVELOPMENT COMMITTEE

Wednesday and Thursday, April 19-20, 2006

State Capitol

Bismarck, North Dakota

Representative Rick Berg, Chairman, called the meeting to order at 9:40 a.m.

Members present: Representatives Rick Berg, Dawn Marie Charging, Donald L. Clark, Donald D. Dietrich, Mark A. Dosch, Eliot Glasheim, Pam Guleson, Jim Kasper, Bob Martinson, Lisa Meier, Eugene Nicholas, Dan J. Ruby, Elwood Thorpe, Clark Williams; Senators Nicholas P. Hacker, Duane Mutch, John O. Syverson, Ryan M. Taylor, John M. Warner

Members absent: Representative Kenton Onstad; Senators April Fairfield, Randy A. Schobinger

Others present: See Appendix A

BUSINESS CLIMATE STUDY

Business Congress

Opening Remarks

Chairman Berg welcomed the business leaders, economic developers, and committee members to the Economic Development Committee's Business Congress. He said the state of North Dakota is doing very well. Not only is North Dakota one of the top five states in the area of job growth, he said, but it ranks equally as well in job opportunity. He said that his No. 1 philosophy is that government does not create jobs but businesses and communities create jobs.

Chairman Berg said he is looking to the Business Congress participants to tell the committee members where they think North Dakota is going and where it should be going relating to the state's business climate. He said in considering the state's business climate, it is necessary to look forward 20 years. By looking forward and focusing on jobs, industries, and businesses that will be strong in the future, he said, the state can work to position itself to be better prepared to take advantage of these areas of growth. He said that North Dakota is unique due to its small size and, as a result, the state is able to be very nimble and position itself effectively.

Chairman Berg introduced and welcomed Governor John Hoeven, stating the Governor is the legislature's partner and is the leader of the state. Governor Hoeven welcomed the participants to the Business Congress. He said that North Dakota is remarkable in several ways, including its citizen legislators and its active citizens and businesses.

Governor Hoeven said the actions taken today may not have an immediate outcome that can be measured but will have a significant impact down the road. He said in helping to frame the state's policy, it

is important to distinguish between investments and expenses. He said investments recognize future returns, whereas expenses are the costs of taking care of our own people. He said he looks forward to working with North Dakota business leaders and with the Economic Development Committee to invest in the state and build the best business climate possible.

Governor Hoeven introduced and welcomed Mr. Shane C. Goettle, Commissioner, Department of Commerce. Mr. Goettle welcomed the participants to the Business Congress. He said he agrees with the Governor's goal of building the best business climate we can in this state. He said that we are doing many things right and we need to continue and build on these successes.

Overview

Chairman Berg called on Mr. Miles Friedman, Miles Friedman and Partners, Manassas, Virginia, and Mr. Rod Backman, Covenant Consulting Group, Bismarck, to make a presentation regarding an overview of the business climate study process, the results of the focus groups, and proposed actions to address the five key issues identified from the focus groups' activities. Mr. Friedman and Mr. Backman made a computer presentation, a copy of which is attached as [Appendix B](#).

Mr. Friedman reviewed the agenda of the Business Congress activities that will take place over the course of the day. He explained that they will receive an overview of the activities that have taken place to date, will review the five key issues identified through the focus group activities, will break out into three small groups to prioritize action items addressing the identified five key issues, and will reconvene as a large group and review the activities of the small groups.

Key Issues Identified

Mr. Backman reviewed the following five key issues identified as a result of the focus group activities:

1. Workforce development;
2. North Dakota's image;
3. Attracting and retaining young people;
4. Transportation; and
5. University participation in economic development.

Mr. Friedman explained that the Commerce Cabinet complied with the request to summarize

current programs addressing the key issues and to identify possible ways to strengthen and enhance these key issues. The Commerce Cabinet created the document entitled *Current Actions to Address Five Key Issues - Commerce Cabinet Task Force Report to 2006 Business Congress*, a copy of which is on file in the Legislative Council office. The Commerce Cabinet also created the document entitled *List of Proposed Actions for 5 Key Issues - Reference Document for Small Group Activities*, a copy of which is attached as [Appendix C](#).

Mr. Friedman and Mr. Backman explained that each of the Business Congress participants, including the Economic Development Committee members, will be assigned to one of three small groups meeting in the Harvest, Roughrider, or Sakakawea Rooms. Each of the small groups will be facilitated by Mr. Goettle, Mr. Friedman, or Mr. Backman. In the small groups, the participants will review existing programs addressing the five key issues, review proposed actions to address the five key issues, consider proposed actions and whether additional actions should be proposed, prioritize the proposed actions, and consider whether there are performance measures to track the progress in the prioritized proposed actions.

The participants broke into small groups, worked through the lunch hour, and following the small group session, the participants reconvened as a large group and the three facilitators briefly reported on the activities of each of the small groups. Mr. Friedman and Mr. Backman said a final report will summarize the activities of the focus groups and the Business Congress.

Chairman Berg thanked the business leaders and economic developers for their hard work during the focus groups and the Business Congress. He said he thinks this process helps the committee members to think outside the box not just looking at fixing what might be broken but to think of creative and innovative ways to position the state to improve the state's business climate. He said the committee will be meeting tomorrow to begin the process of creating a legislative package to address some of the issues raised and actions proposed by the business climate participants. The committee recessed at 2:50 p.m.

Committee Work

Following the Business Congress, the committee continued the meeting on Thursday, April 20, 2006. Chairman Berg thanked the committee members for their hard work over the course of the focus groups and the Business Congress. He explained that the next step is for the committee to review the information gathered during the Business Congress and work toward formulating a legislative package to recommend for introduction in the 2007 legislative session.

It was moved by Representative Ruby, seconded by Representative Clark, and carried on

a voice vote that the minutes of the February 7-8, 2006, meeting be approved as distributed.

Measure No. 2

Chairman Berg distributed a copy of a letter from Mr. Al Jaeger, Secretary of State, dated April 13, 2006. A copy of this correspondence is on file in the Legislative Council office. The letter addresses measure No. 2, which will appear on the June 13, 2006, ballot.

Chairman Berg called on Mr. David Straley, Greater North Dakota Chamber of Commerce, Bismarck, to comment regarding measure No. 2. Mr. Straley said that the chamber supports a yes vote on measure No. 2. He said there was a similar measure on the 2003 ballot which failed. He said the lack of success in 2003 was likely due to failure to educate the voters regarding the measure.

Mr. Straley said in addition to updating and modernizing the provisions of the North Dakota Constitution relating to corporations, one of the more significant changes under measure No. 2 would be to remove the constitutional requirement that a corporation allow cumulative voting. He said that under measure No. 2 a corporation, through its bylaws, could provide for cumulative voting but it would not be required under the constitution.

In response to a question from Representative Berg, Mr. Straley said in some respects, cumulative voting protects minority shareholders and in other respects it protects majority shareholders.

In response to a question from Senator Hacker, Mr. Straley said a corporation's board of directors is able to determine the voting rights of different types of stocks as those stocks are issued. He said the voting rights are not required to be established at the time of incorporation.

Chairman Berg said if committee members have any questions regarding measure No. 2, they may wish to contact Mr. Jaeger's office.

In response to a question from Representative Thorpe, committee counsel said she is not able to address whether the changes under measure No. 2 would prevent hostile takeovers.

Workforce

Chairman Berg called on Mr. Friedman to review the information gathered during yesterday's business congress. Mr. Friedman distributed two documents:

- [North Dakota Business Climate Study 2006: Potential Action Items](#) (attached as Appendix D).
- [North Dakota Business Climate Study 2006: New and Additional Action Items From the Breakout Sessions](#) (attached as Appendix E).

For each of the five identified key issues, Mr. Friedman reviewed the action items that got the highest rankings from the three small groups in the Business Congress. Additionally, he reviewed some of the action items that were added by the small groups.

Representative Glassheim said that as it relates to workforce, in his small group discussion yesterday, there was concern that if an internship program is limited to the state's targeted industries, this may make the internship program inapplicable to small towns.

Representative Berg said it is understood there are special dynamics unique to rural and urban communities in this state. He said as the committee moves forward, it should first look at the most targeted approach to a program and then as we pursue this, the committee should also consider whether there are special considerations to address the needs of rural communities. He said the state has limited resources and it is necessary to look at how to get the greatest impact from these limited resources.

Senator Hacker questioned whether the action items require legislation or whether instead what is needed is more money for the programs.

Representative Berg said he thinks the first step is to see whether there is a valid need for an action item and if there is a need, the next step may be to perform additional research to determine whether legislative action is appropriate.

Mr. Friedman said the information provided by the Commerce Cabinet indicates there is already a lot of activity in these five key areas. In some instances, he said, a broader application is sought and in other instances there are small programs located in several agencies.

Representative Berg said the committee needs to discuss the general concepts relating to these action items before the committee is going to be able to discuss the more detailed fiscal impact of any of these proposed action items. He said some of these proposed action items may be implemented with a small fiscal note. The creation of the business hotline is an example of an initiative that has been implemented for a mere \$5,000.

Mr. Friedman said regarding the internship program under the key issue of workforce, perhaps the language regarding "target industries" could be modified to indicate that each community would be able to determine what its targets are.

Representative Ruby said he believes internships are already being undertaken in the state.

Senator Hacker said it may be helpful to consider looking at whether there are barriers to student and business participation in internships and whether these barriers might be removed.

Representative Glassheim said regarding the workforce action item to recruit workers from outside the state, this seems like a worthy goal. He said it seems clear that the state has unmet needs in worker recruitment.

Mr. Friedman said in the area of low-cost actions, one inexpensive service the state could consider providing is helping families find a home when the family moves into the state.

Representative Charging said there would be great benefits to offering early career counseling. She said

it is easier to keep North Dakotans in the state than it is to try to convince them to return once they have already left the state.

Representative Berg said that perhaps career counseling should be added to the committee's action items.

Representative Charging said the state's labor force is specifically missing craftsmen.

Mr. Friedman said that the small group he facilitated during yesterday's Business Congress discussed the need to educate career counselors in the areas of the trades

Representative Kasper said perhaps there would be value to having the state create a unified message to tell North Dakota students what careers and education are available in the state of North Dakota. He said an example may be to produce a video that markets the state. He said there may be benefit to having schoolchildren and parents watch a video regarding all the positive opportunities in the state.

Mr. Friedman said the Department of Commerce has a good video as part of the ambassador's program.

Senator Hacker said the North Dakota Development Fund, Inc., has a good video regarding the state.

Representative Thorpe said more needs to be done in educating students regarding the trades. He said that perhaps more of North Dakota's smaller institutions of higher education could provide more programs in the trades.

Representative Berg said as a component of workforce, one thing that needs to be addressed is the University System's ability and willingness to address and respond to market needs.

Mr. Friedman said in the small group he facilitated, the group suggested that the State Board of Higher Education be more proactive regarding needs in the trades.

Representative Berg said the centers of excellence program has been co-opted into a workforce training program. He said he thinks the State Board of Higher Education should have the system to address workforce needs as these needs arise.

Representative Kasper said the state should be focusing not only on recruitment but retention of North Dakotans.

Representative Glassheim said there are issues related to using the University System to address workforce needs.

Representative Berg said an example of the need to have the University System be flexible to market needs is the area of nanotechnology. He said nanotechnology is a growing industry in the state but the University System is not very responsive to our workforce needs.

Representative Kasper said as long as the state has 11 institutions of higher education, each with degree-granting authority, we will continue to have the tail wag the dog. He said he would prefer to have four

large universities and seven or eight technical schools.

Representative Gulleson said she was hoping the Higher Education Roundtable would address the issue of university responsiveness to market needs. She said the University System's program approval process seems to be a real barrier.

Senator Hacker said regarding nanotechnology, the ship has not sailed. He said Alien Technology is still a growing business and continues to need these nanotechnology workers.

Representative Berg said we need to send the North Dakota University System a message that we want them to be on the fast track when it comes to market responsiveness and program approval.

Representative Thorpe said as it relates to recruitment of workers, he does not think we need to limit this to out-of-state workers. He said we should also address the underemployed workers already in the state.

Attracting and Retaining Young People

Mr. Friedman said under the key issue of attracting and retaining young people, as a result of the small group discussions, the action items were changed to reflect the need to attract young families.

Representative Berg said the marketing efforts of the state should not be limited to tourism. He said these efforts should include marketing families to return to the state.

Representative Dietrich said the state has unmet housing needs. He said we need to have adequate, affordable housing which includes the need to have reasonable property taxes.

Representative Gulleson said that it needs to be recognized that North Dakota needs to do more than other states. She said it is a reality that North Dakota has an image issue that needs to be overcome when the state is conducting recruitment.

Mr. Friedman said perhaps the committee would consider adding students to the individuals participating in future focus groups.

Representative Berg said perhaps the state should consider ways to engage the young professional networks. He said after the committee held its focus groups in February, Mr. Backman conducted an abbreviated focus group for the young professionals group in Bismarck.

Senator Hacker said the young professional network in North Dakota is a grassroots effort.

Senator Taylor said perhaps the Department of Commerce ambassador's program could link up with some of these young professional groups. He said it might be valuable for the Department of Commerce to invite some of the members of these young professional groups to be active in the Department of Commerce activities.

Image

Representative Gulleson said the headline in today's *The Forum* is that the state is experiencing

outmigration. She said this is something that needs to be considered. A copy of *The Forum* article is attached as Appendix F.

Representative Berg said that the committee needs to address the business climate and then consider the tool box of small incentives that might be available. He said perhaps a similar approach could be made to address immigrants to the state.

Representative Kasper said he thinks *The Forum* newspaper article regarding outmigration is very biased in its approach.

Representative Berg said as it relates to data regarding immigration and outmigration in the state, perhaps it would be helpful to have Dr. Richard Rathge, North Dakota State Data Center, Fargo, present information at a future meeting.

Representative Dosch said as it relates to the key issue of image, we are our own worst enemies. He said he would hope that the Department of Commerce actively address articles, such as *The Forum's*, in a way that presents the state in a positive light.

Mr. Friedman said some states address image challenges with a state "SWAT team." For example, he said, when a business is thinking of leaving the state, there might be a group that jumps into action to combat the situation.

Representative Berg said he understands South Dakota has a program in place to train tourism and service sector employees to assist these workers in presenting a positive image of the state. He said he would like the Department of Commerce to provide some information on this program at a future meeting.

Representative Charging said the Department of Commerce has a training program in place for tourism businesses. She said she thinks there may be value to offering economic development incentives to tourism activities.

Transportation

Chairman Berg called on Mr. Backman to continue with the review of the top action items for the five key issues. Mr. Backman said as it relates to transportation, on June 29, 2006, the Legislative Council's interim Transportation Committee is scheduled to receive the report from the Upper Great Plains Transportation Institute on the outcome of the institute's study of how improvements to the transportation infrastructure of this state might enhance the business climate and the state's competitive position in economic development. He said following this report, the committee may wish to receive a briefing on the status of this study and report.

Representative Kasper said in addition to the status report on the Upper Great Plains Transportation Institute study, he would be interested in receiving an update on the activities of the Legislative Council's Electric Industry Competition Committee and its statutory duty to receive a report from the North Dakota Transmission Authority.

Senator Syverson said in the area of transportation, he would like to see coordination between this committee and the North Dakota Aeronautics Commission and other aeronautics stakeholders.

Representative Berg said it will be important for the legislators to stay informed regarding airport and aeronautic issues.

Universities

Mr. Backman said as it relates to the key issue of universities, with the action item of commercializing new technologies, there may be value to using a model such as the Agricultural Products Utilization Commission (APUC) model.

Representative Berg said that he likes the idea of creating a Business Products Utilization Commission (BPUC) for business commercialization. He said a program such as this could get involved at the very early stages and provide assistance in research and business plans.

Representative Nicholas said using the APUC program, businesses like Dakota Growers have used these funds to create business plans and feasibility studies. He said the benefits of this program have had a huge ripple effect and enormous paybacks. He said a small amount spent upfront can result in significant benefits to the state.

Representative Glassheim said he is unclear at what point the state would get involved in funding commercialization of technology. He said he agrees the state needs to help researchers take the next step to commercialize their ideas.

Representative Berg said his initial vision for the centers of excellence program was to focus on this commercialization of university research. He said this is in large part the reason for his opposition to the use of centers of excellence funds for physical infrastructure and workforce training. He said for purposes of initial application for the centers of excellence, he thinks the application should be reviewed by scientists specializing in the appropriate areas for that specific application. He said that one of the committee's charges is to receive a status report on the centers of excellence.

Representative Thorpe said he hopes that given the activities of this interim, the Centers of Excellence Commission should have a better understanding of the legislative intent of the program.

Additional Action Items

Following the review of the five key issues and the highest rating actions for each of these issues, the committee reviewed the potential additions of action items as raised by the three small groups. Additionally, Mr. Friedman reviewed some of the strategy items from the Washington state global competitiveness strategy.

Representative Berg said that several of the items listed in the Washington state global competitiveness strategy are the same as the items raised in North Dakota's business climate study.

Representative Gulleson distributed a copy of bill draft [\[70064.0100\]](#) relating to a corporate income tax credit for research and experimental expenditures, a copy of which is on file in the Legislative Council office. She said this bill draft would put North Dakota in a unique position to better court and retain companies that do research and development.

Representative Berg said the bill draft would also allow companies to take advantage of federal tax credits. He said the committee should remember this bill draft as it moves forward and designs its legislative package to recommend for the 2007 legislative session.

No further business remaining, Chairman Berg adjourned the meeting at 11:55 a.m.

Jennifer S. N. Clark
Committee Counsel

[ATTACH:6](#)