

Fifty-ninth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1203

Introduced by

Representatives Keiser, Carlson

Senators Espegard, Flakoll

1 A BILL for an Act relating to business incentives, agreements, and reports; to create and enact
2 a new subdivision to subsection 7 of section 6-08.1-02 of the North Dakota Century Code,
3 relating to disclosure of customer information by the Bank of North Dakota; and to provide an
4 effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1.** A new subdivision to subsection 7 of section 6-08.1-02 of the North
7 Dakota Century Code is created and enacted as follows:

8 Recipient reports and grantor reports as required under sections 2 through 10
9 of this Act.

10 **SECTION 2. Definitions.** As used in sections 2 through 10 of this Act, unless the
11 context otherwise requires:

- 12 1. "Benefit date" means the date on which the recipient receives the business
13 incentive. If the business incentive involves the purchase, lease, or donation of
14 physical equipment, the benefit date is the date when the recipient puts the
15 equipment into service. If the business incentive is for improvements to property,
16 the benefit date is the earlier of either when the improvements are finished for the
17 entire project or when a business occupies the property. If a business occupies
18 the property and the business incentive grantor expects that other businesses will
19 also occupy the same property, the grantor may assign a separate benefit date for
20 each subsequent business when that subsequent business first occupies the
21 property.
- 22 2. "Business incentive" means a state or political subdivision direct cash transfer,
23 loan, or equity investment; contribution of property or infrastructure; reduction or
24 deferral of any tax or any fee; guarantee of any payment under any loan, lease, or

- 1 other obligation; or preferential use of government facilities given to a business.
- 2 The term does not include:
- 3 a. Total assistance in all forms which is valued at less than twenty-five thousand
4 dollars.
- 5 b. Assistance that is generally available to all businesses or to a general class of
6 similar businesses, such as a line of business, size, location, or similar
7 general criteria.
- 8 c. Incentives resulting from Bank of North Dakota programs unless the incentive
9 is a direct interest rate buydown, is made pursuant to the beginning
10 entrepreneur loan guarantee program, or is an investment made pursuant to
11 the North Dakota alternative and venture capital investments and early-stage
12 capital funds program.
- 13 d. Public improvements to buildings or lands owned by the state or political
14 subdivision which serve a public purpose and do not principally benefit a
15 single business or defined group of businesses at the time the improvements
16 are made.
- 17 e. Assistance provided for the sole purpose of renovating old or decaying
18 building stock or bringing such building stock up to code and assistance
19 provided for designated historic preservation districts, provided that the
20 assistance does not exceed seventy-five percent of the total cost.
- 21 f. Assistance to provide job readiness and training services if the sole purpose
22 of the assistance is to provide those services.
- 23 g. Assistance for housing.
- 24 h. Assistance for pollution control or abatement.
- 25 i. Assistance for energy conservation.
- 26 j. Tax reductions resulting from conformity with federal tax law.
- 27 k. Benefits derived from regulation.
- 28 l. Indirect benefits derived from assistance to educational institutions.
- 29 m. Assistance for a collaboration between a North Dakota institution of higher
30 education and a business.

- 1 n. Redevelopment if the recipient's investment in the purchase of the site and in
2 site preparation is seventy percent or more of the assessor's current year's
3 estimated market value.
- 4 o. General changes in tax increment financing law and other general tax law
5 changes of a principally technical nature.
- 6 p. Federal assistance provided through the state or a political subdivision until
7 the assistance has been repaid to, and reinvested by, the state or political
8 subdivision.
- 9 q. Federal or state assistance for the lignite research, development, and
10 marketing program under chapter 54-17.5.
- 11 3. "Compensation" means the value of an employee's:
- 12 a. Earnings, including wages, salary, bonus, and commissions; and
13 b. Benefits, including:
- 14 (1) Health, disability, life, and retirement benefits or insurance premium
15 paid by the employer;
- 16 (2) An employee's share of payroll taxes paid by the employer; and
17 (3) Other fringe benefits such as housing allowance and transportation
18 expenses.
- 19 4. "Department" means the department of commerce.
- 20 5. "Grantor" means the state or any political subdivision that directly or indirectly
21 grants a business incentive to a recipient.
- 22 6. "Political subdivision" means a unit of local government in this state which has
23 direct or indirect authority to grant a business incentive. The term includes any
24 authority, agency, special district, or entity created by, authorized by, under the
25 jurisdiction of, or contracting with a political subdivision.
- 26 7. "Public purpose" includes assisting community development, increasing the tax
27 base, directly creating employment opportunities, or indirectly creating employment
28 opportunities through increased economic activity. Job retention is only a public
29 purpose in cases in which job loss is specific and demonstrable.
- 30 8. "Recipient" means any individual or business entity that receives a business
31 incentive.

1 9. "State" means any North Dakota state government agency that has the authority to
2 directly or indirectly award business incentives.

3 **SECTION 3. Scope - Public purpose - Notice.**

4 1. The application of sections 2 through 10 of this Act is limited to business incentives
5 provided by grantors to recipients, unless otherwise provided.

6 2. A grantor may not grant a business incentive to a recipient unless that business
7 incentive meets a public purpose.

8 3. A state business incentive in the form of a direct cash transfer must be structured
9 as a loan, a forgivable loan, or as a preferred share that includes provisions for
10 surrender.

11 4. A political subdivision business incentive in the form of a cash transfer of money
12 may be structured as a loan, a forgivable loan, or as a preferred share that
13 includes provisions for surrender.

14 **SECTION 4. Business incentive agreement.**

15 1. A recipient must enter a business incentive agreement with each grantor of a
16 business incentive. The grantor and the recipient shall sign the agreement.

17 2. If a business incentive benefits more than one recipient, the grantor shall assign a
18 proportion of the business incentive to each recipient that signs a business
19 incentive agreement. The proportion assessed to each recipient must reflect a
20 reasonable estimate of the recipient's share of the total benefits of the project.

21 3. A business incentive agreement must include:

22 a. A description of the business incentive, including the value of the business
23 incentive, which may be the amount of the incentive, the fair market value of
24 the property conveyed to the recipient, or the fair market value of other in-kind
25 benefits provided to the recipient; the type of incentive; and the type of district
26 if the incentive is tax increment financing.

27 b. A statement of the public purposes of the business incentive.

28 c. Goals for the business incentive. The goals must include the number of jobs
29 to be created and the average compensation of the new jobs created. The
30 information on average compensation must include identification of the
31 average benefits and the average earnings to be provided by the employer on

- 1 all jobs to be created or retained in association with the incentive. The job
2 and average compensation goals may include separate goals for the number
3 of part-time or full-time jobs to be created or, in cases in which potential job
4 loss is specific and demonstrable, goals for the number of jobs to be retained.
5 In addition to other specific goal timeframes, the job and average
6 compensation goals must contain specific goals to be attained within two
7 years of the benefit date.
- 8 d. A description of the financial obligation of the recipient if the goals are not
9 met. This financial obligation must include an exception for any unmet goal
10 that results from an act of God or terrorism.
- 11 e. A commitment by the recipient to continue operations in the jurisdiction in
12 which the business incentive is used for five years or more after the benefit
13 date.
- 14 f. The name and address of the parent company of the recipient, if any.
- 15 g. A list of all financial assistance by all grantors for the project.
- 16 h. The recipient's obligation if the recipient does not fulfill the business incentive
17 agreement.

18 **SECTION 5. Failure to meet goals - Modification of goals.**

- 19 1. At a minimum, the financial obligation provision of a business incentive agreement
20 must require a recipient that fails to meet business incentive agreement goals to
21 pay back to the grantor the assistance, prorated to reflect any partial fulfillment of
22 goals. A grantor may extend for up to one year the period for meeting the
23 business incentive agreement goals if the grantor determines that circumstances
24 have made it impossible for the recipient to achieve the required goals. A grantor
25 may extend the period for meeting business incentive agreement goals by another
26 additional year by documenting in writing the reason for the extension and
27 attaching a copy of the documentation to the grantor's next annual report.
28 Notwithstanding the five-year commitment in the business incentive agreement, a
29 grantor may authorize a recipient to move from the jurisdiction in which the
30 business incentive is used within the five-year period after the benefit date if, after
31 a public hearing, the grantor approves the recipient's request to move. If after

- 1 extending the period for achieving the goals of the business incentive agreement
2 for two years a grantor determines that a business incentive agreement goal of
3 creation or retention of jobs has changed and justifies a decrease, after a public
4 hearing, the grantor may decrease the job goals in the agreement to a lesser
5 number or to zero and may adjust the average compensation goals to reflect
6 changed circumstances. Justification for decreasing job goals may include that
7 other public benefits adequately offset the failure to meet the initial job goals.
- 8 2. A recipient that fails to meet the terms of a business incentive agreement may not
9 receive a business incentive from any grantor for a period of five years from the
10 date of failure or until a recipient satisfies the repayment obligation under this
11 section, whichever occurs first. For purposes of this subsection, if the recipient is
12 an individual, the disqualification attaches to the individual and if the recipient is a
13 business entity, the disqualification attaches to the business and to each owner or
14 shareholder of twenty percent or more of the business.

15 **SECTION 6. State grantor recipient reports.**

- 16 1. The department shall create state grantor recipient report forms that include:
17 a. The name and address of the recipient;
18 b. The type, public purpose, and value of the business incentive;
19 c. The number of new jobs to be created or retained in association with the
20 business incentive;
21 d. The average compensation of all jobs to be created or retained in association
22 with the business incentive, including identification of the average benefits
23 and the average earnings provided by the employer on all jobs created or
24 retained in association with the business incentive;
25 e. The date the job and average compensation goals are expected to be
26 reached;
27 f. A statement of goals identified in the business incentive agreement and an
28 update on achievement of these goals, including the actual number of jobs
29 created or retained and the average compensation of jobs created or retained
30 at that point, including identification of the average benefits actually provided

- 1 and the average earnings actually provided by the employer on all jobs
2 created or retained;
- 3 g. The location of the recipient prior to receiving the business incentive;
4 h. The name and address of the parent corporation of the recipient, if any;
5 i. A list of business incentives by all grantors for the project; and
6 j. Other information the department and grantor may request.
- 7 2. Each state grantor shall use recipient report forms created by the department to
8 monitor the progress by each state grantor recipient in achieving business
9 incentive agreement goals. At a minimum, each of these recipients shall provide
10 the state grantor with an annual recipient report for two years following the benefit
11 date or until the goals are met, whichever is later. If the business incentive
12 agreement goals are not met, the state grantor recipient shall continue to provide
13 recipient reports to the state grantor until the incentive is repaid. A state grantor
14 shall file with the department a copy of each completed recipient report.
- 15 3. Before March 1, 2007, and each March first thereafter, a state grantor recipient
16 shall file with the state grantor the recipient report for the previous calendar year.
17 If a state grantor recipient fails to file a recipient report before March eighth, the
18 state grantor shall mail the recipient a warning letter. If a noncompliant state
19 grantor recipient fails to file the recipient report within fourteen days of the
20 postmarked date of the warning letter, the recipient shall pay to the state grantor a
21 penalty of one hundred dollars for each subsequent day until the report is filed.
22 The maximum penalty under this section may not exceed one thousand dollars.

23 **SECTION 7. State grantor reports.** Before April 1, 2007, and each April first
24 thereafter, each state agency that has granted a business incentive within the last five calendar
25 years shall file an annual state grantor report with the department. The department shall create
26 the state grantor report form required under this section. A state grantor report must include a
27 list of all recipients, each recipient's business incentive agreement goals, and a report on each
28 recipient's progress toward the goals. If the department does not receive a state grantor report
29 before May first, the department shall issue a warning letter to the noncompliant grantor. If the
30 department has not received a state grantor report from the noncompliant grantor before June

1 first, that noncompliant grantor may not award any business incentive until the past-due grantor
2 report is filed with the department.

3 **SECTION 8. Compilation and summary - Report to legislative council.**

- 4 1. Beginning in 2007 and annually thereafter, the department shall publish a
5 compilation and summary of the results of the state grantor reports for the previous
6 calendar year. Beginning in 2007 and annually thereafter, the department of
7 commerce shall file the reports of the state grantors and the compilation and
8 summary with the legislative council. The department shall organize the
9 compilation and summary so that useful comparisons across time periods and
10 across grantors can be made. The department may add other information to the
11 compilation and summary as deemed necessary to evaluate business incentives.
- 12 2. The compilation and summary must include:
- 13 a. The number of jobs targeted to be created or retained by each recipient
14 receiving a business incentive in that year.
- 15 b. The number of jobs achieved in comparison to the jobs targeted for each
16 business year by year.
- 17 c. The average compensation of jobs targeted to be created or retained by each
18 recipient that year, including identification of the average benefits and
19 average earnings to be provided by the employer for these jobs.
- 20 d. The average compensation of jobs created or retained compared to the
21 targeted average compensation for each business year by year.
- 22 e. A distribution of business incentives by type of business and by public
23 purpose.
- 24 f. The percentage of business incentives that reached goals within two, three,
25 four, and five years from the benefit date.
- 26 g. The percentage of business incentives that did not meet goals and that did
27 not receive repayment.

28 **SECTION 9. Political subdivision grantor annual reports.**

- 29 1. A political subdivision shall maintain records of business incentives provided to
30 recipients.

- 1 2. Before April 1, 2007, and each April first thereafter, each political subdivision that
2 granted a business incentive during the previous calendar year shall prepare an
3 annual political subdivision grantor report. This annual report must include:
- 4 a. The names of the businesses receiving business incentives during that year;
 - 5 b. The number of jobs expected to be created or retained by each business as a
6 result of the business incentives;
 - 7 c. The average compensation expected to be provided by the employer for the
8 jobs expected to be created or retained as a result of the business incentives,
9 including identification of the average benefits and average earnings to be
10 provided by the employer for these jobs; and
 - 11 d. The total dollar value of all business incentives provided by the political
12 subdivision during that year.

13 **SECTION 10. Appropriation requests.** A state agency may not request an
14 appropriation for the purpose of providing a business incentive in the form of a direct cash
15 transfer unless the agency includes with the request a statement of the expected benefits
16 associated with the direct cash transfer.

17 **SECTION 11. EFFECTIVE DATE.** This Act becomes effective January 1, 2006.