

FISCAL NOTE

Requested by Legislative Council
02/22/2005

REVISION

Amendment to: Engrossed
 SB 2032

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2003-2005 Biennium		2005-2007 Biennium		2007-2009 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$1,667,000)		(\$1,667,000)
Expenditures			\$2,708,022		\$2,629,272	
Appropriations			\$2,708,022		\$2,629,272	

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

2003-2005 Biennium			2005-2007 Biennium			2007-2009 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

- Section 1: Venture capital investments. (Bank of North Dakota)
- Section 4: Develop a cooperative work experience program. (Career and Technical Education)
- Section 6: Develop an American Indian business development office. (Department of Commerce)
- Section 7: Develop an Trade Promotion Authority. (Department of Commerce)
- Section 15: Complete a technology commercialization study. (Higher Education)
- Section 16: Complete an insurance and liability study. (Insurance Department)
- Section 17: Complete a transportation study. (Higher Education)

Please note that the estimated expenditures for the 2007-2009 do not include any type of inflation adjustment.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*
- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Bank of North Dakota

Section 1: This section permits the Bank of North Dakota to invest funds in North Dakota alternative and venture capital investments and early-stage capital funds including the North Dakota Development Fund not to exceed \$10,000,000 for the purpose of providing funds for investment in North Dakota alternative and venture capital investments and early-stage capital funds. The Bank may allow for third-party management of the funds if the management is provided by the North Dakota Development Fund or a third party that is located in the state and that has demonstrated fund management experience.

Based on Bank of North Dakota's (BND) prior experience and on studies done on a national basis it is anticipated BND could incur losses up to 33% of the \$10,000,000 investment in alternative and venture capital investments and

early-stage funds. The impact if the entire \$10,000,000 was invested and losses were experienced at the 33% level would be \$3,334,000 over a four-year period. BND shall request from the Industrial Commission a transfer from the Student Loan Trust Fund (contingent on available monies in this fund) to reimburse the Bank for any losses incurred. Any gains from investments must first be applied to offset any losses reimbursed by the Student Loan Trust Fund. Once the Student Loan Trust Fund has been made whole, BND and the Trust Fund shall share any additional revenue on a mutually agreed formula as determined by the Industrial Commission. As currently contemplated there will be no fiscal impact for third party fund management services provided to BND.

Contact: Eric Hardmeyer 328-5674

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Bank of North Dakota
Section 12

Section 12: No additional fiscal impact.

Contact: Eric Hardmeyer 328-5674

Board of Higher Education
Sections 15 & 17

Section 15: SBHE Study Incentives for Stimulating Commercialization of New Technologies will require an additional appropriation of \$50,000 in state general funds to UND and NDSU to jointly coordinate and prepare the study. The additional costs reflect staffing costs and related operating costs. Possible consulting assistance may also be necessary.

Contact: Phil Boudjouk, NDSU (701) 231-6542 and Peter Alfonso, UND (701) 777-6736

Section 17: There is no expected alternative source of revenues for this project, thus it is anticipated that it would be funded by General Funds. The project can be separated into two distinct and separable efforts. Part 1 would cover highway and railroad improvements requiring resources of \$360,000. This would include the purchase of the REMI transportation model. Part 2 would cover airports which would require an additional \$125,000. Total cost, not including indirect costs, amount to \$485,000.

Contact: Gene Griffin, Upper Great Plains Transportation Institute (701) 231-8343

Department of Career and Technical Education
Sections 4 & 13

Section 4: To implement the cooperative work experience program as delineated in this section, the program would be modeled after the school to work system. This would include 30 partnerships (school consortiums) across the state and \$30,000 per year to each partnership to fund a coordinators position to support the local effort. The total cost of the partnerships would then be \$900,000 per year in the grants line item. An additional \$100,000 per year would be needed by the Department to contract for statewide oversight and professional development for schools. The total cost to implement the program within the Department of Career and Technical Education would equal \$2,000,000 for the biennium.

Section 13: No additional fiscal impact.

Contact: Wayne Kutzer 328-2259

Department of Commerce
Sections 3, 5, 6, 7, & 14

Section 3: The fiscal impact cannot be determined at this time. However, the impact would be contingent upon the Development Fund providing management services for the Bank of North Dakota's alternative and venture capital investments and early-stage capital funds. It should be pointed out that the Bank of North Dakota is not required to contract with the Development Fund, but if they did provide management services to BND, a contract would have to be negotiated and executed between the two parties. It would be expected that the contract would include some type of compensation such as commitment fees, interest rate participations and/or take-out provisions with equity investments.

Section 5: No additional fiscal impact.

Section 6: 2005-2007 & 2007-2009 American Indian Business Development Office

Salary and Fringe Benefits for 1 FTE:	\$105,432
Operating Expenses:	\$23,840
Total Cost Per Biennium	\$129,272

Section 7: 2005-2007 & 2007-2009

Currently funding for the Trade Promotion Authority in the 2005-2007 biennium is contained within the Governor's Executive Budget (SB 2018). The funding comes from \$500,000 in special funds (ND Development Fund).

The aforementioned costs represent the minimum amount required to operate a Trade Promotion Authority Office. It is estimated that the actual cost to run an effective program would be \$1,200,000 per year. Therefore, the \$500,000 of special fund dollars included in the Governor's Executive budget (SB 2018) will be used to leverage federal and private dollars for the additional amount needed.

Section 14: No additional fiscal impact.

Contact: Paul Govig 328-4499

Insurance Department
Section 16

Section 16: If the Insurance and Liability Study was done by a consulting firm, the fiscal impact would be approximately \$41,250 plus \$2,500 for travel and miscellaneous costs.

If the study was completed in-house, it is estimated that it would require the equivalent of $\frac{3}{4}$ -1 FTE for six months. Assuming an average blended cost for staff of \$30 per hour and estimating 800-1100 hours, the estimated in-house cost for the department would be \$24,000 to \$33,000. Expenses for travel and mailing etc. might be \$1,500 to \$2,500.

Contact: Chuck Johnson 328-4984

Legislative Council
Section 11

Section 11: No additional fiscal impact.

Securities Department
Section 2

Section 2: No additional fiscal impact.

Contact: Karen Tyler 328-2910

Tax Department
Sections 8, 9 & 10

Section 8: No additional fiscal impact.
Section 9: No additional fiscal impact.
Section 10: No additional fiscal impact.

*Some of the preceding sections could have a fiscal impact on the tax department but because they are difficult to accurately define at this point, they will be addressed in testimony to the committee or in amendments or both.

Contact: Kathy Strombeck 328-3402

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

While there are no appropriations within the engrossed bill, it is estimated that the following additional appropriations will be needed for the implementation of each of the following sections:

Section 4: \$2,000,000 - Cooperative Work Experience Program(Career and Technical Education)
Section 6: \$129,272 - American Indian Business Development Office (Department of Commerce)
Section 15: \$50,000 - Technology Commercialization Study (Higher Education)
Section 16: \$43,750 - Insurance Liability Study (Insurance Department)
Section 17: \$485,000 - Transportation Study (Higher Education)

Total: \$2,708,022 General Funds

Note: The \$500,000 in special funds for the Trade Promotion Authority are not included in Table 1A for the 2005-2007 biennium since they are contained in the Governor's Executive Budget (SB 2018).

The following sections are assumed to be on-going programs that would require future appropriations in the 2007-2009 biennium;

Section 4: \$2,000,000 - Cooperative Work Experience Program(Career and Technical Education)
Section 6: \$129,272 - American Indian Business Development Office (Department of Commerce)
Section 7: \$500,000 - Trade Promotion Authority **(Department of Commerce)

Total: \$2,629,272 General Funds

** Note: It is the intent to request a General Fund appropriation in the 2007-2009 biennium for the continuation of the Trade Promotion Authority.

Name: Paul Govig

Phone Number: 328-4499

Agency: ND Dept. of Commerce

Date Prepared: 02/22/2005