

# FISCAL NOTE

Requested by Legislative Council  
04/08/2005

## REVISION

Amendment to:            Reengrossed  
                                      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
<b>Revenues</b>	(\$250,000)		(\$3,000,000)	(\$1,667,000)		(\$1,667,000)
<b>Expenditures</b>			\$610,000		\$150,000	
<b>Appropriations</b>						

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: Centers of Excellence (Bd. of Higher Ed.)
- Section 6: Procurement Information Web Site. (OMB)
- Section 13: Seed Capital Investment Tax Credit(Tax Dept.)
- Section 14: Seed Capital Investment Tax Credit(Tax Dept.)
- Section 17: Business Climate Initiatives Study (Legislative Council)
- Section 21: Insurance and Liability Data Study (Insurance Dept.)
- Section 22: Technology Commercialization Study (Bd. of Higher Ed.)
- Section 23: Transportation Study (Bd. of Higher Ed.)
- Section 25: Tax Study (Tax Dept.)

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

Tax Department  
Sections 13&14

Sections 13 & 14: These sections incorporate the Seed Capital Tax Incentive provisions from SB 2018 into this bill. The following analysis by the Tax Dept. which was used for SB 2018 is therefore referenced:

The provisions relating to the Seed Capital Tax Incentive provisions are expected to decrease state general fund revenues by \$250,000 in FY 05, and \$3,000,000 in the 2005-07 biennium. This assumes the caps on the seed capital investment tax credit are reached. If the caps on the credit are not reached, the fiscal impact will be less.

Contact: Kathy Strombeck 328-3402

\*Please note that the aggregate amount of the seed capital investment tax credited is limited to \$2,500,000 per calendar year in the reengrossed bill. The fiscal effect described on page 1 incorporates a cap of \$3,000,000 per biennium which was incorporated in Senate Bill 2018.

**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 19

Section 19: Venture Capital Investments report. No additional fiscal impact.

Contact: Eric Hardmeyer 328-5674

Board of Higher Education  
Sections 4,16,20,22&23

Sections 4: Centers of Excellence. The NDUS will incur direct and indirect costs, beyond the general funds appropriated in the bill, related to the following activities in support of an Economic Development Centers of Excellence (COE) program, as mandated in the legislation:

- Establishment of COE program by SBHE
- Provide staff support to the new commission
- Coordinate the preparation of applications from the campuses
- Review of applications by the SBHE
- Preparation of annual reports to be presented to the Governor and foundation
- Campus administrative costs for managing center(s)

The costs to complete these activities, although significant both individually and collectively, will be absorbed by the campus and System within current or other externally generated resources. We will not be able to provide a good estimate of the total fiscal impact, until the number and types of projects have been identified.

Contact: Eddie Dunn, NDSU (701) 231-8494

Section 16: Repeals section 15-10-41 of the Century Code. No additional fiscal impact.

Section 20: Centers of Excellence report. No additional fiscal impact.

Section 22: 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 23: 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. Part 2 would cover airports which would require an additional \$125,000. Total cost, not including indirect costs, amount to \$360,000.

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

Department of Commerce  
Sections 3,9,10,&15

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 9: Amends section 57-38.5-01 of the Century Code. No additional fiscal impact.

Section 10: Amends section 57-38.5-02 of the Century Code. No additional fiscal impact.

Section 15: Repeals chapters 10-30.1 and 10-30.2 of the Century Code. No additional fiscal impact.

Contact: Paul Govig 328-4499

Insurance Department  
Section 21

Section 21: Insurance and Liability Data. It is understood the data has already been collected by the Department. No additional fiscal impact.

Contact: Chuck Johnson 328-4984

Emergency Commission  
Section 5

Section 5: Emergency Commission Membership. No additional fiscal impact.

Contact: Al Jaeger  
328-2992

Legislative Council  
Sections 17&18

Section 17: Business climate initiatives study. Fiscal impact is estimated to be \$50,000 for the Department of Commerce.

Section 18: Venture and Risk Capital study. No additional fiscal impact.

Office of Management and Budget  
Sections 6&24

Section 6: Establish and maintain a procurement information web site. Fiscal impact is estimated to be \$150,000.

Section 24: Procurement Assistance report. No additional fiscal impact.

Contact: Linda Belisle  
328-3494

Securities Department  
Section 2

Section 2: Amends section 10-04-05 of the Century Code. No additional fiscal impact.

Contact: Karen Tyler 328-2910

Tax Department  
Sections 7,8,11,12,25

Section 7: Amends subsection 1 of section 57-38-01.2 of the Century Code. No additional fiscal impact.

Section 8: Amends subsection 1 of section 57-38-71 of the Century Code. No additional fiscal impact.

Section 11: Seed Capital Investment Tax Credit. No additional fiscal impact.

Section 12: Seed Capital Investment Tax Year. No additional fiscal impact.

Section 25: Requires the Tax Commissioner to study corporate income taxes and authorizes the Department to contract with a third party to conduct the study. This will involve additional expenditures, the amount of which is currently unknown.

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.*

The second Engrossment with House Amendments of this bill contains no appropriations. However, the following appropriations related to this bill are contained within Senate Bill 2018:

Section 6: \$150,000-Procurement Information Web Site (OMB)

Section 17: \$50,000-Business Climate Initiatives Study (Legislative Council)

Section 22: \$50,000-Technology Commercialization Study (Bd. of Higher Ed.)

Section 23: \$360,000-Transportation Study (Bd. of Higher Ed.)

\*The Insurance/Liability Data Study and the Tax Study received no appropriations.

**Name:** Paul Govig  
**Phone Number:** 328-4499

**Agency:** Department of Commerce  
**Date Prepared:** 04/11/2005

