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FIRST ENGROSSMENT

Sixty-sixth Legislative Assembly of North Dakota

ENGROSSED HOUSE BILL NO. 1333

Introduced by

Representatives Nathe, Howe, Lefor, Mock, Sanford

Senators Bekkedahl, Cook

- 1 A BILL for an Act to create and enact a new chapter to title 6 of the North Dakota Century Code,
- 2 relating to the creation of an innovation loan fund to support technology advancement
- 3 committee and loan program; to provide an exemption; to provide a continuing appropriation;
- 4 and to provide for a transfer.

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

- 6 **SECTION 1.** A new chapter to title 6 of the North Dakota Century Code is created and
- 7 enacted as follows:
- 8 **Definitions**.
- 9 <u>In this chapter, unless the context otherwise requires:</u>
- 10 <u>1. "Committee" means the innovation loan fund to support technology advancement</u>
- 11 committee.
- 12 <u>2.</u> "Diversification sectors" means the following industries:
- 13 <u>a. Advanced computing and data management;</u>
- 14 <u>b.</u> <u>Agriculture technology</u>;
- 15 <u>c. Autonomous and unmanned vehicles and related technologies;</u>
- 16 <u>d. Energy;</u>
- e. Health care;
- 18 <u>f. Value-added agriculture;</u>
- 19 <u>g. Value-added energy; and</u>
- 20 <u>h. Any industry or area specifically identified by the committee as an industry that</u>
- 21 <u>will contribute to the diversification of the state's economy.</u>
- 22 <u>Innovation loan fund to support technology advancement committee Membership </u>
- 23 Meetings.
- 24 <u>1. The innovation loan fund to support technology advancement committee consists of:</u>

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- 1 The president of the Bank of North Dakota or the president's designee who shall 2 serve as the chairperson of the committee and is a nonvoting member of the 3 committee; 4 Three members representing active venture capital firms, private entities, or <u>b.</u> 5 angel capital funds, who must be appointed by the president of the Bank of North 6 Dakota: 7 One member with finance-related experience, knowledge, or education, who C. 8 must be appointed by the president of the Bank of North Dakota; and 9 Three members from the private sector with expertise in the diversification <u>d.</u> 10 sectors, who must be appointed by the commissioner of the department of 11 commerce. 12 <u>2.</u> The term of office of the appointed members of the committee is four years, and the 13 terms must be staggered so that no more than one of the members' terms appointed 14 by the president of the Bank of North Dakota and one of the members' terms 15 appointed by the commissioner of the department of commerce expire each year. 16 Each term of office commences on the first day of July. Members serve at the pleasure 17 of the appointing entity and may be reappointed for additional terms. Members of the 18 committee may not invest or otherwise participate in applied research, 19 experimentation, or operational testing associated with a loan awarded under this 20 chapter. The committee shall select a vice chairperson. If a committee member ceases 21 to qualify as a member of the appointing entity, that individual's membership on the 22 committee ceases immediately and the appointing entity shall appoint a new member 23 to the committee for the remainder of the term. 24 A committee member representing the private sector is eligible to receive <u>3.</u> 25 compensation in an amount not exceeding one hundred thirty-five dollars per day and 26 travel and expense reimbursement as provided by law for state officers for attending 27 meetings of the committee. 28
 - 4. The committee shall meet as necessary to make loan recommendations and provide ongoing review of research, development, and commercialization activities.

1	Innovation loan fund to support technology advancement - Innovation technology					
2	loan program.					
3	The	The Bank of North Dakota shall administer the innovation technology loan program to				
4	provide loans for activities identified in this chapter. The Bank shall provide administrative					
5	support :	support for the program, including the drafting of application forms, receiving applications,				
6	reviewing applications for completeness and compliance with committee policy, and forwarding					
7	complete applications to the committee in accordance with the guidelines established by the					
8	committee.					
9	Innovation technology loans - Eligibility.					
0	<u>1.</u>	<u>The</u>	committee shall establish guidelines for entities to qualify for an innovation			
11		tech	nnology loan under this section. The committee shall consider and process			
2		applications in a timely manner that does not jeopardize an applicant's opportunity to				
3		<u>leve</u>	erage other funds.			
4	<u>2.</u>	<u>In d</u>	etermining whether to recommend approval of an application, the committee shall			
5		con	sider the extent to which the proposal will:			
6		<u>a.</u>	Deliver applied research, experimentation, or operational testing in one or more			
7			of the diversification sectors to create information or data to enhance North			
8			Dakota companies or industries or companies making investments in North			
9			<u>Dakota</u> ;			
20		<u>b.</u>	Lead to the commercialization or patent of an innovation technology solution; or			
21		<u>C.</u>	Result in the development of a new company or expansion of an existing			
22			company that will diversify the state's economy through new products,			
23			investment, or skilled jobs.			
24	<u>3.</u>	<u>The</u>	Bank of North Dakota shall review all applications recommended for approval by			
25		the committee for final loan approval. The terms of the loan must include:				
26		<u>a.</u>	Zero percent interest for the first three years of the loan;			
27		<u>b.</u>	Two percent interest for the next two years of the loan; and			
28		<u>C.</u>	An interest rate equal to a standard Bank of North Dakota loan for all subsequent			
29			<u>years.</u>			

1	Innovation loan fund to support technology advancement - Continuing appropriation.				
2	The innovation loan fund to support technology advancement is a special fund in the state				
3	treasury and must be administered by the Bank of North Dakota. All moneys in the fund are				
4	appropriated to the Bank on a continuing basis for the purpose of providing innovation				
5	technology loans and for administrative expenses. The Bank shall deposit in the innovation loan				
6	fund to support technology advancement all principal and interest paid on loans made from the				
7	fund. Interest earned on moneys in the fund must be credited to the fund.				
8	Use of loan funds.				
9	Loan recipients shall use innovation technology loan funds to enhance capacity and, to the				
10	extent possible, leverage state, federal, and private sources of funding. An entity receiving a				
11	loan under this chapter may not use the funds for capital or building investments or for research				
12	or other activities not identified in this chapter. The funds may not be used for academic or				
13	instructive programming, workforce training, administrative costs, or to supplant funding for				
14	regular operations of institutions of higher education. Unless otherwise approved by the				
15	committee, loan recipients may use funding only to conduct applied research, experimentation,				
16	or operational testing within the state. If an entity awarded a loan no longer conducts its				
17	activities in the state, the interest rate of the loan shall default to the rate of a standard Bank of				
18	North Dakota loan.				
19	Innovation loan fund to support technology advancement - Postaward monitoring -				
20	Exemption.				
21	<u>1.</u>	<u>Upc</u>	on completion of work performed from funding provided by a loan, the Bank of		
22		Nor	th Dakota shall provide an independent review of the results. Evaluation criteria		
23		may	<u>/ include:</u>		
24		<u>a.</u>	How the work performed has contributed to the development of a company or the		
25			expansion of an existing company, has enhanced the ability of a company to		
26			make investments in the state, or otherwise enticed a company to invest or move		
27			to the state.		
28		<u>b.</u>	How the work performed has led to additional economic investment of capital		
29			from public and private sector entities within and outside North Dakota.		
30		<u>C.</u>	How the work performed has led to or may lead to a patent or research that is		
31			commercially viable.		

1 2. As a condition for receiving a loan under this chapter, each entity shall agree to 2 provide the Bank of North Dakota with its annual audit. 3 SECTION 2. TRANSFER - BANK OF NORTH DAKOTA - INNOVATION LOAN FUND TO 4 SUPPORT TECHNOLOGY ADVANCEMENT. The Bank of North Dakota shall transfer the sum 5 of \$3,000,000, or so much of the sum as may be necessary, from the Bank's current earnings 6 and undivided profits to the innovation loan fund to support technology advancement for the 7 purpose of providing innovation technology loans during the biennium beginning July 1, 2019, 8 and ending June 30, 2021.