

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2349

2001 SENATE APPROPRIATIONS

SB 2349

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB2349

Senate Appropriations Committee

Conference Committee

Hearing Date January 30, 2001

| Tape Number | Side A | Side B | Meter # |
|--|--------|------------------|-----------|
| Tape #1 | | x | 2.1-18.6 |
| Tape #1 | | Committee Action | 18.6-25.2 |
| Committee Clerk Signature <i>Terrie Pitech</i> | | | |

Minutes:

Senator Nething, Chair of the Senate Appropriations Committee, opened the hearing on SB2349.

Senator Holmberg, District 17, Grand Forks; testified in support of SB2349 (a copy of his written testimony is attached).

Senator Solberg: Why the requirement to go from 75 to 100 thousand -- when only one loan was made over 50 thousand? Why raise if not utilized?

Senator Holmberg: An artificial number used last time when setting up the program. Through discussion with constituents, individuals who might use the program, and individuals within the Governor's Office, it was felt that over the next 2 years or so additional flexibility would be appropriate. We saw how it worked the first biennium -- who knows what a year and a half from now? Individuals do need to satisfy two banks -- their local institution and the Bank of North Dakota.

Senator Espegard, District 43, Grand Forks, testified in support of SB2349. Continuance of the program is important. This is a good program that provides "gray area" dollars for the small companies. Bank of North Dakota guarantee is essential for the entrepreneur.

Senator Nething: Your bank participate? Developed criteria?

Senator Espegard: We have not used it. But it is good to have in the toolbox.

Senator Heitkamp: As a sponsor of this bill, I wish to be on record as supportive. In the interest of time I will relinquish my time to others here that wish to testify.

Eric Hardmeyer, Interim President of the Bank of North Dakota testified in support of (a copy of his written testimony is attached).

Senator Nething: No appropriations on this bill, authorization only?

Eric Hardmeyer: Yes.

Senator Nething: Industrial Commission has the authority?

Eric Hardmeyer: They indicated the bill is required; figure in law.

Senator Heitkamp: How long will the program go with this authority?

Eric Hardmeyer: It's new, starting to develop momentum; could be 3-4 years. 500 thousand the first year; could be 4-5 years.

Senator Heitkamp: Back next session when dollars are gone?

Eric Hardmeyer: Who knows.

Senator Thane: Good program -- have you history of successes/failures?

Eric Hardmeyer: Data out there on failure rates--perhaps 75-80 percent. SBA looked at document - the loss ratio of 5-10% for short track -- no loss here; only start up funds. 10-20% figure on fiscal note; 425 to 850 thousand over course of program.

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Senate Appropriations Committee

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Clare Carlson, Governor's Office, testified in support of SB2349. Full support for it to be fully utilized; there are 3 ways to increase business in North Dakota: expand on existing business; bring outside business in to locate in North Dakota; and to start a new business. This will help start new businesses.

Heath Copp, Grand Forks; Entrepreneur and receiver of program funding, testified in support of SB2349. He is cofounder, owner of the Peragon Bed Cover (a copy of the company flyer is attached). In March '99 he and a friend had an idea, a dream -- his dad contributed enough dollars to the idea to enable them to turn a proto type into a viable company. Being young, he lacked collateral -- the program allowed him to take the high risk -- forming the company. He found out about the program through an article in the Grand Forks Herald; went to his local bank - then on to the Bank of North Dakota. The paperwork was minimal. Entrepreneurs are often discouraged with paperwork when their first couple years are consumed with developing, marketing, etc. In 2 years the company has developed customers throughout the United States --- this program provided the necessary step to get there.

Senator Heitkamp: Number of employees?

Heath Copp: 2 -- foundation base; home to add four full time employees within a year.

Senator Robinson: Through your network of purchasers --- how many have you produced?

Heath Copp: 300 units produced this summer.

Senator Robinson: The Bank of North Dakota dollars were used to develop, register and apply for patent?

Heath Copp: Yes -- 95% of our covers sold are sold outside of North Dakota.

No additional requests for testimony time, for or against SB2349; hearing closed by Senator Nething.

Motion of DO PASS was made by Senator Holmberg; second by Senator Heitkamp.

Discussion:

Senator Thane and Senator Bowman thanked Heath Copp for telling his story - always nice to see the results of one's actions.

Senator Nething: Eric Hardmeyer -- have you made colleges aware of this program?

Eric Hardmeyer: We have not done much in the area of marketing -- is on our brochure, goes through banks --- but it is a good point; point taken.

Senator Holmberg: Perhaps high schools -- with the variety of clubs -- would be the place for the Bank of North Dakota to advertise?

Senator Thane: Heath Copp --- do you have a patent? Applied for one?

Heath Copp: Yes, do have a patent pending.

No further discussion: Vote called for by Senator Nething. 14 yes, 0 no, 0 absent. Motion carried. Senator Holmberg accepted the floor assignment.

January 21, 2001 Tape 1, Side A: 21.9-38.7

Senator Bowman moved that the hearing on SB2349 be reopened; Senator Solberg seconded the motion. Motion carried. Yesterday's action was nullified.

Senator Andrist moved that the proposed amendment, designating emergency clause, be accepted; Senator Tallackson seconded the motion. Motion carried.

Motion made by Senator Andrist, do pass as amended. Seconded by Senator Robinson. No discussion; roll call vote: 12 yes, 0 no, 2 absent and not voting. Senator Holmberg accepted the floor assignment.

FISCAL NOTE
 Requested by Legislative Council
 02/22/2001

BH/Resolution No.:

Amendment to: Engrossed
 SB 2349

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.*

| | 1999-2001 Biennium | | 2001-2003 Biennium | | 2003-2005 Biennium | |
|----------------|--------------------|-------------|--------------------|-------------|--------------------|-------------|
| | General Fund | Other Funds | General Fund | Other Funds | General Fund | Other Funds |
| Revenues | | | | | | |
| Expenditures | | | | | | |
| Appropriations | | | | | | |

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

| 1999-2001 Biennium | | | 2001-2003 Biennium | | | 2003-2005 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.*

With the added amendments to SB 2349, Bank of North Dakota (BND) may not guarantee more than \$4 million in loans at any time under the Beginning Entrepreneur Loan Guarantee Program. Since the program is relatively new, BND does not have a historical record of claims. However, based on discussion with officials from the Small Business Administration, regionally their claims are in the 5 - 7% range.

This program targets start-up businesses while SBA programs include both start-ups and established businesses. Consequently, the risk component to the Beginning Entrepreneur Program should be higher. Claims are anticipated to be 10 - 20% which will result in losses to BND. The extent of the losses are difficult to determine now that the \$4 million limit is revolving.

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.*

Not applicable.

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.*

Not applicable.

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.

Not applicable.

| | | | |
|----------------------|----------------|-----------------------|------------|
| Name: | Eric Hardmeyer | Agency: | Bank of ND |
| Phone Number: | 328-5674 | Date Prepared: | 02/27/2001 |

