

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

2385

2001 SENATE INDUSTRY, BUSINESS AND LABOR

SB 2385

2001 SENATE STANDING COMMITTEE MINUTES

BILL/RESOLUTION NO. SB 2385

Senate Industry, Business and Labor Committee

Conference Committee

Hearing Date February 12, 2001.

| Tape Number                                     | Side A | Side B | Meter #      |
|---|--------|--------|--------------|
| 1   |        | x      | 33.6 to end  |
| 2   | x      |        | 0 to 8.4     |
| (Feb. 14/01) 1                                  |        | x      | 18.0 to 22.0 |
| Committee Clerk Signature <i>Doris E. Perez</i> |        |        |              |

Minutes:

The meeting was called to order. All committee members present. Hearing was opened on SB 2385 relating to agriculture partnership in assisting community expansion loans and partnership in assisting community expansion loans.

SENATOR AARON KRAUTER, District 35, cosponsor, in favor. This bill is an incentive type approach to bring an increase in wages in ND. Bill addresses PACE program and PACE agriculture program. Handed out information obtained from the BND web site regarding the two programs. Reviewed program requirements. Under this bill if employers can provide wages that exceeds regional average, or the average established by the department of commerce, they would be eligible for another two hundred basis points interest buy down.

SENATOR ESPEGARD: Instead of buying down 6 points, they buy down to eight?

A KRAUTER: Yes.

SENATOR ESPEGARD: Fiscal note on it.

Page 2

Senate Industry, Business and Labor Committee

Bill/Resolution Number SB 2385

Hearing Date February 12, 2001.

A KRAUTER: Ag PACE has not been utilized 100% we will allow transfer from that program to the other.

BOB HUMANN, Loan Manager Bank of ND, fiscal note was made based only on Ag PACE that is why there is a confusion. It would use more of the dollars from the fund. Loans we did most of people self-employed. How commercial PACE will be affected we will run the numbers and bring them to the committee. Bank policy states that we cannot buy interest rate down by less than one percent, will have to keep an eye on it so we won't be buying down into principal. Also will have to figure out how to keep track of the wages been paid, will have to implement mechanism to do that. Right now we check on annual basis through lead lender, if we have any concern about accuracy we would verify that with Job Service.

SENATOR KREBSBACH: All this based on the premise of the commerce department law passing.

S KRAUTER: The bill takes that into account in section 4.

Discussion held regarding fiscal note and PACE portfolio.

SENATOR KLEIN: If no new money is going to be put in the fund money has to come from the PACE program.

SENATOR KREBSBACH: This program directly affects economic development and nobody has testified about that yet.

Hearing closed.

Feb. 14/01. Tape 1-B- 18.0 to 22.

Committee reconvened. All members present. New fiscal note reviewed and discussed.

SENATOR TOLLEFSON: Move do not pass. SENATOR KREBSBACH: Second

Roll call vote: 5 yes; 2 no. Carrier: SENATOR ESPEGARD

## FISCAL NOTE

Requested by Legislative Council  
02/12/2001

**REVISION**

Bill/Resolution No.: SB 2385

Amendment to:

**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.*

SB 2015 appropriates \$1,500,000 for the Ag PACE fund and \$6,000,000 for the PACE fund. With the changes contemplated to the program under SB 2385, BND does not anticipate the need for a fiscal note.

As for the Ag PACE fund, it should be noted that of the 15 loans funded during this biennium which could be affected by the proposed change, only three of the loan recipients are utilizing outside help with only one having full-time employees. For qualifying borrowers, the proposed change would affect the total usage of dollars in the Ag PACE interest buydown fund. For example, a Borrower which would qualify for \$10,000 of interest buydown under the existing program, would qualify for an additional \$4,000 with the additional 2% interest buydown as proposed with the necessary wage minimums. The additional interest buydown figure would double to \$8,000 if a Borrower had qualified for the existing program interest buydown maximum of \$20,000. The additional interest buydown proposed will not create usage problems for the Ag PACE fund since the funds have not been used up during the last few bienniums.

As for the PACE fund, all of the interest buydown funds have been used prior to the end of the biennium with the fund normally running short after 18 months. In review of the current biennium PACE activity, the \$6MM of interest buydown has provided a lower rate on \$61MM in total loans for total job creation of 1,260 new jobs. The average buydown amount per project is \$82,000 based on a 5% interest rate buydown. If the interest rate buydown was increased by another 2% to a total of 7% with the proposed bill change the buydown amount would increase by \$46,000 to \$128,000. If 100% of the PACE applicants created jobs which paid more than the regional average wage, the increase in interest buydown would cost \$2,160,000 which would eliminate 26 available PACE applicants from obtaining PACE funding. If 50% of the PACE applicants created jobs which paid more than the regional average wage, the increase in interest buydown would cost \$1,080,000 which would eliminate 13 available PACE applicants from obtaining PACE funding. The formula is that the additional 2% in interest buydown uses 36% more buydown than a normal 5% buydown and with an average loan using \$82,000 in interest buydown eliminates half of another PACE project from being funded.

It should also be noted that with PACE, the local Community economic development group is responsible for between 15% to 35% of the interest buydown in addition to the interest buydown provided by the State's PACE fund. The local economic development group is making the decision in regards to the type of companies their community wants to attract within an appropriate wage scale range.

One other area to note is that the current PACE program has an interest rate floor after interest buydown of 1% so that the State is not providing interest buydown which would be reducing loan principal.

**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.*

**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.*

**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.*

|                      |                   |                       |                      |
|----------------------|-------------------|-----------------------|----------------------|
| <b>Name:</b>         | Eric A. Hardmeyer | <b>Agency:</b>        | Bank of North Dakota |
| <b>Phone Number:</b> | 328-5674          | <b>Date Prepared:</b> | 02/02/2001           |

**FISCAL NOTE**  
 Requested by Legislative Council  
 01/29/2001

Bill/Resolution No: SB 2385

Amendment to:

**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 |
| <b>Revenues</b>       |                    |             |                    |             |                    |             |
| <b>Expenditures</b>   |                    |             |                    |             |                    |             |
| <b>Appropriations</b> |                    |             |                    |             |                    |             |

**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.*

SB 2015 appropriates \$1,500,000 for the Ag PACE fund. With the changes contemplated to the program under SB 2385, BND does not anticipate the need for a fiscal note. It should be noted that of the 15 loans funded during this biennium which could be affected by the proposed change, only three of the loan recipients are utilizing outside help with only one having full-time employees. For qualifying borrowers, the proposed change would affect the total usage of dollars in the Ag PACE interest buydown fund. For example, a Borrower which would qualify for \$10,000 of interest buydown under the existing program, would qualify for an additional \$4,000 with the additional 2% interest buydown as proposed with the necessary wage minimums. The additional interest buydown figure would double to \$8,000 if a Borrower had qualified for the existing program interest buydown maximum of \$20,000. One other area to note is that the current program has an interest rate floor after interest buydown of 1% so that the State is not providing interest buydown which would be reducing loan principal.

**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.*

**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.*



**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.*

|                      |                   |                       |                      |
|----------------------|-------------------|-----------------------|----------------------|
| <b>Name:</b>         | Eric A. Hardmeyer | <b>Agency:</b>        | Bank of North Dakota |
| <b>Phone Number:</b> | 328-5674          | <b>Date Prepared:</b> | 02/02/2001           |

Date: 2/14/01  
Roll Call Vote #: 1

**2001 SENATE STANDING COMMITTEE ROLL CALL VOTES**  
**BILL/RESOLUTION NO. 2385**

Senate Industry, Business and Labor Committee

- Subcommittee on \_\_\_\_\_  
or  
 Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Not Pass

Motion Made By Sen Tollefson Seconded By Sen Krebsbach

| Senators                      | Yes | No | Senators        | Yes | No |
|-------------------------------|-----|----|-----------------|-----|----|
| Senator Mutch - Chairman      | ✓   |    | Senator Every   |     | ✓  |
| Senator Klein - Vice Chairman | ✓   |    | Senator Mathern |     | ✓  |
| Senator Espegard              | ✓   |    |                 |     |    |
| Senator Krebsbach             | ✓   |    |                 |     |    |
| Senator Tollefson             | ✓   |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |
|                               |     |    |                 |     |    |

Total (Yes) 5 No 2

Absent 0

Floor Assignment Sen Espegard

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE (410)**  
February 14, 2001 11:47 a.m.

**Module No: SR-27-3308**  
**Carrier: Espegard**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**SB 2385: Industry, Business and Labor Committee (Sen. Mutch, Chairman) recommends DO NOT PASS (5 YEAS, 2 NAYS, 0 ABSENT AND NOT VOTING). SB 2385 was placed on the Eleventh order on the calendar.**

2001 TESTIMONY

SB 2385

Search

BND

Search

--Services Navigation--

Go

Email Us

## PACE

Partnership in Assisting Community Expansion

The PACE Fund is designed to assist North Dakota communities in expanding their economic base by providing for new job development.

This program has two major elements: (1) the participation by BND with a local lender in a community based loan, and (2) the participation by the PACE Fund with the local community in reducing the borrower's overall interest rate.

### QUALIFYING REQUIREMENTS

**BORROWER** - The borrower can be any person whose business is in manufacturing, processing, value-added processing, major destination tourist attractions, and targeted service industries. Targeted service industries are businesses involved in data processing, telemarketing, telecommunications and major destination tourist attractions.

**LOAN LIMIT** - There are no maximum loan parameters for borrowing under this program.

**USE OF PROCEEDS** - The proceeds of a loan may be used for the purchase of real property and equipment, expansion, and certain working capital requirements. The program cannot be used to refinance any existing debt or for relocation within North Dakota.

**JOB CREATION** - The borrower shall demonstrate that within the first year, there will be a minimum of one job created for every \$75,000 of total loan proceeds.

**VARIABLE OR FIXED INTEREST RATE** - Either a fixed or variable interest rate may be used in the loan participation.

**PARTICIPATION REQUIREMENTS** - BND will evaluate all requests under this program in the same manner as any regular bank participation. Therefore, qualifications, such as equity, collateral, and information requirements is determined on a case-by-case basis as outlined in the Participation Lending section of this booklet.

### APPLICATION PROCESS

A lead lender makes application for this program and is responsible for servicing the loan.

### INTEREST RATE BUY DOWN PARTICIPATION

The second phase of PACE Fund combines the resources of the local community and the PACE Fund in buying down the interest rate on the loan. If the loan is approved by the lenders, the interest rate buy down will automatically be approved.

