

## SUMMARY OF 2005-07 CENTERS OF EXCELLENCE APPLICATIONS - ROUND 3

### AUTHORIZATION AND FUNDING

The 2005 Legislative Assembly approved Senate Bill No. 2032 establishing a centers of excellence program. The Centers of Excellence Commission created by the bill is responsible for the application process and for making funding award recommendations for commission-approved applications for centers of excellence.

The 2005 Legislative Assembly authorized the Office of Management and Budget to borrow up to \$15 million from the Bank of North Dakota and to distribute the funds to centers of excellence as directed by the Centers of Excellence Commission. If the \$15 million is not adequate funding for the 2005-07 biennium, the Office of Management and Budget may borrow up to an additional \$5 million from the Bank to be used for centers of excellence grants, subject to Emergency Commission and Budget Section approval. Any loans and accrued interest are to be repaid from funds transferred to the **permanent oil tax trust fund** during the 2005-07 biennium. The Office of Management and Budget may use 50 percent of the funds deposited in the permanent oil tax trust fund that exceed the first \$6 million to repay up to \$16 million of loans, including interest.

### CENTERS OF EXCELLENCE COMMISSION REPORT

The Centers of Excellence Commission reported to the interim Economic Development Committee in October 2005 that the two primary benefits of a center of excellence are:

1. Job creation and economic growth for the state of North Dakota; and
2. Excellence in education and training which fosters a highly skilled workforce.

### APPLICATIONS PREVIOUSLY APPROVED

In December 2005 the Budget Section gave final approval to the following four centers of excellence applications submitted by the Centers of Excellence Commission from round 1 of the application process during the 2005-07 biennium:

Bismarck State College	Energy Center of Excellence	\$3,000,000
Lake Region State College	Dakota Center of Optimized Agriculture	450,000
University of North Dakota	National Center for Hydrogen Technology	2,500,000
North Dakota State University	Center for Advanced Electronics Design and Manufacturing	3,000,000
Total		\$8,950,000

In March 2006 the Budget Section gave final approval to the following six centers of excellence applications submitted by the Centers of Excellence Commission from round 2:

Williston State College	Petroleum Safety Technology Center	\$400,000
University of North Dakota	Center for Unmanned Aerial Vehicle and Simulation Applications	1,000,000
University of North Dakota	Center for Life Sciences and Advanced Technology	3,500,000
North Dakota State University	Center for Agbiotechnology: Oilseed Development	2,000,000
North Dakota State University	Center for Surface Protection	2,000,000
Valley City State University	Enterprise Application Model	1,000,000
Total		\$9,900,000

### APPLICATION SUMMARIES - ROUND 3

This memorandum summarizes the **statutory requirements and other considerations** contained in North Dakota Century Code Chapter 15-69 related to centers of excellence as well as additional information requested by the Emergency Commission in December 2005. Upon approval of the application by the Centers of Excellence Commission, the State Board of Higher Education, North Dakota Economic Development Foundation, **and Budget Section (with input from the Emergency Commission)**, an entity may be provided a funding award and be designated as a "center of excellence."

The centers of excellence application approved by the Centers of Excellence Commission for round 3 for \$1,150,000 is listed below, along with statutory provisions and summary information for the application. If the \$1,150,000 is approved, considering the \$8.95 million approved in round 1 and the \$9,900,000 approved in round 2, the total \$20 million appropriated for centers of excellence grants for the 2005-07 biennium will have been awarded.

Description	Project - Application Summary
<b>Emergency Commission Request No./Project</b>	<b>1588 Dickinson State University - Center for Entrepreneurship and Rural Revitalization</b>
Center of excellence funding request	\$1,150,000
Proposed center of excellence funding award	\$1,150,000
<b>Requirements:</b> A center must be an institution of higher education or a nonprofit university- or college-related foundation under the control of the Board of Higher Education (Section 15-69-02(1)).  The institution or nonprofit foundation must be working in partnership with the private sector (Section 15-69-02(1)).	Dickinson State University  Killdeer Mountain Manufacturing
A center shall use funds awarded to enhance capacity, enhance infrastructure, and leverage state, federal, and private funds. A center may not use funds awarded to supplant funds for current operations or academic instruction or to pay indirect costs (Section 15-69-05(1)).	Funding will be used for salaries, operating expenses, and equipment of the center's Institute for Technology and Business which will assist in the creation and expansion of businesses by supporting the commercial application of new technologies.
Total matching funds anticipated (\$2 of matching funds are required for each \$1 of state funds) (Section 15-69-05(3)).	\$2,981,442

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<p><b>Major consideration:</b> In making funding recommendations and designation determinations, the commission, board, foundation, and Budget Section <b>shall give major consideration</b> to the portion of matching funds provided <b>in cash</b> by the <b>private sector</b> (Section 15-69-05(3)).</p>	<table> <tr> <td colspan="2">Private sector cash</td> </tr> <tr> <td>Baker Boy</td> <td style="text-align: right;">\$30,000</td> </tr> <tr> <td>Fisher Industries</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Steffes Corporation</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>TMI Corporation</td> <td style="text-align: right;">30,000</td> </tr> <tr> <td>Pump Systems, Inc.</td> <td style="text-align: right;">15,000</td> </tr> <tr> <td>Linda Steve, CPA</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Northern Implement</td> <td style="text-align: right;">2,500</td> </tr> <tr> <td>Heiser Motors</td> <td style="text-align: right;">1,250</td> </tr> <tr> <td>ESP Computers &amp; Software</td> <td style="text-align: right;">1,250</td> </tr> <tr> <td>Total private sector cash</td> <td style="text-align: right; border-top: 1px solid black;"><b>\$145,000</b></td> </tr> <tr> <td colspan="2">Other cash</td> </tr> <tr> <td>Federal funds</td> <td style="text-align: right;">100,000</td> </tr> <tr> <td>Local funds</td> <td style="text-align: right;">80,000</td> </tr> <tr> <td>Total other cash</td> <td style="text-align: right; border-top: 1px solid black;"><b>\$180,000</b></td> </tr> <tr> <td>Total cash</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;"><b>\$325,000</b></td> </tr> </table>	Private sector cash		Baker Boy	\$30,000	Fisher Industries	30,000	Steffes Corporation	30,000	TMI Corporation	30,000	Pump Systems, Inc.	15,000	Linda Steve, CPA	5,000	Northern Implement	2,500	Heiser Motors	1,250	ESP Computers & Software	1,250	Total private sector cash	<b>\$145,000</b>	Other cash		Federal funds	100,000	Local funds	80,000	Total other cash	<b>\$180,000</b>	Total cash	<b>\$325,000</b>
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<b>Other considerations:</b> (Section 15-69-04(3)) In deciding whether to approve or disapprove an application, the commission <b>is to consider</b> whether the center will:													
<b>Use</b> university or college <b>research</b> to promote private sector <b>job growth</b> and expansion of knowledge-based industries or use university or college research to promote the development of <b>new products, high-tech companies, or skilled jobs</b> in this state Create high-value private sector employment opportunities in this state  Provide for public/private sector involvement and partnerships	The center will access research available at public and private universities to facilitate the commercial application of technology to assist in business development and growth. The center will allow Killdeer Mountain Manufacturing to expand its aerospace manufacturing facilities to rural communities in North Dakota. All projects of the center will involve public/private partnerships.												
Leverage other funding	The center is supported by businesses in western North Dakota through contributions and the project with Killdeer Mountain Manufacturing will leverage federal funding.												
Increase research and development activities that may involve federal funding from the National Science Foundation experimental program to stimulate competitive research	As the center develops, it will have the capacity to conduct applied research.												
Foster and practice entrepreneurship	The center is focusing on supporting entrepreneurship in the application and use of technology.												
Promote the commercialization of new products and services in industry clusters	The center will promote advanced aerospace manufacturing, including the development of a supply chain transparency system that will revolutionize rural manufacturing.												
Become financially self-sustaining	The center will become self-sustaining through its program fee collections and royalties, grant awards, and community financial support.												
Establish and meet a deadline for acquiring and expending all public and private funds specified in the application	The center anticipates spending project funds over a five-year period.												
<b>Responses to previous Emergency Commission questions:</b>													
The potential new private sector jobs that will be created if your center of excellence proposal is funded, including the nature of the jobs and the number of new jobs.	80 to 120 new manufacturing-related jobs over five years												
How any new building that is proposed with the use of the funds will be sustained from a financial standpoint, detailing the costs of sustaining the building and the source of revenue.	N/A												
Details concerning the private sector match for each proposal, including description and value of any in-kind match	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Private sector cash</td> <td style="text-align: right; border-bottom: 1px solid black;">\$145,000</td> </tr> <tr> <td>Private sector in-kind match</td> <td></td> </tr> <tr> <td>Dickinson State University - Private donation - Center director and support salaries</td> <td style="text-align: right;">\$346,442</td> </tr> <tr> <td>Killdeer Mountain Manufacturing - Leadership program</td> <td style="text-align: right;">450,000</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">796,442</td> </tr> <tr> <td>Total private sector in-kind match</td> <td style="text-align: right; border-bottom: 3px double black;">796,442</td> </tr> </table>	Private sector cash	\$145,000	Private sector in-kind match		Dickinson State University - Private donation - Center director and support salaries	\$346,442	Killdeer Mountain Manufacturing - Leadership program	450,000		796,442	Total private sector in-kind match	796,442
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For the center's executive summary and budget detail see the attached appendix													

### **APPROVAL PROCESS**

In order to receive a funding award and be designated as a center of excellence, each application must:

1. Be approved by the Centers of Excellence Commission - The commission may modify the application request (Section 15-69-02(1)).
2. Be approved by the Economic Development Foundation (Section 15-69-02(2)).
3. Be approved by the State Board of Higher Education (Section 15-69-02(2)).
4. Be reviewed by the Emergency Commission. The Emergency Commission may not approve or deny the application but makes a recommendation on each application to the Budget Section (Section 15-69-02(2)).
5. Be approved by the Budget Section (Section 15-69-02(2)).

Once an application is approved by the Centers of Excellence Commission, the foundation, board, and Budget Section may not modify it. Each entity may only approve or deny the application.

ATTACH:1