

**Sixty-sixth Legislative Assembly of North Dakota
In Regular Session Commencing Thursday, January 3, 2019**

HOUSE BILL NO. 1333
(Representatives Nathe, Howe, Lefor, Mock, Sanford)
(Senators Bekkedahl, Cook)

AN ACT to create and enact a new chapter to title 6 of the North Dakota Century Code, relating to the creation of an innovation loan fund to support technology advancement committee and loan program; to provide a continuing appropriation; and to provide for a transfer.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new chapter to title 6 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Commissioner" means the commissioner of the department of commerce.
2. "Committee" means the innovation loan fund to support technology advancement committee.
3. "Diversification sectors" means the following industries:
 - a. Advanced computing and data management;
 - b. Agriculture technology;
 - c. Autonomous and unmanned vehicles and related technologies;
 - d. Energy;
 - e. Health care;
 - f. Value-added agriculture;
 - g. Value-added energy; and
 - h. Any industry or area specifically identified by the committee as an industry that will contribute to the diversification of the state's economy.

Innovation loan fund to support technology advancement committee - Membership - Meetings.

1. The innovation loan fund to support technology advancement committee consists of:
 - a. The commissioner or the commissioner's designee who shall serve as the chairperson of the committee and is a nonvoting member of the committee;
 - b. Three members representing active venture capital firms, private entities, or angel capital funds;
 - c. One member with finance-related experience, knowledge, or education; and
 - d. Three members from the private sector with expertise in the diversification sectors.

2. The commissioner, in consultation with the president of the Bank of North Dakota, shall appoint the members of the committee. The term of office of the appointed members of the committee is four years, and the terms must be staggered so that no more than one of the members' terms appointed under subdivisions b and c of subsection 1 expires each year, and so that no more than one of the members' terms appointed under subdivision d of subsection 1 expires each year. Each term of office commences on the first day of July. Members serve at the pleasure of the commissioner and may be reappointed for additional terms. Members of the committee may not invest or otherwise participate in applied research, experimentation, or operational testing associated with a loan awarded under this chapter. If a committee member appointed under subdivision b of subsection 1 ceases to represent an active venture capital firm, private entity, or angel capital fund, that individual's membership on the committee ceases immediately and the commissioner, in consultation with the president of the Bank of North Dakota, shall appoint a new member to the committee for the remainder of the term.
3. A committee member representing the private sector is eligible to receive compensation in an amount not exceeding one hundred thirty-five dollars per day and travel and expense reimbursement as provided by law for state officers for attending meetings of the committee.
4. The committee shall meet as necessary to make loan recommendations and provide ongoing review of research, development, and commercialization activities.

Innovation loan fund to support technology advancement - Innovation technology loan program.

The department of commerce shall administer the innovation technology loan program in consultation with the Bank of North Dakota to provide loans for activities identified in this chapter. The department of commerce shall provide administrative support for the program, including the drafting of application forms, receiving applications, reviewing applications for completeness and compliance with committee policy, and forwarding complete applications to the committee in accordance with the guidelines established by the committee. Program guidelines relating to ownership of intellectual property, inventions, and discoveries must address activities and issues unique to technologies, patents, and companies created as a result of a legacy innovation technology loan.

Innovation technology loans - Eligibility.

1. The committee shall establish guidelines for entities to qualify for an innovation technology loan under this section. The committee shall consider and process applications in a timely manner that does not jeopardize an applicant's opportunity to leverage other funds.
2. In determining whether to recommend approval of an application, the committee shall consider the extent to which the proposal will:
 - a. Deliver applied research, experimentation, or operational testing in one or more of the diversification sectors to create information or data to enhance North Dakota companies or industries or companies making investments in North Dakota;
 - b. Lead to the commercialization or patent of an innovation technology solution; or
 - c. Result in the development of a new company or expansion of an existing company that will diversify the state's economy through new products, investment, or skilled jobs.
3. The Bank of North Dakota shall review the business plan, financial statements, and other information necessary for the Bank to determine which applications recommended for approval by the committee will be approved by the Bank for final loan approval. The terms of the loan must include:
 - a. Zero percent interest for the first three years of the loan;

- b. Two percent interest for the next two years of the loan; and
 - c. An interest rate equal to a standard Bank of North Dakota loan for all subsequent years.
4. To be eligible for a loan under this chapter, an entity shall agree to provide the Bank of North Dakota with information as requested by the Bank.

Innovation loan fund to support technology advancement - Continuing appropriation.

The innovation loan fund to support technology advancement is a special fund in the state treasury and must be administered by the department of commerce. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of providing innovation technology loans and for administrative expenses. The department of commerce shall deposit in the innovation loan fund to support technology advancement all principal and interest paid on loans made from the fund. Interest earned on moneys in the fund must be credited to the fund.

Use of loan funds.

Loan recipients shall use innovation technology loan funds to enhance capacity and, to the extent possible, leverage state, federal, and private sources of funding. An entity receiving a loan under this chapter may not use the funds for capital or building investments or for research or other activities not identified in this chapter. The funds may not be used for academic or instructive programming, workforce training, administrative costs, or to supplant funding for regular operations of institutions of higher education. Unless otherwise approved by the committee, loan recipients may use funding only to conduct applied research, experimentation, or operational testing within the state. If an entity awarded a loan no longer conducts its activities in the state, the interest rate of the loan shall default to the rate of a standard Bank of North Dakota loan.

Innovation loan fund to support technology advancement - Postaward monitoring.

Upon completion of work performed from funding provided by a loan, the department of commerce shall provide an independent review of the results. Evaluation criteria may include:

1. How the work performed has contributed to the development of a company or the expansion of an existing company, has enhanced the ability of a company to make investments in the state, or otherwise enticed a company to invest or move to the state.
2. How the work performed has led to additional economic investment of capital from public and private sector entities within and outside North Dakota.
3. How the work performed has led to or may lead to a patent or research that is commercially viable.

SECTION 2. TRANSFER - BANK OF NORTH DAKOTA - INNOVATION LOAN FUND TO SUPPORT TECHNOLOGY ADVANCEMENT. The Bank of North Dakota shall transfer the sum of \$15,000,000, or so much of the sum as may be necessary, from the Bank's current earnings and undivided profits to the innovation loan fund to support technology advancement for the purpose of providing innovation technology loans during the biennium beginning July 1, 2019, and ending June 30, 2021.

Speaker of the House

President of the Senate

Chief Clerk of the House

Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Sixty-sixth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1333.

House Vote: Yeas 72 Nays 20 Absent 2

Senate Vote: Yeas 47 Nays 0 Absent 0

Chief Clerk of the House

Received by the Governor at _____ M. on _____, 2019.

Approved at _____ M. on _____, 2019.

Governor

Filed in this office this _____ day of _____, 2019,

at _____ o'clock _____ M.

Secretary of State