

**Department of Commerce
Budget No. 601
House Bill Nos. 1018, 1282, and 1285 Senate Bill No. 2151**

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriations	69.40	\$56,203,701	\$75,169,473	\$131,373,174
2015-17 base budget	69.25	42,157,060	51,707,386	93,864,446
Legislative increase (decrease) to base budget	0.15	\$14,046,641	\$23,462,087	\$37,508,728

ONGOING AND ONE-TIME GENERAL FUND APPROPRIATIONS

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2015-17 legislative appropriations	\$36,637,245	\$19,566,456	\$56,203,701
2013-15 legislative appropriations	42,157,060	22,300,000	64,457,060
2015-17 legislative increase (decrease) to 2013-15 appropriations	(\$5,519,815)	(\$2,733,544)	(\$8,253,359)
Percentage increase (decrease) to 2013-15 appropriations	(13.1%)	(12.3%)	(12.8%)

SUMMARY OF LEGISLATIVE CHANGES TO THE BASE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Department of Commerce is in accordance with legislative salary and fringe benefits guidelines as contained in Senate Bill No. 2015.

	Changes to Base Budget			Total
	FTE Positions	General Fund	Other Funds	
The legislative action:				
Adjusted funding for base payroll changes for cost-to-continue 2013-15 biennium salaries and benefit increases and for other base payroll changes.		\$290,288	(\$465,785)	(\$175,497)
Added funding for 2015-17 biennium performance salary adjustments of 2 to 4 percent per year.		388,513	96,460	484,973
Added funding for employee health insurance premiums to reflect a premium estimate of \$1,130.22 per month.		192,351	50,066	242,417
Added funding to change a 0.85 tourism administrator FTE position to a 1.00 FTE position.	0.15	11,276		11,276
Added funding for partner programs to provide total funding of \$2.1 million.		300,000		300,000

Added funding for miscellaneous changes.	213,416	655,788	869,204
Added funding for program changes.	(15,659)	1,115,689	1,100,030
Transferred American Indian Business Office to Indian Affairs Commission.	(100,000)		(100,000)
Removed grants authorized in the 2013-15 biennium including homeless shelter grants (\$2 million), childcare facility grants (\$2.6 million), tribal college grants (\$5 million), and rural health service grants (\$400,000).	(10,000,000)		(10,000,000)
Added one-time funding from the general fund for expansion of the tourism marketing campaign in Midwest markets.	1,000,000		1,000,000
Added one-time funding from the general fund for unmanned aerial systems, including \$1.2 million for a business incentive match fund. In addition, the department was authorized to continue \$1.5 million from the 2013-15 biennium.	2,718,620		2,718,620
Added one-time funding from the general fund to continue the Research North Dakota program.	4,500,000		4,500,000
Added one-time funding from the general fund to continue the childcare facility grant program which provides grants of up to \$187,500 for new and expanded licensed childcare facilities and essential equipment for the facilities.	2,250,000		2,250,000
Added one-time funding from the general fund for tourism infrastructure grants to attract, retain, and entertain North Dakota citizens and visitors.	750,000		750,000
Added one-time funding from the general fund for workforce enhancement grants. In addition, the agency was authorized to continue \$500,000 from the 2013-15 biennium.	1,000,000		1,000,000
Added one-time funding from the general fund for a "Find the Good Life" grant program to provide a statewide workforce recruiting campaign by providing a dollar-for-dollar match of employer contributions.	300,000		300,000
Added one-time funding from the general fund for educators and industry externships.	50,000		50,000
Added one-time funding from the general fund for base retention grants.	1,500,000		1,500,000
Added one-time funding of \$2 million from the general fund and \$1 million from the student loan trust fund for tribal college workforce grants to create and expand workforce development programs.	2,000,000	1,000,000	3,000,000

Added one-time funding from the general fund for Innovate North Dakota, and to provide grants to entrepreneurial centers and startup technology and innovative businesses.	1,750,000		1,750,000
Added one-time funding from the general fund to continue the homeless shelter grant program.	1,500,000		1,500,000
Added one-time funding from the general fund for an international tourism campaign.	247,836		247,836
Added one-time funding from the strategic investment and improvements fund for a contingent grant for the enhanced use lease grant program to provide grants for developing the infrastructure required for an enhanced use lease, \$3.1 million is contingent on construction and agreement of a first private sector single-tenant or multitenant building on the property, the remaining \$4.4 million is contingent on agreement of a second private sector single-tenant or multitenant building on the property or after an agreement is reached with any data intensive tenant for data connectivity and redundancy infrastructure requirements or for data services.		7,500,000	7,500,000
Added one-time funding of federal funds from the Community Block Grant Disaster Recovery for flood impact grants.		12,859,869	12,859,869
Added funding from the general fund to provide matching funds to an organization assisting in the recruitment, distribution, supply, quality, and efficiency of personnel providing health services in rural areas of the state. The funding requires a dollar-for-dollar match from nonstate sources. (House Bill No. 1282)	200,000		200,000
Added funding from the strategic investment and improvements fund for grants to domestic violence sexual assault organizations for constructing, renovating, or purchasing facilities to provide shelter to victims of domestic violence. (House Bill No. 1285)		650,000	650,000
Added funding from the general fund to provide early childhood education grants. (Senate Bill No. 2151)	3,000,000		3,000,000
Total	<u>0.15</u>	<u>\$14,046,641</u>	<u>\$23,462,087</u>

FTE Changes

The Legislative Assembly provided funding for 69.40 FTE positions in the 2015-17 biennium, an increase of 0.15 FTE positions from the 2013-15 biennium authorized level of 69.25 FTE positions.

One-Time Funding

In Section 2 of Senate Bill No. 1018, the Legislative Assembly identified \$40,926,325 of funding as one-time funding items for the Department of Commerce, of which \$19,566,456 is from the general fund and \$21,359,869 is from other funds. The table below summarizes one-time funding provided by the Legislative Assembly to the Department of Commerce for the 2015-17 biennium.

	General Fund	Other Funds	Total
Tourism marketing campaign in Midwest markets	\$1,000,000		\$1,000,000
Tourism international	247,836		247,836
Tourism large infrastructure grants	750,000		750,000
Unmanned aircraft system	2,718,620		2,718,620
Research North Dakota	4,500,000		4,500,000
Childcare facility grant program	2,250,000		2,250,000
Educators and industry externships	50,000		50,000
Workforce enhancement grants	1,000,000		1,000,000
Workforce recruitment	300,000		300,000
Base realignment grants	1,500,000		1,500,000
Tribal college grants	2,000,000	\$1,000,000	3,000,000
Entrepreneurial grants and vouchers	1,750,000		1,750,000
Homeless shelter grants	1,500,000		1,500,000
Enhanced use lease grant (strategic investment and improvements fund)		7,500,000	7,500,000
Flood impact grants and loans (federal funding)		12,859,869	12,859,869
Total	\$19,566,456	\$21,359,869	\$40,926,325

Centers of Excellence and Centers of Research Excellence

The 2015 Legislative Assembly did not appropriate any new funding for either the centers of excellence program, established in North Dakota Century Code Chapter 15-69 by the 2003 Legislative Assembly, or the centers of research excellence program, established in Chapter 54-65 by the 2011 Legislative Assembly. The 2011 Legislative Assembly provided an expiration date of July 31, 2023, for the centers of excellence program. Postaward monitoring will continue for both programs and may continue for up to 10 years after the designation of a center.

Research North Dakota Grant Program

The 2013 Legislative Assembly established the Research North Dakota grant program and the Research North Dakota venture program. The Research North Dakota grant program was established to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner.

The 2015 Legislative Assembly provided one-time funding of \$4.5 million as a transfer from the general fund to the Research North Dakota fund in Section 1 of House Bill No. 1018. Section 15 of House Bill No. 1018 provides of the \$4.5 million, \$1 million is designated for biotechnology grants and \$3.5 million is available without any specific designation. The purpose of the biotechnology grants is to conduct research on and commercialization for the prevention of, treatment of, or cure for viral diseases, cancer, and other pathogens. The \$1 million designated for biotechnology is available until December 31, 2016, any remaining funds after December 31, 2016, may be used for other Research North Dakota purposes.

Research North Dakota Venture Investment Program

The Research North Dakota venture investment program was established during the 2013-15 biennium to provide funding from the development fund for investments to startup or spinoff businesses that utilize technology developed through a research university. A business is limited to an individual investment of no more than \$250,000, and the development corporation was required to establish guidelines for the investments.

The Research North Dakota venture program is divided into two parts--the Research North Dakota venture grant program and the Research North Dakota venture investment program.

The Research North Dakota venture grant program was established to provide grants to research universities to further commercialize technology developed through a research university. The Department of Commerce and the Centers of Excellence Commission were required to develop guidelines for the grants.

The 2013 Legislative Assembly designated \$2 million of Research North Dakota funding for venture grants. The Department of Commerce estimates an additional \$1 million of undesignated Research North Dakota funding will be used for grants.

Unmanned Aircraft Systems Program

The 2013 Legislative Assembly established the Unmanned Aircraft Systems (UAS) program and UAS program fund in Section 14 of Senate Bill No. 2018 and provided a continuing appropriation to defray the expenses of the UAS program. The Department of Commerce was required to establish the UAS program in collaboration with the University of North Dakota, the Aeronautics Commission, the Adjutant General, and private parties; to administer the UAS test site upon receiving Federal Aviation Administration approval; and to provide semiannual reports to the Legislative Management.

The 2015 Legislative Assembly provided one-time funding of \$2,718,620 from the general fund for the UAS program. Of the \$2,718,620 appropriated for the UAS program, Section 7 of House Bill No. 1018 designates \$1.2 million for a business incentive match fund. In addition, the Department of Commerce was authorized to continue \$1.5 million from the 2013-15 biennium, which was appropriated for the UAS program during the 2013-15 biennium.

Operation Intern Program

The Operation Intern program provides a 50 percent match up to \$3,000 per semester per position for a business's expenses related to an internship, an apprenticeship, or a work experience opportunity involving North Dakota students enrolled in an institution of higher education. The Legislative Assembly provided \$1.55 million from the general fund for the operation intern program for the 2015-17 biennium. This level of funding reflects an increase of \$50,000 from the 2013-15 biennium. Section 14 of House Bill No. 1018 provides that the \$1.55 million appropriated for the program in the operating expenses line item in Section 1 be transferred to the internship fund. Section 24 of House Bill No. 1018 provides an amendment to Section 54-60-17 to include educators under the operation intern program.

North Dakota Trade Office

The North Dakota Trade Office creates global partnerships to expand trade opportunities for North Dakota businesses through advocacy, education, and expertise. The 2015 Legislative Assembly provided \$2,613,400 from the general fund for the North Dakota Trade Office for the 2015-17 biennium. The following is a summary of funding for the North Dakota Trade Office:

Biennium	General Fund	Special Funds	Total
2003-05	\$75,000 ¹	\$0	\$75,000
2005-07	\$0	\$700,000 ²	\$700,000
2007-09	\$1,500,000 ³	\$0	\$1,500,000
2009-11	\$2,064,000 ⁴	\$0	\$2,064,000
2011-13	\$2,613,400 ⁵	\$0	\$2,613,400
2013-15	\$2,613,400 ⁵	\$0	\$2,613,400
2015-17	\$2,613,400 ⁵	\$0	\$2,613,400

¹Section 21 of 2003 House Bill No. 1019 required the Department of Commerce to establish a trade promotion authority for promoting North Dakota products and improving international trade for North Dakota products for the 2003-05 biennium. The department was to use \$75,000 from the general fund appropriated in its operating expenses line item for operating costs of the trade authority for the 2003-05 biennium. Section 22 of House Bill No. 1019 (2003) provided that the department may spend any gifts, grants, or other income received by the authority pursuant to a continuing appropriation for the 2003-05 biennium.

²The 2005 Legislative Assembly provided funding of \$500,000 from the development fund and \$200,000 from the Mill and Elevator for costs associated with the North Dakota Trade Office. Matching funds of 50 percent were to be provided before this funding was made available.

³Section 10 of 2007 House Bill No. 1018 provided that the Department of Commerce may spend 50 percent of the funding without requiring any matching funds from the North Dakota Trade Office, and any additional amounts may be spent only to the extent that the North Dakota Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the Department of Commerce. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota Trade Office's export assistance program.

⁴Section 11 of 2009 Senate Bill No. 2018 provides that the Department of Commerce may spend 62.5 percent of the funding without requiring any matching funds from the North Dakota Trade Office, and any additional amounts may be spent only to the extent that the North Dakota Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the Department of Commerce. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota Trade Office's export assistance program.

⁵Section 26 of 2011 Senate Bill No. 2057, Section 31 of 2013 Senate Bill No. 2018, and 2015 Section 12 of House Bill No. 1018 provided the Department of Commerce may spend 70 percent of funding appropriated to the North Dakota Trade Office without requiring matching funds from the North Dakota Trade Office. Additional amounts may be spent only to the extent that the North Dakota Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the department. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota Trade Office's export assistance program.

Agricultural Products Utilization Commission

The purpose of the Agricultural Products Utilization Commission (APUC) is to provide grants to develop and expand the use of agricultural products in accordance with Chapter 4-14.1. The APUC receives funding from the general fund, special funds, and federal funds. The Legislative Assembly provided an appropriation of \$3,318,611 for the APUC for the 2015-17 biennium, consisting of \$1,222,983 from the general fund and \$2,095,628 from the agricultural products utilization fund. The appropriation of \$3,318,611 reflects an overall increase of \$78,177 compared to the 2013-15 biennium, as shown in the schedule below.

	General Fund	Agricultural Products Utilization Fund ¹	Federal Funds	Total Appropriation ²
2013-15 Biennium	\$1,202,210	\$1,738,284	\$300,000	\$3,240,494
2015-17 Biennium	1,222,983	2,095,628	0	3,318,611
Increase (Decrease)	\$20,773	\$357,344	(\$300,000)	\$78,117

¹The 2013 Legislative Assembly renamed the agricultural fuel tax fund the agricultural products utilization fund.

²These amounts do not include carryover authority.

The 2013 Legislative Assembly renamed the agricultural fuel tax fund the agricultural products utilization fund. Section 19 of 2013 Senate Bill No. 2018 removed the requirement that two cents per gallon of the motor vehicle fuel tax refund for agricultural purposes be deposited in the agricultural products utilization fund. As a result of the change, the remaining funding sources for the agricultural products utilization fund are an annual transfer of 5 percent of the state mill and elevator profits and one-half cent per gallon of the motor vehicle fuel tax refund for industrial purposes. The Legislative Assembly also provided an exemption for APUC in Section 17 of House Bill No. 1018 allowing unexpended funds from the 2013-15 biennium to continue and to be spent during the 2015-17 biennium.

Ethanol Production Incentives

The ethanol production incentive fund is administered by the Department of Commerce to provide production incentives to ethanol production facilities in accordance with Chapter 17-02. Forty percent of the revenue from the registration of farm vehicles is transferred to the ethanol production incentive fund from the highway tax distribution fund in accordance with Section 39-04-39. The balance of the ethanol production incentive fund cannot exceed \$7.5 million, which may limit the amount transferred from the highway distribution fund. The 2013 Legislative Assembly in Sections 10 and 19 of Senate Bill No. 2018 removed the requirement that one cent per gallon of the motor vehicle fuel tax refunds be deposited in the ethanol production incentive fund. The estimated revenues for the ethanol production incentive fund are \$4.4 million during the 2013-15 biennium and \$4.7 million during the 2015-17 biennium.

Other Grant Programs

Workforce grant program - In Section 2 of House Bill No. 1018, the Legislative Assembly provided an appropriation of \$1 million from the general fund to the workforce enhancement fund for workforce enhancement grants during the 2015-17 biennium. The program provides dollar-for-dollar matching funds to

Bismarck State College, Lake Region State College, North Dakota State College of Science, and Williston State College to purchase equipment to enhance programs that address workforce needs.

Base retention grant program - The requirements for the base retention grant program in Section 3 of House Bill No. 1018 provide for grants of up to \$500,000 to each community with an Air Force base or Air National Guard facilities. The funding for the base retention grant program is considered a one-time funding item.

Enhanced use lease grant program - The contingencies for the enhanced use lease grant program in Section 4 of House Bill No. 1018, include \$3.1 million which is contingent on construction and agreement of a first private sector single-tenant or multitenant building on the property. The remaining \$4.4 million is contingent on agreement of a second private sector single-tenant or multitenant building on the property or after an agreement is reached with any data intensive tenant for data connectivity and redundancy infrastructure requirements or for data services

Childcare facility grant program - The requirements for the childcare facility grant program in Section 5 of House Bill No. 1018, provide Department of Commerce develop guidelines to qualify for a grant, which include a matching requirement \$1 of matching funds for every \$3 of grant funds and a maximum grant amount of \$187,500.

Entrepreneurship grants and voucher program - The requirements for the entrepreneurship grants and voucher program in Section 6 of House Bill No. 1018, provide the Department of Commerce develop guidelines for the grants and requires the department to provide \$300,000 grants each to the Incubator for Developing Entrepreneurial Activity (IDEA) Center, North Dakota State University Research and Technology Park, and the University of North Dakota Center for Innovation. The Department of Commerce is permitted to use \$2.35 million of the \$3.25 million appropriated by the 2015 Legislative Assembly for other entrepreneurship grants and vouchers.

Unmanned aircraft systems program - The requirements for unmanned aircraft systems program in Section 7 of House Bill No. 1018 provide of the \$2,718,620 appropriated only \$1.2 million may be used as matching funds to incentivize private sector business development related to the test site.

Tribal college workforce grant program - The purpose of the grant funding is to develop certificate or degree-based training programs that assist students to obtain jobs needed within the state and to assist students attending the college with establishing a new business. Section 8 of House Bill No. 1018 identifies that of the \$3 million appropriated, \$2 million is from the general fund and \$1 million is from the student loan trust fund.

Rural health care grant program - The Legislative Assembly provided funding of \$200,000 from the general fund to address rural health care workforce needs in House Bill No. 1282. The purpose of the funding is to provide matching funds to an organization that assists in the recruitment, distribution, supply, quality, and efficiency of health care personnel in rural areas of the state. The grant recipient must provide dollar-for-dollar matching funds.

Domestic violence shelter grant program - The Legislative Assembly provided \$650,000 from the strategic investment and improvements fund for grants to domestic violence sexual assault organizations for constructing, renovating, or purchasing facilities to provide shelter to victims of domestic violence in House Bill No. 1285. The Department of Commerce is required to provide a grant of up to \$400,000 to a qualifying organization serving the Grand Forks community and require \$3 of nonstate funds for each \$1 of the grant funds awarded up to \$400,000. The department is further required to provide a grant of up to \$250,000 to a qualifying organization serving the Devils Lake community and require \$1 of nonstate funds for each \$1 of the grant funds awarded of up to \$250,000.

Early childhood education grant program - The Legislative Assembly provided \$3 million from the general fund for early childhood education grants in House Bill No. 2151.

Exemptions

The Legislative Assembly provided exemptions in House Bill No. 1018 to allow unexpended 2013-15 funds to continue and to be spent during the 2015-17 biennium as follows:

- **Agricultural Products Utilization Commission** - Section 17 provides an exemption for the Agricultural Products Utilization Commission.
- **Discretionary funds** - The exemption in Section 18 relates to the discretionary funds line item.
- **Technology-based entrepreneurship** - Section 19 provides an exemption for the technology-based entrepreneurship grant program.

- **Childcare facility grants** - Section 20 provides an exemption for the childcare facility grants.
- **Unmanned aircraft systems program** - Section 21 provides an exemption for the unmanned aircraft systems program.
- **Tribal college grants** - Section 22 provides an exemption for the tribal college grants.
- **Antiballistic missile site acquisition base realignment grants** - Section 23 provides an exemption for the funding continued pursuant to Section 27 of Chapter 49 of the 2013 Session Laws for the antiballistic missile site acquisition grant and the base realignment grant.

Other Sections in House Bill No. 1018

Arts and galleries association grant - Section 9 provides the Department of Commerce is required to use \$150,000 from the general fund appropriated in the discretionary funds line item to provide a grant to the Bismarck Arts and Galleries Association.

Adjutant General - Appropriation - In Section 10, the Legislative Assembly appropriated \$200,000 from the general fund to the Adjutant General for coordinating and conducting joint training, involving the North Dakota Department of Emergency Services, federal health and human services' disaster mortuary operational response team, and other state and local emergency personnel.

Dakota Day Trips publication - Section 11 requires the Department of Commerce to use up to \$15,000 of the funding appropriated in the operating expenses line item for expenses relating to the printing of the *Dakota Day Trips* publication.

Internships, apprenticeships, and work experience opportunities - Section 24 amends Section 54-60-17 to include educators under the internships, apprenticeships, and work experience opportunities.

Legislative management study - Civilian ground center - Section 25 requires Legislative Management to study issue related to the state's development of a civilian ground center.

Related Legislation

North Dakota American Indian Business Development Office - Section 3 of House Bill No. 1005 requires the Indian Affairs Commission to cooperate with the Department of Commerce in the administration of the American Indian Business Development Office.

Sharing of unemployment insurance information - Section 1 of House Bill No. 1060 creates Section 52-01-03 relating to the sharing of information obtained through the administration of the unemployment insurance program, limited to wage and employment number records of employers identified by the Department of Commerce as having received North Dakota state economic development assistance in possession of Job Service North Dakota to the Department of Commerce.

Early childhood services inclusion services and grant program - Section 7 of Senate Bill No. 2080 amends the eligibility requirements for the grant program qualifying early childhood service providers that have a state license, are self-declared or are in the process of applying for a state license, a change from the previous requirement that the provider have a state license. The bill removes the eligibility requirement that the provider submit a letter from the provider's social services office confirming the provider's license and a required letter from another service provider that confirms an increased funding need to assist the provider in service the child with disabilities. Under the bill the service provider is required to collaborate with other service providers that provide formal support to the child or children with disabilities or developmental delays.

Business incentive accountability reports - Section 1 of Senate Bill No. 2136 amends the requirements of the state grantor recipient report, requiring the recipient of state grants to file the report 60 days after the anniversary of the benefit date a change from the previous requirement of March 1. This bill requires the recipient to file a report for the previous 12 months, a change from the previous requirement of a calendar year.

Domestic violence sexual assault organization grants - Section 5 of House Bill No. 1176 requires the Department of Trust Lands to consult with the Department of Commerce to develop guidelines and procedures for \$2 million of grants from the oil and gas impact grant fund to domestic violence sexual assault organizations.