

**Department of Commerce
Budget 601
Senate Bill Nos. 2018, 2014, 2218; House Bill Nos. 1211, 1358**

	FTE Positions	General Fund	Other Funds	Total
2013-15 legislative appropriation	69.25	\$64,457,060 ¹	\$75,363,022	\$139,820,082
2011-13 legislative appropriation	68.25	41,759,865	323,634,937	365,394,802
2013-15 appropriation increase (decrease) to 2011-13 appropriation	1.00	\$22,697,195	(\$248,271,915)	(\$225,574,720)

¹This amount includes \$22,300,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$42,157,060.

Item Description

Accrued leave payments - In Section 1 of Senate Bill No. 2018, the Legislative Assembly identified \$243,767, of which \$187,753 is from the general fund and \$56,014 is from other funds, for accrued leave payments.

FTE position changes - The Legislative Assembly in 2013 authorized 69.25 FTE positions for the 2013-15 biennium, an increase of 1 FTE position from the 2011-13 biennium authorized level of 68.25 FTE positions. The new FTE position is for a demographer at the State Data Center.

One-time funding - In Section 2 of Senate Bill No. 2018, the Legislative Assembly identified \$43,455,636 of one-time funding for the Department of Commerce, of which \$21,800,000 is from the general fund and \$21,655,636 is from other funds. The Legislative Assembly also provided one-time funding of \$500,000 from the general fund to the department in Senate Bill No. 2014 for a renewable energy and oil and gas study. The table below summarizes one-time funding provided to the department for the 2013-15 biennium.

Workforce enhancement fund	\$2,000,000
Flood impact grants and loans (federal funding)	18,358,866
Research North Dakota	12,000,000
Unmanned aircraft system	5,000,000
Base retention grants	1,500,000
Tourism large infrastructure grants	750,000
Visual North Dakota	250,000
Innovation grants	300,000
Federal fiscal stimulus	796,770
Enhanced use lease grant (strategic investment and improvements fund)	2,500,000
Renewable energy and oil and gas study (SB 2014)	500,000
Total	\$43,955,636

Status/Result

The Department of Commerce spent \$33,878 from the accrued leave payments line item for accrued leave through April 2014. The department does not anticipate needing to transfer funds from the accrued leave payments line item to the salaries and wages line item.

The Department of Commerce filled the new FTE demographer position in July 2013.

The following is a summary of the status of the Department of Commerce's one-time funding items:

Transfer to workforce enhancement fund	See the Workforce grant program section below.
Flood impact grants and loans	Through March 2014, the department has awarded \$14,216,078. The department anticipates all of the funds will be awarded by the end of the biennium and anticipates 80 percent of the funds will be spent in the 2013-15 biennium.
Research North Dakota	See the Research North Dakota venture grant program section below.
Unmanned aircraft system	See the Unmanned aircraft systems program section below.
Base retention grants	See the Base retention grant program section below.
Tourism large infrastructure grants	The department awarded the entire \$750,000 for grants, as of March 2014.

Visual North Dakota	Through April 2014, the department spent \$6,776. The project is anticipated to be complete by the end of 2014. The department anticipates spending all the funds by the end of the biennium.
Innovation grants	See the Innovation grant program section below.
Federal fiscal stimulus	See the Federal fiscal stimulus funding section below.
Enhanced use lease grant	As of April 2014, the department has not awarded an enhanced use lease grant but anticipates the grant will be awarded by the end of the biennium.
Renewable energy and oil and gas study	The department contracted with IHS Inc. at a cost not to exceed \$456,000 to conduct two studies related to value-added opportunities for ethanol and natural gas liquids.

Federal fiscal stimulus funding - The Legislative Assembly in 2013 appropriated \$796,770 of federal fiscal stimulus funds from the American Recovery and Reinvestment Act (ARRA) of 2009 for the continuation of the energy efficiency and conservation block grant program and the energy assurance and smart grid resiliency grant program.

Centers of excellence and centers of research excellence - The Legislative Assembly in 2013 did not appropriate any new funding for either the centers of excellence program, established in Chapter 15-69 by the Legislative Assembly in 2003, or the centers of research excellence program, established in Chapter 54-65 by the Legislative Assembly in 2011. The Legislative Assembly in 2011 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 Legislative Assembly in 2013 established the Research North Dakota grant program and the Research North Dakota venture program.

Section 15 of Senate Bill No. 2018 establishes the Research North Dakota grant program to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner. The Department of Commerce and the Centers of Excellence Commission are to develop guidelines for the grant application, which must include a detailed partnership agreement and proof of dollar-for-dollar matching funds which must be cash. The partnership agreement must include the scope and location of the work, a budget, and intellectual property agreements.

The Research North Dakota fund is established in Section 17 of Senate Bill No. 2018 and provides a new continuing appropriation from the fund to the department for administering Research North Dakota. The Legislative Assembly provided one-time funding of \$12 million as a transfer from the general fund to the

The grant funds were expended prior to the end of the 2011-13 biennium and did not continue into the 2013-15 biennium as anticipated.

The Department of Commerce distributed \$12,215,987 for centers of excellence grants for the 2011-13 biennium and anticipates distributing \$7,571,837 for the 2013-15 biennium. The department distributed \$7,286,427 for grants under the centers of research excellence program for the 2011-13 biennium and anticipates distributing \$1,777,236 for the 2013-15 biennium.

The Department of Commerce has awarded \$1,078,401 for the Research North Dakota grant program through March 2014. Of the \$1,078,401, \$1 million is for a biotechnology grant, and \$78,401 is associated with general purpose grants awarded under the Research North Dakota grant program.

The department anticipates that \$11.4 million of the \$12 million provided will be awarded during the 2013-15 biennium.

Research North Dakota fund in Section 30 of Senate Bill No. 2018. Of the \$12 million, \$4 million is designated for biotechnology grants, up to \$2 million is designated for venture grants (see **Research North Dakota venture program** below), and \$6 million is available without any specific designation. The purpose of the biotechnology grants is to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites.

Research North Dakota venture grant program - 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.

Section 16 of Senate Bill No. 2018 establishes the Research North Dakota venture grant program 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 are to develop guidelines for the grants. Of the \$12 million appropriated for Research North Dakota, up to \$2 million is designated for the Research North Dakota venture grant program in Section 30 of Senate Bill No. 2018.

The Research North Dakota venture investment program is established in Section 9 of Senate Bill No. 2018 to provide funding from the North Dakota Development Fund, Inc., 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 will establish guidelines for the investments. Section 42 of Senate Bill No. 2018 provides a statement of legislative intent to designate funding of up to \$1 million from the Development Fund for the Research North Dakota venture investment program.

Unmanned aircraft systems (UAS) program - The Legislative Assembly in 2013 established the UAS program and provided one-time funding of \$5 million from the general fund for the program. Of the \$5 million appropriated for the UAS program, Section 33 of Senate Bill No. 2018 designates \$1 million for costs related to obtaining Federal Aviation Administration (FAA) approval of a test site and designates \$4 million for the operations of the test site. The appropriation of \$4 million is contingent upon FAA approval of the test site. Section 13 of Senate Bill No. 2018 requires the Department of Commerce to establish the UAS program in collaboration with the University of North Dakota, the North Dakota Aeronautics Commission, the Adjutant General, and private parties; to administer the UAS test site upon receiving FAA approval; and to provide semiannual reports to the Legislative Management. The UAS program fund is established in Section 14 of Senate Bill No. 2018 and provides a new continuing appropriation to defray the expenses of the UAS program.

The Department of Commerce awarded \$199,523 under the Research North Dakota venture grant program through March 2014.

As of March 2014, there were no qualifying projects for the Research North Dakota venture investment program, and as a result, the Department of Commerce has not provided any funding from the Development Fund for the venture investment program.

The Federal Aviation Administration designated North Dakota as an official UAS test site in December 2013. The Department of Commerce spent approximately \$700,000 of the \$1 million that was designated for costs related to obtaining approval of the test site.

The test site was named the Northern Plains UAS Test Site, and the site began conducting flights in May 2014. The department anticipates spending \$4 million for the operations of the test site in the 2013-15 biennium.

Operation Intern program - The Legislative Assembly in 2013 provided \$1.5 million from the general fund for the Operation Intern program, an increase of \$600,000 from the 2011-13 biennium.

InnovateND program - The Legislative Assembly in 2013 provided \$450,000 from the general fund for the InnovateND program in the 2013-15 biennium. This level of funding reflects an overall decrease of \$100,000, but an increase of \$50,000 from the general fund compared to the 2011-13 biennium. The 2011-13 biennium appropriation included \$400,000 from the general fund and \$150,000 from special funds raised from private sources.

Base retention grant program - The requirements for the base retention grant program in Section 32 of Senate Bill No. 2018 provide for grants of up to \$500,000 to each community with an Air Force base or Air National Guard facilities. The Legislative Assembly did not change the executive recommendation to provide \$1.5 million from the general fund to the Department of Commerce for the grants. The Legislative Assembly removed the dollar-for-dollar matching requirement provided by the executive recommendation and added the requirement that the Department of Commerce award the grants as direct grants and not cost-reimbursement grants. The funding for the base retention grant program is considered a one-time funding item.

Innovation grant program - In Section 34 of Senate Bill No. 2018, the Legislative Assembly created a new grant program to provide one-time funding of \$300,000 from the general fund to the Department of Commerce for innovation grants to entrepreneurial centers associated with a research university. The requirements provide that the Department of Commerce develop guidelines for the grants and that the grants be awarded equally among eligible centers.

Enhanced use lease grant program - The enhanced use lease grant program was created in Section 35 of Senate Bill No. 2018. The Legislative Assembly provided one-time funding of \$2.5 million from the strategic investment and improvements fund for grants to construct infrastructure for an enhanced use lease private sector business development project with the requirement that the project be located on or adjacent to the Grand Forks Air Force Base. The grants are contingent upon the private sector business providing a signed commitment to locate in the development and a signed enhanced use lease agreement.

Workforce grant program - Section 28 of Senate Bill No. 2018 transfers \$2 million for one-time funding from the general fund to the workforce enhancement fund for workforce enhancement grants during the 2013-15 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.

As of April 2014, 109 businesses are participating in Operation Intern providing a total of 514 intern positions. Through May 2014, the Department of Commerce has obligated the entire \$1.5 million to intern positions.

Through March 2014, the Department of Commerce has spent \$59,247 of the \$450,000 appropriated for InnovateND. The department anticipates spending the entire \$450,000 by the end of the biennium. As of May 2014, 38 startup businesses are enrolled in the program. However, the department anticipates that the \$450,000 is not sufficient for participants to complete all three phases of the program in the 2013-15 biennium.

The Department of Commerce awarded grants of \$500,000 each to the Minot Area Chamber of Commerce, Grand Forks County, and the Fargo Moorhead West Fargo Air National Guard Support Group.

The Department of Commerce has established guidelines for the program and anticipates that all of the funds will be spent by the end of the 2013-15 biennium. The department has not spent any of the funds through March 2014.

As of April 2014, the Department of Commerce has not awarded any of the funds. Grand Forks County is in the process of receiving approval from the United States Air Force for a lease agreement. The department anticipates awarding the funds by the end of the 2013-15 biennium.

The Department of Commerce is in the process of receiving grant applications; therefore, none of the funds have been spent through March 2014. The department anticipates awarding the entire \$2 million by the end of the biennium.

Rural health care grant program - The Legislative Assembly provided funding of \$400,000 from the general fund to address rural health care workforce needs in House Bill No. 1211. The purpose of the funding is to provide matching funds to an organization that assists in the recruitment, distribution, and efficiency of health care personnel in rural areas of the state. The grant recipient must provide dollar-for-dollar matching funds.

Nursing home grant program - Section 8 of House Bill No. 1358 provides one-time funding of \$2 million from the strategic investment and improvements fund to the Department of Commerce for a grant program to provide funding to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties. The grants will be awarded in January of each year of the biennium based on the number of FTE positions at each eligible facility, and the grants must be excluded from ratesetting. The Department of Commerce is required to report to the Budget Section annually and to the Appropriations Committees of the 64th Legislative Assembly regarding the use of the funds.

Homeless shelter grant program - Section 13 of Senate Bill No. 2014 provides an appropriation of \$2 million from the general fund to the Department of Commerce for a grant program to provide funding to homeless shelters during the 2013-15 biennium.

Tribal college workforce grant program - The Legislative Assembly provided \$5 million from the general fund to the Department of Commerce for grants to tribal colleges for workforce development in Section 6 of Senate Bill No. 2218. The purpose of the grant funding is to develop certificate-based 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. The tribal colleges must provide annual reports to the department on the use of the grant funding and on the impact of the grants. Section 22 of Senate Bill No. 2018 amends Section 1 of Senate Bill No. 2218 to remove the requirement that an eligible tribal college not be located on an Indian reservation or be located on an Indian reservation with an unemployment rate greater than 30 percent.

Child care facility grants - In Section 14 of Senate Bill No. 2014, the Legislative Assembly provided \$2.6 million from the general fund for child care facility grants. Grant recipients are required to provide \$1 of matching funds for every \$3 of grant funds, and each grant recipient may receive no more than \$187,500.

Exemptions - The Legislative Assembly provided exemptions in Senate Bill No. 2018 to allow unexpended 2011-13 funds to continue and to be spent during the 2013-15 biennium as follows:

Through March 2014, the Department of Commerce has awarded the entire \$400,000, and has spent \$315,008. The grant was awarded to the North Dakota Area Health Education Center.

In January 2014, the Department of Commerce awarded \$1 million to qualifying nursing homes, basic care facilities, and providers that serve individuals with disabilities. The January 2014 recipients were awarded approximately \$289 per FTE position. The department will award the remaining \$1 million in January 2015.

The Department of Commerce awarded a total of \$1,250,000 to 23 homeless shelters in fiscal year 2014 and will award the remaining \$750,000 in fiscal year 2015.

The Department of Commerce has awarded \$3,918,470 to four tribal colleges through March 2014. The department anticipates the entire \$5 million will be awarded and spent by the end of the biennium.

As of September 2013, the Department of Commerce committed the entire appropriation of \$2.6 million for grants to 22 projects across the state. The facilities are anticipated to increase child care capacity by approximately 1,150 children at a cost of approximately \$2,300 per child.

The Department of Commerce requested to continue the following unused 2011-13 appropriation authority for the 2013-15 biennium:

- Agricultural Products Utilization Commission - Section 23 provides an exemption for the Agricultural Products Utilization Commission.
- Discretionary funds - The exemption in Section 24 relates to the discretionary funds line item.
- Technology-based entrepreneurship - Section 25 provides an exemption for \$700,000 of the \$1 million appropriated by the Legislative Assembly in 2011 for the technology-based entrepreneurship grant program but designates up to \$300,000 for a grant to the Incubator for Developing Entrepreneurial Activity (IDEA) Center with the remaining amount available for the technology-based entrepreneurship program.
- *USS North Dakota* - Section 26 provides an exemption for the promotion and marketing of the *USS North Dakota*.
- Antibalistic missile site acquisition base realignment grants - Section 27 provides an exemption for the funding appropriated in Section 18 of Chapter 50 of the 2011 Session Laws for the antibalistic missile site acquisition grant and the base realignment grant. The Legislative Assembly designated \$100,000 for the promotion and marketing of the *USS North Dakota*. The remaining amounts are designated for the antibalistic missile site acquisition grant and the base realignment grant with the requirement that the base realignment grant be awarded as a direct grant and not a cost-reimbursement grant.

	General Fund	Other Funds	Total
Agricultural Products Utilization Commission	\$1,624,919	\$641,555	\$2,266,474
Discretionary funds	677,658		677,658
Technology-based entrepreneurship ¹	700,000		700,000
<i>USS North Dakota</i>	0		0
Antibalistic missile site acquisition base realignment grants ²	736,216		736,216
Total	\$3,738,793	\$641,555	\$4,380,348

¹Of the \$700,000, \$300,000 was designated for grants to the IDEA Center, and \$400,000 was available for technology-based grants. Through March 2014, the department awarded \$75,000 to the IDEA Center and anticipates awarding the remaining \$225,000 by the end of the biennium. The department anticipates awarding \$400,000 for technology-based entrepreneurship grants by the end of the biennium.

²Of the \$736,216, \$100,000 was designated for the promotion of the *USS North Dakota*, \$600,000 was available for an antibalistic missile site acquisition grant, and \$36,216 was available for a base realignment grant related to the Minot Air Force Base. Through March 2014, the Department of Commerce has awarded \$47,776 to the Bismarck-Mandan Chamber of Commerce for the promotion and marketing of the *USS North Dakota* and anticipates awarding the entire \$100,000 by the end of the biennium. The department is unsure if any of the \$600,000 will be awarded for an antibalistic missile site acquisition grant. The department anticipates awarding the entire \$36,216 by the end of the biennium for a base realignment grant related to the Minot Air Force Base.