

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

	FTE Positions	General Fund	Other Funds	Total
2015-17 legislative appropriation (original)	69.40	\$56,203,701 ¹	\$75,169,473	\$131,373,174
2013-15 legislative appropriation	<u>69.25</u>	<u>64,457,060</u>	<u>75,363,022</u>	<u>139,820,082</u>
2015-17 appropriation increase (decrease) to 2013-15 appropriation	0.15	(\$8,253,359)	(\$193,549)	(\$8,446,908)
2015-17 general fund budget allotment (4.05 percent)	<u>0.00</u>	<u>(\$2,276,250)</u>	<u>\$0</u>	<u>(\$2,276,250)</u>
Adjusted 2015-17 appropriation after budget allotment	69.40	\$53,927,451	\$75,169,473	\$129,096,924

¹The original legislative appropriation amount includes \$19,566,456 of one-time funding from the general fund. Excluding this amount, the agency's original ongoing general fund appropriation is \$36,637,245.

Item Description

General fund budget allotment - In February 2016 the Governor ordered a 4.05 percent general fund budget allotment for state agencies.

One-time funding - In Section 2 of 2015 House Bill No. 1018, the Legislative Assembly identified \$40,926,325 of one-time funding 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 to the department for the 2015-17 biennium.

	General Fund	Other Funds
Tourism Midwest markets	\$1,000,000	
Unmanned aircraft systems	2,718,620	
Research North Dakota	4,500,000	
Child care facility grants	2,250,000	
Tourism large infrastructure grants	750,000	
Workforce enhancement fund	1,000,000	
Workforce recruitment campaign	300,000	
Educators and industry externships	50,000	
Base retention grants	1,500,000	
Tribal community college grants	2,000,000	\$1,000,000
Entrepreneurship grants and vouchers	1,750,000	
Homeless shelter grants	1,500,000	
Tourism international	247,836	
Enhanced use lease grant		7,500,000
Flood impact grants/loans		12,859,869
Total	\$19,566,456	\$21,359,869

Status/Result

The budget allotment reduced general fund appropriations for the Department of Commerce by \$2,276,250. The department reduced salaries by \$24,140, operating expenses by \$188,530, partner programs by \$24,439, the North Dakota Trade Office by \$28,743, discretionary grants by \$134,000, Agricultural Productions Utilization Commission by \$200,000, grants by \$1,538,158, the workforce enhancement fund by \$39,932, and Research North Dakota by \$98,308.

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

Tourism midwest markets	The department has spent the \$1 million appropriation on producing the 2016 advertising and marketing materials and purchasing media.
Unmanned aircraft systems	See the Unmanned aircraft systems program section below.
Research North Dakota	See the Research North Dakota grant program section below.
Child care facility grants	See the Child care facility grants program section below.
Tourism large infrastructure grants	The department approved four projects totaling \$586,000. The remaining \$164,000 was included in the grants portion of the general fund budget allotment and will not be spent.
Transfer to workforce enhancement fund	See the Workforce enhancement fund section below.
Workforce recruitment campaign	As of April 2016 the department has collected \$289,043 of private funding to match the \$300,000 appropriation. The department has spent \$36,732 from the general fund and anticipates spending all funds the end of the biennium.

Educators and industry externships	Five educators were approved for funding in June 2015 for a total of \$5,000. Through March 2016 the department is in the process of selecting educators for the remaining \$45,000.
Base retention grants	See the Base retention grant program section below.
Tribal community college grants	See the Tribal community college grants section below.
Entrepreneurship grants and vouchers	See the Entrepreneurship grants and vouchers section below.
Homeless shelter grants	The department awarded \$750,000 in fiscal year 2015 and intends to award \$750,000 in fiscal year 2016. The grants are being awarded in five categories--emergency shelter, rapid rehousing, homeless prevention, homeless management information system, and grantee administration.
Tourism international	The department joined the Rocky Mountain International marketing consortium which includes South Dakota, Montana, and Wyoming. The consortium promotes tourism in the Midwest to residents in Germany, United Kingdom, France, Australia, New Zealand, Norway, Sweden, Iceland, Finland, Denmark, Italy, and the Benelux region. The entire appropriation of \$247,836 has been spent. The department anticipates requesting additional funding for this program in the 2017-19 biennium, due to the program's efficiency in working with regional partners.
Enhanced use lease grants	See the Enhanced use lease grant section below.
Flood impact grants/loans	Through March 2016 the department has awarded \$11,782,684. The department anticipates all of the funds will be awarded and spent by the end of the biennium.

Unmanned aircraft systems program - The 2013 Legislative Assembly established the unmanned aircraft systems program and provided one-time funding of \$5 million from the general fund for the program. Senate Bill No. 2018 (2013) requires the Department of Commerce to establish the unmanned aircraft systems program in collaboration with the University of North Dakota, the North Dakota Aeronautics Commission, the Adjutant General, and private parties; to administer the unmanned aircraft systems test site upon receiving Federal Aviation Administration approval; and to provide semiannual reports to the Legislative Management.

Of the \$5 million appropriated in 2013, \$1,860,143 was unexpended. The 2015 Legislative Assembly authorized \$1,500,000 of the unexpended funds to be available for the 2015-17 biennium. In addition, \$2,718,620 was appropriated for operations of the unmanned aircraft systems test site. Of the amount appropriated, \$1,200,000 may only be used as matching funds to incentivize private sector business development related to the test site.

The Federal Aviation Administration designated North Dakota as an official unmanned aircraft systems test site in December 2013. The test site was named the Northern Plains Unmanned Aircraft Systems Test Site, and the site began conducting flights in May 2014. The test site has been conducting test flights with companies and has received payments from companies to provide for a portion of the costs of the test services. The department continues to promote the Northern Plains Unmanned Aircraft Systems Test Site to bring new business development opportunities to North Dakota. The department anticipates the entire appropriation will be spent during the 2015-17 biennium.

Research North Dakota grant program - The 2013 Legislative Assembly established the Research North Dakota grant program and the Research North Dakota venture program.

Section 15 of 2013 Senate Bill No. 2018 established the Research North Dakota grant program in North Dakota Century Code Section 54-65-06 to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner.

The Research North Dakota fund is established in Section 54-65-08 and provides a new continuing appropriation from the fund to the department for administering Research North Dakota. Section 1 of House Bill No. 1018 provides one-time funding of \$4.5 million to continue the Research North Dakota program. Section 15 of the bill requires the department to make available \$1 million of the funds transferred to the Research North Dakota fund for biotechnology grants. 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.

In Section 16 of House Bill No. 1018, the Legislative Assembly provided a transfer of any remaining unobligated funds from the centers of excellence fund to the Research North Dakota fund.

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

Section 16 of 2013 Senate Bill No. 2018 established the Research North Dakota venture grant program in Section 54-65-07 to provide grants to research universities to further commercialize technology developed through a research university.

The Research North Dakota venture investment program was established in Section 10-30.5-14 by Section 9 of 2013 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.

Child care facility grants program - In Section 5 of House Bill No. 1018, the Legislative Assembly provided \$2.25 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.

The Department of Commerce has awarded the \$2,469,925 for the Research North Dakota grant program through March 2016, including \$1 million for a biotechnology grant and \$350,000 for general purpose grants.

The department anticipates the full \$4.5 million provided will be awarded during the 2015-17 biennium, and anticipates a transfer of \$4.25 million from the centers of excellence fund to the Research North Dakota fund.

The Department of Commerce has awarded \$1,099,925 under the Research North Dakota venture grant program through March 2016.

As of March 2016 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 Department of Commerce has awarded the entire appropriation of \$2.25 million to 15 projects across the state. The department disburses the grant awards on a reimbursement basis and the funds are expended as the child care facilities complete their projects.

Workforce enhancement fund - Section 13 of 2015 House Bill No. 1018 provides a transfer of \$1 million of one-time funding 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.

Tribal community college grants - The Legislative Assembly in 2013 provided \$5 million in grants to tribal colleges for workforce development in Section 6 of Senate Bill No. 2218. Of this amount, \$614,857 was unexpended during the 2013-15 biennium and was continued into the 2015-17 biennium.

The 2015 Legislative Assembly provided \$2 million from the general fund and \$1 million from the student loan trust fund to the Department of Commerce for grants to tribal colleges for workforce development in Section 8 of House Bill No. 1018. 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.

Entrepreneurial grants and vouchers - The 2015 Legislative Assembly appropriated \$3.25 million from the general fund for entrepreneurial centers and startup technology and innovative businesses. Section 6 of House Bill No. 1018 requires the Department of Commerce to establish guidelines for grants to entrepreneurial centers certified by the department. The section requires the department to provide a grant of \$300,000 to a nonprofit organization entrepreneurial center assisting individuals with business ideas and \$300,000 to the two entrepreneurial centers associated with research universities.

This program is used to support entrepreneurs as they start and grow their businesses in North Dakota.

Enhanced use lease grant - The enhanced use lease grant program was created in Section 35 of 2013 Senate Bill No. 2018. The purpose for the grants are 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.

The Department of Commerce is in the process of receiving grant applications; therefore, none of the funds have been spent through March 2016. A balance of \$363,692 was carried over from the 2013-15 biennium. The department has included \$39,931 of workforce enhancement funding in its general fund budget allotment. Thus, the total balance available for grants in the 2015-17 biennium is \$1,323,761. The department anticipates awarding the total appropriation by the end of the biennium.

As of April 2016, the Department of Commerce has 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.

As of March 2016 all funds have been awarded by the Department of Commerce.

The Department of Commerce combined various grant programs into the Innovation North Dakota program during the 2015-17 biennium. Through March 2016 \$810,033 from the general fund and \$1,100 from special funds have been spent on the entrepreneurial grants and vouchers. The department awarded \$300,000 each to the IDEA Center, the North Dakota State University Research and Technology Park, and the University of North Dakota Center for Innovation. The department anticipates the entire appropriation will be spent during the 2015-17 biennium. Through March 2016 80 startup businesses are enrolled in the program.

Grand Forks County has an enhanced use lease with the U.S. Air Force to establish a private development project on the Grand Forks Air Force Base. Grand Forks County has contracted with a private developer to develop an unmanned aircraft systems business and technology park. There are presently two lease agreements with two anchor tenants, Northrop Grumman and General Atomics. Construction has begun on facilities for both companies. Through March 2016 the entire \$7,500,000 of grant funding has been awarded to Grand Forks County, and \$1,898,412 has been disbursed for taxiway reconnection and security systems associated with the taxiway reconnection.

In Section 4 of House Bill No. 1018, the Legislative Assembly provided \$7.5 million from the strategic investment and improvements fund for an enhanced use lease grant program to be developed by the Department of Commerce. The department may award up to \$3.1 million, or additional amounts as necessary, for taxiway reconnection and alert pad refurbishment after an agreement is reached for the first private sector single-tenant or multitenant building on the property. Remaining funds may also be awarded either after an agreement is reached for a second private sector single-tenant or multitenant building on the property or after an agreement is reached with any data services, such as analysis, modeling, or storage, to be provided to tenants or prospective tenants.

Operation Intern program - The 2015 Legislative Assembly provided \$1.55 million from the general fund for the Operation Intern program, an increase of \$50,000 from the 2013-15 biennium.

Arts and galleries association grant - Section 9 of House Bill No. 1018 appropriated \$150,000 from the general fund to the Department of Commerce to provide a grant to the Bismarck Arts and Galleries Association.

Dakota Day Trips publication - Section 11 of House Bill No. 1018 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.

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 2015 House Bill No. 1282. 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.

Domestic violence shelter grant program - The Legislative Assembly, in 2015 Senate Bill No. 1285, provided \$650,000 from the strategic investment and improvements fund for grants to domestic violence sexual assault organization for constructing, renovating, or purchasing facilities to provide shelter to victims of domestic violence. 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 up to \$250,000.

As of March 2016, 118 businesses are participating in Operation Intern providing a total of 552 intern positions. Through March 2016 the Department of Commerce has obligated the entire \$1.55 million to intern positions.

The entire \$150,000 grant was awarded to the Bismarck Arts and Galleries Association. The funding was used to expand the entrance of the gallery to accommodate persons with special needs.

The department is currently evaluating publication and distribution needs for the printing of the new books. The department anticipates having the books completed and available for sale by November 2016 and anticipates the total cost may be in excess of the \$15,000 appropriation.

As of March 2016 the Department of Commerce has awarded the entire \$200,000 to the North Dakota Area Health Education Center, all of which has been disbursed.

As of March 2016 the Department of Commerce has awarded the entire \$650,000, all of which has been disbursed.

Early childhood education grant program - The Legislative Assembly provided \$3 million from the general fund for early childhood education grants in 2015 Senate Bill No. 2151.

Property tax exemption procedures - Section 1 of 2015 Senate Bill No. 2035 requires a governing body to consult with the Department of Commerce prior to granting a property tax exemption in order to determine if the total project costs for a fertilizer or chemical processing facility are estimated to exceed \$1 billion, the department is to conduct a public hearing.

Exemptions - The Legislative Assembly provided exemptions in House Bill No. 1018 to allow unexpended 2013-15 biennium 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.
- Child care facility grants - Section 20 provides an exemption for the child care 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.
- Antibalistic missile site acquisition base realignment grants - Section 23 provides an exemption for the funding appropriated in Section 27 of Chapter 49 of the 2013 Session Laws for the antibalistic missile site acquisition grant and the base realignment grant.

Based on the provisions of Senate Bill No. 2151, grants may be awarded only during the second year of the 2015-17 biennium. As of March 2016 the department has received applications from 49 child care providers, serving 534 students. The department included \$1.25 million in prekindergarten grants as part of the general fund budget allotment. Of the remaining \$1.75 million, the department anticipates spending \$879,000 by the end of the 2015-17 biennium.

There have been no projects with an estimated total cost exceeding \$1 billion through March 2016.

The Department of Commerce requested to continue the following unused 2013-15 biennium appropriation authority into the 2015-17 biennium:

	General Fund	Other Funds	Total
Agricultural Products Utilization Commission	\$219,407	\$2,281,060	\$2,500,467
Discretionary funds	649,679		649,679
Technology-based entrepreneurship	194,275		194,275
Child care facility grants	24,699		24,699
Unmanned aircraft systems program	1,860,143		1,860,143
Tribal college grants	739,892		739,892
Antibalistic missile site acquisition base realignment grants	600,000		600,000
Total	\$4,288,095	\$2,281,060	\$6,569,155