

**Department 601 - Department of Commerce  
Senate Bill Nos. 2018 and 2078**

**Executive Budget Comparison to Prior Biennium Appropriations**

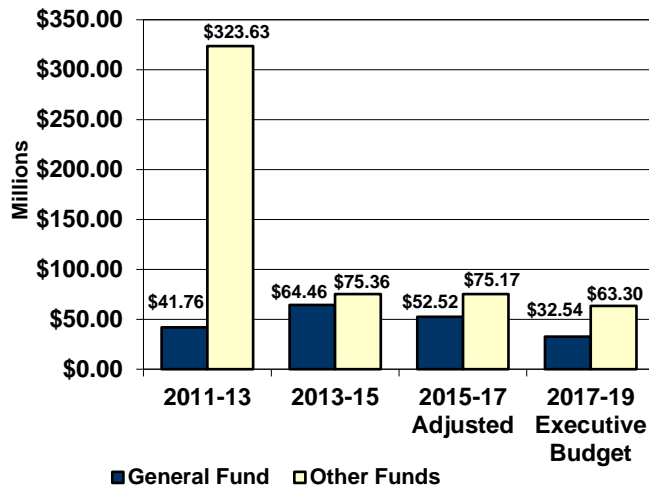
	FTE Positions	General Fund	Other Funds	Total
2017-19 Executive Budget	66.40	\$32,538,344	\$63,300,571	\$95,838,915
2015-17 Adjusted Legislative Appropriations <sup>1</sup>	69.40	52,522,359	75,169,473	127,691,832
Increase (Decrease)	(3.00)	(\$19,984,015)	(\$11,868,902)	(\$31,852,917)

<sup>1</sup>The 2015-17 biennium agency appropriation amounts reflect general fund budget reductions made in August 2016.

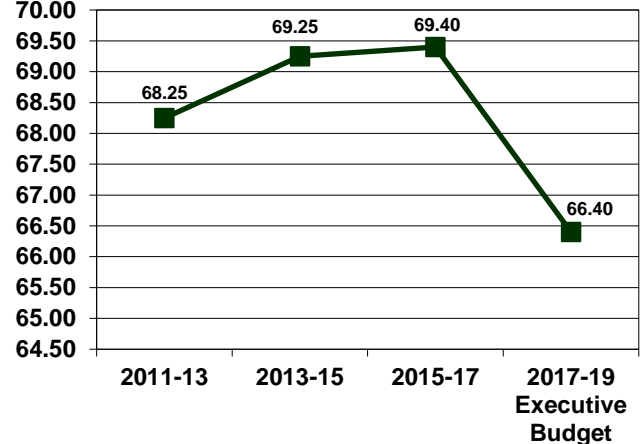
**Ongoing and One-Time General Fund Appropriations**

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2017-19 Executive Budget	\$32,538,344	\$0	\$32,538,344
2015-17 Adjusted Legislative Appropriations	33,859,099	18,663,260	52,522,359
Increase (Decrease)	(\$1,320,755)	(\$18,663,260)	(\$19,984,015)

**Agency Funding**



**FTE Positions**



**Executive Budget Comparison to Base Level**

	General Fund	Other Funds	Total
2017-19 Executive Budget	\$32,538,344	\$63,300,571	\$95,838,915
2017-19 Base Level	33,859,099	53,809,604	87,668,703
Increase (Decrease)	(\$1,320,755)	\$9,490,967	\$8,170,212

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Adds funding for state employee salary and benefit increases, of which \$55,234 is for salary increases and \$186,032 is for health insurance increases	\$188,901	\$52,365	\$241,266
2. Removes funding for 3 FTE positions	(\$274,522)	(\$204,556)	(\$479,078)
3. Adjusts funding for salaries and wages	\$155,808		\$155,808
4. Adjusts funding for operating expenses, primarily related to professional services, postage, office supplies, and equipment	(\$1,438,838)	\$129,837	(\$1,309,001)
5. Increases funding for tourism operating expenses from the tourism fund		\$137,000	\$137,000
6. Adjusts funding for grants	\$819,495	\$123,778	\$943,273
7. Increases federal funding for workforce and economic development grants		\$162,318	\$162,318
8. Increases funding for discretionary grants	\$30,688		\$30,688

9. Increases funding for flood grants		\$5,242,756	\$5,242,756
10. Adjusts funding for the Agricultural Products Utilization Commission	(\$647,517)	\$659,405	\$11,888
11. Decreases funding for the North Dakota Trade Office	(\$204,634)		(\$204,634)
12. Decreases funding for partner programs	(\$173,989)		(\$173,989)
13. Adds funding from the strategic investment and improvements fund for unmanned aircraft system grants		\$2,000,000	\$2,000,000
14. Adds funding from the strategic investment and improvements fund for base retention grants		\$1,000,000	\$1,000,000
15. Adds funding for child care facility grants	\$300,000		\$300,000

**Other Bill Sections Recommended to be Added in the Executive Budget  
(As Detailed in Senate Bill No. 2078)**

**Agricultural Products Utilization Commission Exemption** - Section 3 provides an exemption for the Agricultural Products Utilization Commission to allow any unexpended 2015-17 biennium funds in the Agricultural Products Utilization Commission line item be available for grants during the 2017-19 biennium.

**Discretionary Funds Exemption** - Section 4 provides an exemption for discretionary funds to allow any unexpended 2015-17 biennium funds in the discretionary funds line item be available to the Department of Commerce during the 2017-19 biennium.

**Unmanned Aircraft Systems Exemption** - Section 5 provides an exemption for the unmanned aircraft systems program to allow any unexpended 2015-17 biennium funds in this program be available to the Department of Commerce during the 2017-19 biennium.

**Internship Fund Transfer** - Section 6 provides for a transfer of \$1.5 million from the operating expense line item to the internship fund. Section 12 provides an emergency clause for the transfer.

**Base Retention Grants** - Section 7 identifies \$1 million from the strategic investment and improvements fund to the Department of Commerce for the base retention grant program.

**Unmanned Aircraft Systems** - Section 8 identifies \$2 million from the strategic investment and improvements fund for the unmanned aircraft systems program.

**Child Care Facility Grants** - Section 9 identifies \$300,000 from the general fund for a child care facility grant program. The Department of Commerce is required to establish guidelines to qualify for a grant, which must include a matching requirement of \$1 of matching funds to every \$3 of grant funds and a maximum grant amount of \$3,000.

**Trade Office Matching Fund Requirement** - Section 10 allows the Department of Commerce to spend 70 percent of the North Dakota Trade Office line item listed in Section 1 without requiring any matching funds from the Trade Office. Any additional amounts may be spent only to the extent 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 during the 2017-19 biennium.

**Entrepreneurship Grants and Voucher Program** - Section 11 requires the Department of Commerce to establish guidelines to provide grants to entrepreneurial centers certified by the department for the entrepreneurship grants and vouchers program. The department must establish guidelines to award vouchers to entrepreneurs to procure business development assistance from certified entrepreneurial centers or to provide grants to entrepreneurs working with an entrepreneurial center. Any unexpended funds from the \$1.5 million entrepreneurship grants and vouchers program appropriation in Section 1, of which \$1.35 million is from the general fund, are made available to the department during the 2019-21 biennium.

**Continuing Appropriations**

**Ethanol Production Incentive Fund** - North Dakota Century Code Section 17-02-05 - This continuing appropriation allows for payments of ethanol production incentives to North Dakota ethanol plants.

**Workforce Enhancement Fund** - Section 54-60-23 - All funds in the workforce enhancement fund are appropriated to the Department of Commerce on a continuing basis for implementing and administering the Workforce Enhancement Council and workforce enhancement grants to higher education institutions assigned primary responsibility for workforce training.

**Community Development Loan Fund** - Section 54-44.5-05 - This continuing appropriation allows for the expenditures of community development block grant revolving loan funds.

**Centers of Excellence Fund** - Section 15-69-06 - This continuing appropriation allows for implementing and administering the centers of excellence program.

**Centers of Excellence Research Fund** - Section 54-65-05 - This continuing appropriation allows for implementing and administering the centers of research excellence program.

**Research North Dakota** - Section 54-65-08 - This continuing appropriation allows for implementing and administering the Research North Dakota program.

**Internship Fund** - Section 54-60-17.1 - This continuing appropriation allows for the expansion of the number of new internship, work experience, and apprenticeship opportunities with North Dakota employers.

**Unmanned Aircraft Systems Program Fund** - Section 54-60-29 - This continuing appropriation allows the unmanned aircraft systems test site to collect fees and use the collected fees for expenses relating to the administration of the test site.

**Energy Conservation Grant Fund** - Section 54-44.5-05.1 - This continuing appropriation allows for the agency to provide grants to political subdivisions for energy conservation projects in nonfederal public buildings.

### **Deficiency Appropriation**

There are no deficiency appropriations for this agency.

### **Significant Audit Findings**

An operational audit performed by the State Auditor's office for the period January 1, 2016, through December 31, 2016, included a recommendation for the Department of Commerce to collect the proper fees from installers and inspectors, including complaint and reinspection fees for the manufactured home installation program in accordance with North Dakota Administrative Code Sections 108-03-01-13 and 108-03-01-19.

### **Major Related Legislation**

**House Bill No. 1060** - This bill requires the Department of Commerce to conduct a criminal history record check for volunteers providing mentoring and youth engagement services to at-risk youth and homeless young adults through nonprofit organizations. The child-placing agency is responsible for all fees associated with a criminal history record investigation.

**Senate Bill No. 2044** - This bill requires the Department of Commerce to provide data and analysis as requested by the interim Political Subdivision Taxation Committee for a pilot project dynamic fiscal impact analysis for each economic development tax incentive selected for review during the 2017-18 interim.

**Senate Bill No. 2055** - This bill requires a city who submits an application to the Department of Commerce Division of Community Services to designate a portion of that city as a renaissance zone to also include, in addition to the development plan, letters of support from each county and school district that contain property located within the boundaries of the proposed renaissance zone.

**Department of Commerce - Budget No. 601**  
**Senate Bill Nos. 2018 and 2078**  
**Base Level Funding Changes**

	<b>Executive Budget Recommendation</b>			
	<b>FTE</b>			
	<b>Position</b>	<b>General Fund</b>	<b>Other Funds</b>	
			<b>Total</b>	
<b>2017-19 Biennium Base Level</b>	69.40	\$33,859,099	\$53,809,604	\$87,668,703
<b>2017-19 Ongoing Funding Changes</b>				
Base payroll changes		(\$76,147)	\$188,064	\$111,917
Salary increase - Performance		43,246	11,988	55,234
Health insurance increase		145,655	40,377	186,032
Removes FTE positions	(3.00)	(274,522)	(204,556)	(479,078)
Adjusts funding for salaries and wages		155,808		155,808
Adjusts funding for operating expenses		(1,438,838)	129,837	(1,309,001)
Increases funding for tourism operating expenses			137,000	137,000
Adjusts funding for grants		819,495	123,778	943,273
Increases funding for workforce and economic development grants			162,318	162,318
Increases funding for discretionary grants		30,688		30,688
Increases funding for flood grants			5,242,756	5,242,756
Adjusts funding for the Agricultural Products Utilization Commission		(647,517)	659,405	11,888
Decreases funding for the North Dakota Trade Office		(204,634)		(204,634)
Decreases funding for partner programs		(173,989)		(173,989)
Adds funding for unmanned aircraft systems grants			2,000,000	2,000,000
Adds funding for base realignment grants			1,000,000	1,000,000
Adds funding for child care facility grants		300,000		300,000
Total ongoing funding changes	(3.00)	(\$1,320,755)	\$9,490,967	\$8,170,212
<b>One-time funding items</b>				
No one-time funding items				\$0
Total one-time funding changes	0.00	\$0	\$0	\$0
<b>Total Changes to Base Level Funding</b>	(3.00)	(\$1,320,755)	\$9,490,967	\$8,170,212
<b>2017-19 Total Funding</b>	66.40	\$32,538,344	\$63,300,571	\$95,838,915

**Other Sections in Department of Commerce - Budget No. 601**

	<b>Executive Budget Recommendation</b>
Agricultural Products Utilization Commission exemption	Section 3 provides an exemption for the Agricultural Products Utilization Commission to allow any unexpended 2015-17 biennium funds in the Agricultural Products Utilization Commission line item be available for grants during the 2017-19 biennium.
Discretionary funds exemption	Section 4 provides an exemption for discretionary funds to allow any unexpended 2015-17 biennium funds in the discretionary funds line item be available to the Department of Commerce during the 2017-19 biennium.
Unmanned aircraft systems exemption	Section 5 provides an exemption for the unmanned aircraft systems program to allow any unexpended 2015-17 biennium funds in this program be available to the Department of Commerce during the 2017-19 biennium.
Internship fund transfer	Section 6 provides for a transfer of \$1.5 million from the operating expense line item to the internship fund. Section 12 provides an emergency clause for the transfer.

**Other Sections in Department of Commerce - Budget No. 601**

**Executive Budget Recommendation**

Base retention grants	Section 7 identifies \$1 million from the strategic investment and improvements fund for the base retention grant program.
Unmanned aircraft systems	Section 8 identifies \$2 million from the strategic investment and improvements fund for the unmanned aircraft systems program.
Child care facility grants	Section 9 identifies \$300,000 from the general fund for a child care facility grant program. The Department of Commerce is required to establish guidelines to qualify for a grant, which must include a matching requirement of \$1 of matching funds to every \$3 of grant funds and a maximum grant amount of \$3,000.
North Dakota Trade Office matching fund requirement	Section 10 allows the Department of Commerce to spend 70 percent of the North Dakota Trade Office line item listed in Section 1 without requiring any matching funds from the Trade Office. Any additional amounts may be spent only to the extent 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 during the 2017-19 biennium.
Entrepreneurship grants and voucher program	Section 11 requires the Department of Commerce to establish guidelines to provide grants to entrepreneurial centers certified by the department for the entrepreneurship grants and vouchers program. The department must establish guidelines to award vouchers to entrepreneurs to procure business development assistance from certified entrepreneurial centers or to provide grants to entrepreneurs working with an entrepreneurial center. Any unexpended funds from the \$1.5 million entrepreneurship grants and vouchers program appropriation in Section 1, of which \$1.35 million is from the general fund, are made available to the department during the 2019-21 biennium.

## Department 601 - Department of Commerce

## Appropriations Comparisons to the Original and Adjusted Base Budgets

### General Fund Appropriations Adjustments (As a result of the August 2016 General Fund Budget Reductions)

	Ongoing	One-Time	Total
2015-17 original general fund appropriations	\$36,637,245	\$19,566,456	\$56,203,701
General fund reductions	(2,778,146)	(903,196)	(3,681,342)
Adjusted 2015-17 appropriations	\$33,859,099	\$18,663,260	\$52,522,359
Executive Budget changes	(1,320,755)	(18,663,260)	(19,984,015)
2017-19 Executive Budget	\$32,538,344	\$0	\$32,538,344

### Summary of August 2016 General Fund Budget Reductions

	Ongoing	One-Time	Total
Reduced salaries and wages	(\$81,462)	\$0	(\$81,462)
Reduced operating expenses, including one-time funding for tourism midwest markets and tourism international	(161,334)	(171,519)	(332,853)
Reduced grants, including one-time funding for tourism large infrastructure grants, tribal college grants, and child care facility grants	(2,086,500)	(512,118)	(2,598,618)
Reduced funding for discretionary funds	(143,930)		(143,930)
Reduced funding for the workforce enhancements fund		(39,931)	(39,931)
Reduced funding for the Agricultural Products Utilization Commission	(200,000)		(200,000)
Reduced funding for Research North Dakota		(146,458)	(146,458)
Reduced funding for the North Dakota Trade Office	(56,706)		(56,706)
Reduced funding for entrepreneurship grants and vouchers		(33,170)	(33,170)
Reduced funding for partner programs	(48,214)		(48,214)
Total reductions	(\$2,778,146)	(\$903,196)	(\$3,681,342)
Percentage reduction to ongoing and one-time general fund appropriations	7.58%	4.62%	6.55%

### 2017-19 Executive Budget Changes to the Original and Adjusted Base Budgets

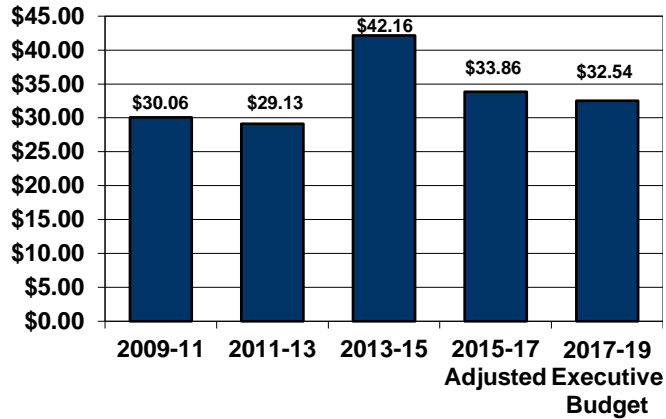
	Changes to Original Budget	Budget Reduction Adjustments	Changes to Adjusted Budget
Adds funding for recommended salary and benefit increases	\$188,901	\$0	\$188,901
Base payroll changes	(76,147)		(76,147)
Removes 3 FTE positions	(274,522)		(274,522)
Adjusts funding for salaries and wages	74,346	81,462	155,808
Adjusts funding for operating expenses, primarily related to professional services, postage, office supplies, and equipment	(1,600,172)	161,334	(1,438,838)
Adjusts funding for grants	(1,267,005)	2,086,500	819,495
Increases funding for discretionary grants	(113,242)	143,930	30,688
Adjusts funding for the Agricultural Products Utilization Commission	(847,517)	200,000	(647,517)
Decreases funding for the North Dakota Trade Office	(261,340)	56,706	(204,634)
Decreases funding for partner programs	(222,203)	48,214	(173,989)
Adds funding for child care facility grants	300,000	0	300,000
Total	(\$4,098,901)	\$2,778,146	(\$1,320,755)

Department 601 - Department of Commerce

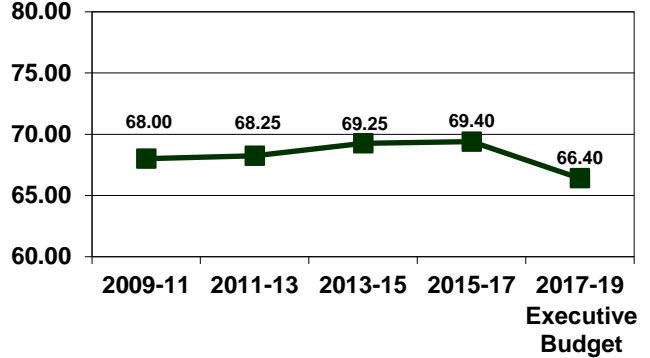
## Historical Appropriations Information

### Ongoing General Fund Appropriations Since 2009-11

Agency Funding (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2009-11	2011-13	2013-15	2015-17 Adjusted	2017-19 Executive Budget
Ongoing general fund appropriations	\$30,056,303	\$29,134,865	\$42,157,060	\$33,859,099	\$32,538,344
Increase (decrease) from previous biennium	N/A	(\$921,438)	\$13,022,195	(\$8,297,961)	(\$1,320,755)
Percentage increase (decrease) from previous biennium	N/A	(3.1%)	44.7%	(19.7%)	(3.9%)
Cumulative percentage increase (decrease) from 2009-11 biennium	N/A	(3.1%)	40.3%	12.7%	8.3%

### Major Increases (Decreases) in Ongoing General Fund Appropriations

#### 2011-13 Biennium

1. Increased funding for workforce enhancements grants, resulting in a total of \$1.5 million available including \$1.25 million of unspent funds from the 2009-11 biennium authorized to be carried over into the 2011-13 biennium \$375,000

#### 2013-15 Biennium

1. Increased funding for the InnovateND program from \$400,000 to \$450,000 \$50,000
2. Increased funding for Operation Intern from \$900,000 to \$1.5 million \$600,000
3. Added funding for increasing tourism-related marketing and research \$1,500,000
4. Added funding for homeless shelter grants (\$2 million), child care facility grants (\$2.6 million), tribal college grants (\$5 million), and rural health services grants (\$400,000) \$10,000,000

#### 2015-17 Biennium (original amounts)

1. Removed grants authorized in the 2013-15 biennium including homeless shelter grants (\$2 million), child care facility grants (\$2.6 million), tribal college grants (\$5 million), and rural health service grants (\$400,000) (\$10,000,000)
2. Added funding for partner programs to provide total funding of \$2.1 million (this item was affected by the 2015-17 budget reductions) \$300,000
3. 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 required a dollar-for-dollar match from nonstate sources \$200,000
4. Added funding from the general fund to provide early childhood education grants \$3,000,000

#### 2017-19 Biennium (Executive Budget Recommendation)

1. Removes funding for 3 FTE positions, including \$274,522 from the general fund \$274,522

2. Adjusts funding for operating expenses, primarily related to professional services, postage, office supplies, and equipment	(\$1,438,838)
3. Adjusts funding for grants	\$819,495
4. Decreases funding for the North Dakota Trade Office	(\$204,634)
5. Decreases funding for the Agricultural Products Utilization Commission	(\$647,517)