

**Department of Commerce
Senate Bill No. 2019**

	FTE Positions	General Fund	Other Funds	Total
2001-03 executive budget (Governor Schafer) (bill as introduced)	0.00	\$0	\$0	\$0
2001-03 legislative appropriations	57.00	17,880,287	43,653,725	61,534,012
Legislative increase (decrease) to executive budget	57.00	\$17,880,287	\$43,653,725	\$61,534,012
Legislative increase (decrease) to 1999-2001 appropriations	57.00	\$17,880,287	\$43,653,725	\$61,534,012
2001-03 Governor Hoeven's recommendation	53.00	\$17,402,349	\$43,566,559	\$60,968,908
Legislative increase (decrease) to Governor Hoeven's recommendation	4.00	\$477,938	\$87,166	\$565,104

GOVERNOR HOEVEN'S RECOMMENDATIONS

Governor Hoeven recommended consolidating the duties of the Department of Economic Development and Finance, the Division of Community Services of the Office of Management and Budget, and the Tourism Department into a Department of Commerce. Funding changes recommended by Governor Hoeven to Governor Schafer's budget for these agencies include:

	FTE	General Fund	Other Funds	Total
Added a business development director	1.00	\$183,266		\$183,266
Added a marketing director	1.00	\$183,266		\$183,266
Removed the new FTE positions added into the Department of Economic Development and Finance in the Schafer budget	(8.00)	(\$951,819)		(\$951,819)
Removed administrative positions from the existing Department of Economic Development and Finance, Tourism Department, and Division of Community Services	(12.00)	(\$742,688)	(\$399,337)	(\$1,142,025)
Added administrative positions in an administration program of the Department of Commerce	8.00	\$669,513	\$207,961	\$877,474
Added the workforce development position that the Schafer budget transferred from the Department of Economic Development and Finance to the Board for Vocational and Technical Education (\$121,168) and related operating expenses (\$86,759)	1.00	\$103,964	\$103,963	\$207,927
Added funding for additional rent costs		\$128,490	\$41,526	\$170,016
Added funding for one-time technology costs relating to relocation		\$17,500		\$17,500

Removed the additional general fund support added to the Department of Economic Development and Finance in the Schafer budget for operating expenses relating to marketing, electronic data management systems (EDMS), geographic information systems (GIS), and research and analysis	(\$3,675,515)		(\$3,675,515)
Removed funding for the Department of Economic Development and Finance added in the Schafer budget for the Department of Economic Development and Finance for equipment relating to the 8 new FTE positions	(\$200,000)		(\$200,000)
Reduced funding added in the Schafer budget for the manufacturing extension partnership (MEP) (\$1,199,280 remains for the MEP, \$400,000 of which is from the general fund)	(\$524,485)	(\$1,049,690)	(\$1,574,175)
Added funding for economic development marketing	\$646,902		\$646,902
Added funding for tourism marketing	\$50,000		\$50,000
Added funding for the Development Fund - A total of \$2,616,000 from the general fund is provided for the Development Fund	\$1,866,000		\$1,866,000

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET (SCHAFER) AND MAJOR FUNDING ITEMS

Creation of Department of Commerce

The Legislative Assembly approved Senate Bill No. 2032 providing for the creation of the Department of Commerce. The bill provides for various divisions within the department, including the Division of Economic Development and Finance, Division of Community Services, Division of Tourism, and the Division of Workforce Development. The bill creates a commerce cabinet consisting of various state agency heads to coordinate economic development and tourism efforts. The bill creates an economic development foundation, consisting of from 15 to 30 individuals appointed by the Governor, to advise the commissioner and to develop a strategic plan for the department. The bill excludes the employees of the department from the North Dakota personnel classification system.

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 House Bill No. 1015.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Provided funding for the Department of Commerce as recommended by Governor Hoeven	53.00	\$17,402,349	\$43,566,559	\$60,968,908
Added funding in a separate transitional expenses line item for costs associated with consolidating the separate departments into the Department of Commerce. The 2 FTE positions are authorized only for the first year of the biennium.	2.00	68,938	12,166	81,104
Added a workforce development position in addition to the 1 FTE	1.00	75,000		75,000

workforce development position included in Governor Hoeven's recommendation

Added an Agricultural Products Utilization Commission position in addition to the 1 FTE position currently authorized for the commission. Funding for the position is from the agricultural fuel tax fund.	1.00		75,000	75,000
Reduced funding for the development fund to \$2,350,000. Governor Hoeven recommended \$2,616,000. Governor Schafer recommende the same funding level as the 1999-2001 biennium of \$750,000.			(266,000)	(266,000)
Transferred \$30,000 for the <i>North Dakota Horizons</i> magazine from the grants line item to the operating expenses line item				
Added funding for providing a grant to the North Dakota Cowboy Hal of Fame in accordance with provisions of Senate Bill No. 2195 (see Related Legislation section)			100,000	100,000
Added funding for the development of a public/private partnership statewide talent recruitment initiative			250,000	250,000
Added funding for providing grants to reimburse political subdivisions for Lewis and Clark Bicentennial-related costs (see Lewis and Clark Bicentennial section)			150,000	150,000
Added funding to provide a total of \$600,000 for marketing the Lewis and Clark Bicentennial (see Lewis and Clark Bicentennial section)			100,000	100,000
Total	<u>57.00</u>		<u>\$17,880,287</u>	<u>\$61,534,012</u>

Funding Comparison

The schedule below compares the funding levels for the entities included in the Department of Commerce as approved by the Legislative Assembly compared to the 1999-2001 biennium and recommendations made by Governors Schafer and Hoeven:

	1999-2001 Legislative Appropriations	2001-03 Schafer Recommendation	2001-03 Hoeven Recommendation	2001-03 Legislative Appropriations	2001-03 Legislative Increase (Decrease) to 1999-2001	Legislative Increase (Decrease) to Schafer
Department of Economic Development and Finance	\$11,906,877	\$20,411,391			(\$11,906,877)	(\$20,411,391)
Department of Tourism	4,379,000	4,960,778			(4,379,000)	(4,960,778)
Division of Community Services	42,039,780	39,098,238			(42,039,780)	(39,098,238)
Department of Commerce			<u>\$60,968,908</u>	<u>\$61,534,012</u>	<u>61,534,012</u>	<u>61,534,012</u>

Total	\$58,325,657	\$64,470,407	\$60,968,908	\$61,534,012	\$3,208,355	(\$2,936,395)
Less estimated income	<u>45,372,357</u>	<u>44,665,227</u>	<u>43,566,559</u>	43,653,725	<u>(1,718,632)</u>	<u>(1,011,502)</u>
General fund	\$12,953,300	\$19,805,180	\$17,402,349	\$17,880,287	\$4,926,987	(\$1,924,893)
FTE	55.00	62.00	53.00	57.00	2.00	(5.00)

FTE Changes

The Legislative Assembly authorized the following number of FTE positions for each division of the Department of Commerce compared to the 1999-2001 biennium, Governor Schafer's recommendation, and Governor Hoeven's recommendation:

	1999-2001 Biennium	Governor Schafer's Recommendation	Governor Hoeven's Recommendation	2001-03 Biennium
Administration			8.00	10.00
Economic Development and Finance	23.00	30.00	21.00	21.00
Community Services	21.00	21.00	15.00	15.00
Tourism	11.00	11.00	9.00	9.00
Workforce development				2.00
Total	55.00	62.00	53.00	57.00

Development Fund

The Legislative Assembly provided \$2,350,000 from the general fund for the development fund, \$1,650,000 more than the funding provided for the 1999-2001 biennium.

Section 8 provides for the allocation of the \$2,350,000 as follows:

- 40% to businesses in rural areas.
- 40% to businesses in urban areas.
- 20% to North Dakota American Indian businesses.

The section also provides that of the amount available in the development fund, \$4 million, or the unobligated balance on July 1, 2001, relating to the transfer of regional rural development revolving loan fund moneys, must continue to be dedicated for providing financial assistance, research and development assistance, and loans or equity or debt financing on a matching basis to new or expanded primary sector businesses in areas of the state that are not within five miles of any city with a population of more than 8,000.

Lewis and Clark Bicentennial

The Legislative Assembly appropriated \$905,751 from the general fund in the Lewis and Clark Bicentennial line item, a \$781,756 increase compared to the 1999-2001 biennium appropriation in the Tourism Department budget. Governor Schafer recommended funding of \$655,863 and Governor Hoeven recommended funding of \$655,751. The \$905,751 is provided for:

- A one FTE tourism marketing specialist III (\$110,681).
- Marketing (\$600,000).
- Grants to political subdivisions for extraordinary costs incurred in river rescues directly related to Lewis and Clark Bicentennial activities (\$150,000).
- Other operating expenses (\$45,070).

Ethanol Incentive Program

Funding for the ethanol incentive program is provided at \$2.5 million from the highway tax distribution fund for the 2001-03 biennium. Of this amount, the Alchem plant in Grafton is eligible for incentives of up to \$750,000 for each year of the biennium, and the ADM plant in Walhalla and any new plant that begins operations are eligible to share equally in up to \$500,000 for each year of the biennium. The 1999 Legislative Assembly provided \$1.5 million from the highway tax distribution fund for incentives for the Alchem plant in Grafton and a contingent appropriation of \$300,000 from the highway tax distribution fund for any new plant that begins operations during the 1999-2001 biennium. The executive budget recommended funding of \$2.5 million, the same as appropriated by the Legislative Assembly, but would have distributed up to \$850,000 per year in incentives to the Alchem plant in Grafton and up to \$400,000 per year to the ADM plant in Walhalla and any new plant that begins operations.

The Legislative Assembly removed the requirement that the ethanol produced in North Dakota must be sold in North Dakota in order to be eligible for an incentive. The Legislative Assembly added a requirement that, in order to be eligible for incentives during the 2001-03 biennium, the plant must notify the Agricultural Products Utilization Commission in writing by October 1, 2001, of its intent to request ethanol incentive payments during the 2001-03 biennium. If an ethanol plant has not notified the commission of its intent to participate in the program by October 1, 2001, or if at the end of each fiscal year funding provided for the incentive payments is not spent, the funding not needed for the program will be transferred to the agricultural fuel tax fund and may be spent for grants approved by the Agricultural Products Utilization Commission.

Section 14 was added providing that the Tax Commissioner conduct an audit of the ethanol production incentive program during the 2001-03 biennium.

Section 18 extends, from 12 to 14 years, the number of years an ethanol plant operating before July 1, 1995, may receive incentives.

Section 21 continues, until January 2004, the additional one cent reduction of the gas tax refund relating to fuel used for agricultural purposes. This additional one cent is used to provide an estimated \$278,000 of funding for the ethanol incentive program for the 2001-03 biennium.

Other Sections in Bill

Tourism operating expenses - Section 6 was added providing legislative intent that \$3,300,437 of the Department of Commerce's operating expenses line item be allocated for tourism-related activities, including tourism-related administrative costs as approved by the Tourism Division director for the 2001-03 biennium.

Performance measures - Budget Section report - Section 7 was added providing that the commissioner of the department report periodically to the Budget Section on the status of the establishment of the department and that the commissioner establish performance measures and report to the Budget Section on the department's progress in meeting its measures after the first year of the 2001-03 biennium.

Strategic plan - Section 9 was added providing legislative intent that the department, with the assistance of an economic development consultant, develop a strategic plan including the new economy initiative, with input from a task force including members of the economic development foundation, three legislators, and one member appointed by the Economic Development Association of North Dakota.

Economic development foundation and strategic plan expenses - Section 10 was added providing legislative intent that up to \$100,000 of the grants line item be allocated for expenses of the economic development foundation and for the development of a strategic plan for economic development in North Dakota.

Talent recruitment - Section 15 was added providing that \$250,000 of the grants line item be used for the development of a public/private partnership statewide talent recruitment initiative.

Venture capital study - Section 16 was added providing for a Legislative Council study of the availability of venture capital, tax credits, and other financing and research and development programs for new or expanding businesses.

Global marketing study - Section 17 was added providing for a Legislative Council study of the feasibility and desirability of expanding North Dakota's economic development marketing efforts to include international markets and establishing a global marketing division within the Department of Commerce.

Motion picture development office advisory board - Section 19 was added amending North Dakota Century Code (NDCC) Section 54-34.4-04 to provide that the Tourism Division director may appoint an advisory board to assist the North Dakota motion picture development office. The section currently requires the appointment of this board.

Tourism copyrights and trademarks - Section 20 was added creating a new section to NDCC Chapter 54-34.4 to provide that the Tourism Division director may obtain copyright or trademark protection for any item used to promote the state tourism policies.

Related Legislation

Creation of Department of Commerce - Senate Bill No. 2032 consolidates the Department of Economic Development and Finance, the Division of Community Services, and the Tourism Department into the Department of Commerce, creates a North Dakota commerce cabinet, and allows for the creation of a privately funded North Dakota economic development foundation.

Cowboy Hall of Fame - Senate Bill No. 2195 provides legislative intent that \$100,000 of the grants line item appropriated to the Tourism Division of the Department of Commerce be used to provide a grant to the North Dakota Cowboy Hall of Fame for capital construction costs.

Value-added agriculture program - Senate Bill No. 2379 creates a value-added agriculture promotion board that is to administer the value-added agriculture program and review plans for value-added agriculture projects. The program is located in the Economic Development and Finance Division of the Department of Commerce.

Agricultural Products Utilization Commission per diem - House Bill No. 1095 increases per diem for members of the Agricultural Products Utilization Commission by \$12.50 per day, from \$50 to \$62.50, and authorizes the payment of per diem to commission members for conducting official business in addition to meetings.