

**Department of Commerce
Budget 601
House Bill No. 1018; Senate Bill Nos. 2057, 2371**

	FTE Positions	General Fund	Other Funds	Total
2011-13 legislative appropriation	68.25	\$41,759,865 ¹	\$323,634,937	\$365,394,802
2009-11 legislative appropriation	<u>68.00</u>	<u>63,476,303</u>	<u>138,261,105</u>	<u>201,737,408</u>
2011-13 appropriation increase (decrease) to 2009-11 appropriation	0.25	(\$21,716,438)	\$185,373,832	\$163,657,394

¹This amount includes \$12,625,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$29,134,865.

Item Description

One-time funding - In Section 2 of 2011 Senate Bill No. 2057, the Legislative Assembly identified \$12,625,000 of funding from the general fund as one-time funding for the 2011-13 biennium. These funds, which as summarized below, are not to be considered part of the Department of Commerce's base budget for preparing the 2013-15 executive budget and the department is to report to the Appropriations Committees during the 2013 legislative session on the use of this funding.

Transfer to workforce enhancement fund	\$375,000
Transfer to the centers of research excellence fund	12,000,000
American Indian Business Development Office	50,000
Electronic portfolio pilot project 2020 and Beyond study	150,000
	50,000
Total general fund	\$12,625,000

Status/Result

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 enhancement fund section below
Transfer to the centers of research excellence fund for the 2011-13 biennium	See the Centers of research excellence grants section below
American Indian Business Development Office	The Department of Commerce used the \$50,000 of one-time funding in combination with \$100,000 of ongoing funding provided for the American Indian Business Development Office to contract with the Agency MABU Inc. (Marketing and Advertising Business Unlimited) to manage the North Dakota Indian Business Alliance for the state. Agency MABU is a full service marketing and communications firm specializing in advertising, public relations, market research, printing, and interactive media.
Electronic portfolio pilot project	See the Electronic portfolio pilot project section below
2020 and Beyond study	See the 2020 and Beyond Initiative section below

Federal fiscal stimulus funding - The Legislative Assembly in 2011 appropriated \$24,496,750 of federal fiscal stimulus funds from the American Recovery and Reinvestment Act (ARRA) of 2009 as follows:

United States Department of Energy low-income weatherization assistance program	\$9,100,000
State energy program	9,000,000
Energy efficiency and conservation block grants	4,946,750
Homeless prevention and rapid rehousing program	1,250,000
Community services block grant	200,000
Total	\$24,496,750

Federal fiscal stimulus funds available to the Department of Commerce in the 2011-13 biennium from ARRA are shown in the chart below, including 2011-13 expenditures by grant as of January 2012 and estimated 2011-13 remaining expenditures.

	Available ARRA Funds	2011-13 Expenditures	2011-13 Remaining Estimated Expenditures
United States Department of Energy low-income weatherization assistance program	\$6,187,945	\$5,093,698	\$1,094,247
State energy program	18,166,691 ¹	8,189,265	9,977,426
Energy efficiency and conservation block grants	5,299,440 ¹	1,897,173	3,430,418 ²
Homeless prevention and rapid rehousing program	657,072	496,241	160,831
Community services block grant	73,171	49,949	23,222
Energy assurance planning and smart grid resiliency	140,309 ¹		112,158 ²
Total	\$30,524,628	\$15,726,326	\$14,798,302

¹In June 2012, the Department of Commerce will request Emergency Commission and Budget Section approval of additional federal fiscal stimulus funds available to the Department of Commerce in the 2011-13 biennium that were not authorized by the Legislative Assembly in 2011 as follows:

	2011-13 Appropriation	Available ARRA Funds	Additional Spending Authority Request
State energy program	\$9,000,000	\$18,166,691	\$9,166,691
Energy efficiency and conservation block grants	4,946,750	5,299,440	352,690
Energy assurance planning and smart grid resiliency	0	140,309	140,309
Total	\$13,946,750	\$23,606,440	\$9,659,690

²The federal government may extend the expiration date of ARRA funds available under this grant program into the 2013-15 biennium.

Exemption - In Section 18 of 2011 Senate Bill No. 2057, the Legislative Assembly authorized the Department of Commerce to continue up to \$4.1 million of the 2009-11 \$5 million general fund appropriation for a Great Plains Applied Energy Research Center (2009 S.L., ch. 26, § 1). In the 2009-11 biennium the department conducted a feasibility study to determine if a Great Plains Applied Energy Research Center on the Bismarck State College campus was a viable investment. The study determined the project was not feasible; therefore, the department did not continue with construction of the center. The Legislative Assembly provided \$4.1 million carryover in the 2011-13 biennium for the following purposes:

North Dakota Development Fund to provide funding to startup stage technology-based businesses	\$1,000,000
Workforce enhancement grants	1,125,000
Tourism infrastructure grants	750,000
Acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma	600,000
Minot Air Force Base realignment grant	325,000
Grant to a not-for-profit organization assisting individuals with business ideas	300,000
Total	\$4,100,000

The following is a summary of the status of the Department of Commerce's off-budget items:

North Dakota Development Fund to provide funding to startup stage technology-based businesses	See the Small business technology investment section below
Workforce enhancement grants	See the Workforce enhancement fund section below
Tourism infrastructure grants	As of April 2012, the Tourism Division has awarded \$750,000 in tourism infrastructure grants to six projects to be used for building new visitor attractions, major expansions offering a new experience, and supporting services for visitors. The grants require a 1-to-1 match and are payable on a reimbursement basis. Grant recipients are as follows: <ul style="list-style-type: none"> • The Dakota Zoo, Bismarck, for the Heringer Family Primate Center. This new primate facility will allow the zoo to extend its hours through the winter months while creating a new visitor experience (\$100,000). • Bottineau Winter Park, Bottineau, for Annie's House, which will provide a new adaptive ski facility at the park for disabled skiers (\$115,000). • Red River Valley Fair, Fargo, for the Schollander Pavilion Renovation. This renovation will extend the season at the fair by providing updated facilities for multiple users, such as events and manufacture demonstrations (\$200,000). • Sleepy Hollow Arts Park, Bismarck, for the stage at the park. The replacement of the stage at the park will provide additional uses for the community and allow the facility to expand its visitor potential by hosting larger productions (\$120,000). • North Dakota State Fair, Minot, for campsite development. The development of additional recreational vehicle sites on the North Dakota State Fairgrounds provides improved amenities and needed accommodations for visitors (\$65,000).

Acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma	<ul style="list-style-type: none"> • Riverdale High Lodge, Riverdale, for construction of a recreational vehicle park and cabins, which will allow the facility the ability to attract more visitors (\$150,000).
Minot Air Force Base realignment grant	The Department of Commerce has made available \$600,000 to the Cavalier County Jobs Development Authority as matching funds to obtain assistance through the economic development administration's public works program to acquire and redevelop the former Stanley R. Mickelson safeguard complex. The Department of Commerce will provide the funding to the Cavalier County Jobs Development Authority once the project has received federal approval.
Grant to a not-for-profit organization assisting individuals with business ideas	The Department of Commerce approved a memorandum of agreement regarding the realignment grant with the Minot Area Chamber of Commerce Task Force 21. As of April 2012, \$25,000 has been distributed. The Department of Commerce has approved a grant agreement with the Individuals With Disabilities Education Act Center for the full \$300,000 available for a grant to a not-for-profit organization assisting individuals with business ideas. As of April 2012, \$85,000 has been distributed.

Workforce enhancement fund - The Legislative Assembly in 2011 provided for the transfer of \$1.5 million, of which \$375,000 is from the general fund and \$1,125,000 is from unspent 2009-11 biennium funding for the Great Plains Applied Energy Research Center to the workforce enhancement fund. The Department of Commerce administers the workforce enhancement fund, providing grants to higher education institutions assigned primary responsibility for workforce training in the state. The grants are to be used to create or enhance training programs that address workforce needs of private sector companies. A grant may be used for curriculum development, equipment, recruitment of participants, and training and certification for instructors but may not be used to supplant funding for current operations. The higher education institution must provide detailed documentation of private sector participation, including the availability of \$1 of matching funds for each dollar of state funds.

As of April 2012 the department has awarded three workforce enhancement grants totaling \$900,000 as follows:

Bismarck State College	High-fidelity simulation for the Dakota Nursing Program - The project is to purchase high fidelity simulation equipment for the nursing and emergency technology programs. The equipment will enhance the current labs and provide hands-on training geared toward more complex medical scenarios (both in-hospital and ambulance-based patient care).	\$150,000
North Dakota State College of Science	Mechantronics training initiative - The project is to develop a mechantronics training program. The field of mechantronics is a fusion of electrical and electronic control systems, computer technology, and mechanical systems. This proposal is designed to offer an Associate in Applied Science degree in mechantronics technology by offering course modules and lab activities. Trained	375,000

	individuals will have the capability to repair and maintain highly automated robotics manufacturing systems.	
Williston State College	Oilfield training program - The project is to address two main areas of training for the oil and gas industry--development and delivery of a structured hands-on training curriculum for potential workers to understand safety in field operations and petroleum technology training in how to maintain the oil wells as lease operator or pumpers.	375,000
Total		\$900,000

Centers of research excellence grants - In Section 12 of 2011 Senate Bill No. 2057, the Legislative Assembly established a centers of research excellence fund. Money in the fund is appropriated to the Department of Commerce on a continuing basis for implementing and administering the centers of research excellence program. Interest earned on money in the fund is retained in the fund. The Legislative Assembly in 2011 appropriated \$12 million from the general fund for transfer to the centers of research excellence fund for providing funding for a limited deployment-cooperative airspace project grant (\$4 million--\$2.7 million to University of North Dakota (UND) and \$1.3 million to North Dakota State University (NDSU)), centers of research excellence grants (\$5 million--\$1 million to UND and \$4 million to NDSU), and base realignment grants for the 2011-13 biennium (\$3 million to UND).

The centers of research excellence program established by the Legislative Assembly in 2011 replaces the centers of excellence program with the following modifications:

- Grant award determinations are made by the Centers of Excellence Commission and do not require Budget Section or Emergency Commission approval.
- Tourism was removed from the definition of an "industry cluster."
- Under centers of research excellence application and eligibility requirements, the requirement that research universities limit applications to two per round of centers funding is removed as well as the requirement relating to consideration of a center's ability to become financially self-sustaining from the award determination process.
- Under centers of research excellence postaward monitoring, an audit is required on all funds distributed to the centers after the second full fiscal year, after all funds distributed to the centers have been expended, and for all other years during the postaward monitoring. The centers may contract with an independent accountant for an agreed-upon procedures engagement. This was changed from the requirement of annual audits until the completion of the Centers of Excellence Commission's postaward monitoring, which lasted for no fewer than six years and no more than 10 years following center designation.

The Legislative Assembly in 2011 provided that the Department of Commerce use \$4 million of the funds transferred to the centers of research excellence fund for grants to the North Dakota University System's research institutions for the purpose of leveraging private and federal funding to advance state opportunities associated with a limited deployment-cooperative airspace project in the state during the 2011-13 biennium. The Department of Commerce has awarded \$2.7 million to UND and \$1.3 million to NDSU for the project.

In 2011 Senate Bill No. 2057, the Legislative Assembly provides that the Department of Commerce may use \$8 million of the funds transferred to the centers of research excellence fund for centers of research excellence grants. The Centers of Excellence Commission may not award centers of research excellence grants of more than \$4 million to one research university or nonprofit foundation related to that research university. The Department of Commerce developed application criteria, reviewed submitted applications, and recommended applications for approval to the Centers of Excellence Commission. As of March 2012, a total of \$1,670,000 has been awarded for centers of research excellence grants as follows:

NDSU	
Center for Life Sciences Research and Applications	\$1,350,000
Center for Technologically Innovative Processes and Products	320,000
Total	\$1,670,000

The Department of Commerce anticipates awarding a total of \$4 million to NDSU for centers of research excellence grants for the 2011-13 biennium.

Of the \$4 million available to UND through the centers of research excellence program, \$3 million is to be used for base realignment grants. The Legislative Assembly in 2011 provided that the department award base realignment grants to enhance economic development and employment opportunities associated with the Grand Forks Air Force Base resulting from action by the federal Defense Base Closure and Realignment Commission, a grant of up to \$200,000 to the Grand Forks Housing

- The centers of research excellence program is considered an ongoing program of the Department of Commerce. (The centers of excellence program had an established expiration date.)

Authority for a planning initiative, or grants for infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks Air Force Base. Any funds not committed within the first 18 months of the biennium may be used by the Centers of Excellence Commission for the centers of research excellence program. As of March 2012, a total of \$1,259,350 has been awarded for base realignment grants as follows:

UND	
Global Hawk sensor operator part task trainer	\$878,204
Joint Distributed Common Ground System	125,706
North Dakota Unmanned Aircraft Systems Airspace Initiative - Phase 2	255,440
Total	\$1,259,350

The Department of Commerce anticipates awarding a total of \$3 million to UND for base realignment grants and \$1 million to UND for centers of research excellence grants for the 2011-13 biennium.

Centers of excellence program - The Legislative Assembly in 2011 did not appropriate new funding to the centers of excellence fund or program for the 2011-13 biennium. The remaining balance in the centers of excellence fund is obligated to centers of excellence awarded in prior bienniums.

Pursuant to provisions of 2011 Senate Bill No. 2057, the centers of excellence fund will be repealed on August 1, 2023. Section 15-69-05, relating to centers of excellence, was amended to provide for the distribution of remaining obligated funds and postaward monitoring of centers of excellence awarded in prior bienniums. The postaward monitoring is changed to provide that an audit be required on all funds distributed to the centers after the second full fiscal year, after all funds distributed to the centers have been expended, and for all other years during the postaward monitoring, the centers may contract with an independent accountant for an agreed-upon procedures engagement. This was changed from the requirement of annual audits until the completion of the commission's postaward monitoring, which lasted for no fewer than six years and no more than 10 years following center designation.

In the centers of excellence fund, the July 1, 2011, balance of \$22,998,197 included \$22,672,492 that was obligated for centers of excellence proposals approved in the 2009-11 biennium and previous bienniums. From the 2009-11 appropriation, \$285,000 was unawarded for centers of excellence grants and is available for ongoing administrative costs. April 2012 projections estimate a June 30, 2013, balance of \$5,546,985. The balance is for unawarded centers of excellence grants and ongoing administrative costs.

InnovateND program - The Legislative Assembly in 2011 provided \$550,000, of which \$400,000 is from the general fund for the InnovateND program in the 2011-13 biennium.

As of April 2012 the department has collected \$50,950 of special funds for the InnovateND program. The department expects to receive \$150,000 of special funds by the end of the 2011-13 biennium. Special funds are raised from private sources and utilized for InnovateND Idea Champion prizes. The department will disburse half of the available funds to eligible applicants in 2012 and the remaining half in 2013.

Operation intern program - The Legislative Assembly in 2011 provided \$900,000 from the general fund for the operation intern program. In Section 10 of 2011 Senate Bill No. 2057, the Legislative Assembly created a new section to Chapter 54-60 to create an internship fund and provide a continuing appropriation. Interest earned on money in the fund is retained in the fund. In Section 17 of 2011 Senate Bill No. 2057, the Legislative Assembly allowed the department to continue any unexpended amounts from the 2009-11 biennium appropriations relating to internships (operating expenses line item - 2009 S.L., ch. 46, § 1) into the 2011-13 biennium and provides that any unexpended funds of this amount in the 2011-13 biennium be transferred to the internship fund at the end of the 2011-13 biennium. In Section 25 of 2011 Senate Bill No. 2057, the Legislative Assembly provided that the \$900,000 appropriated for the program in the operating expenses line item in Section 1 be transferred to the internship fund.

Small business technology investment - In Section 4 of 2011 Senate Bill No. 2057, the Legislative Assembly established a small business technology investment program that provides matching investments to startup technology-based businesses. A matching requirement provides that corporations must provide \$2 of angel fund investment matching funds, certified under Section 57-38-01.26, for each \$1 of state funds awarded. Investments are limited to \$50,000 per award recipient.

Biofuel blender pump incentive program - In Section 9 of 2011 Senate Bill No. 2057, the Legislative Assembly reestablished the biofuel blender pump incentive program that expired on November 30, 2010. The program is to be administered by the Department of Commerce to provide cost-share grants up to \$14,000 per pump to motor fuel retailers for the installation of biofuel blender pumps and associated equipment at retail locations, including the piping system and storage components. Section 36 establishes an expiration date of July 31, 2013, for the statutory provisions.

Electronic portfolio pilot project - In Section 11 of 2011 Senate Bill No. 2057, the Legislative Assembly established a pilot program within higher education for an electronic portfolio system to be administered by the Division of Workforce Development and appropriated \$150,000 from the general fund for the program as identified in Section 2 of the bill.

As of April 2012, 103 businesses are participating in operation intern providing a total of 341 intern positions. For the 2011-13 biennium \$1,077,307 is available for the operation intern program, including the \$900,000 general fund appropriation and \$177,307 of carryover authority. Of the \$1,077,307, \$1,046,780 has been obligated.

The North Dakota development fund began the small business technology investment program in July 2011. As of April 2012, there have been three inquiries of the investment program but no applications for funding.

The Department of Commerce was authorized to continue \$729,555 of unexpended funds from the 2009-11 biennium appropriation related to the biofuel blender pump incentive program (see **Exemption** section below). In addition, the Department of Commerce received federal authority to use federal fiscal stimulus funding from the state energy program for the biofuel blender pump incentive program. As of January 2012, the Department of Commerce has expended \$650,000 of state energy program funding and \$265,000 of funds continued from the 2009-11 biennium. All available state energy program funding for incentive grants has been expended.

The Division of Workforce Development of the Department of Commerce formed an eFolio Pilot Project Committee that includes representation from the North Dakota State College of Science, Valley City State University, Job Service North Dakota, the University System, and the Department of Commerce. As of April 2012, \$128,000 has been allocated for the pilot project budget which includes administrative costs and the purchase of eFolio individual user licenses, administrative tools, training, development of a North Dakota portal, and development of PDF conversion capability. The project plan has been finalized, instructors are being enlisted, implementation teams have been organized, vendor services and training have been identified, and system training dates chosen.

Income tax credit - In Sections 13 and 14 of 2011 Senate Bill No. 2057, the Legislative Assembly provided for an income tax credit on purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes. Section 37 provides that Sections 13 and 14 are effective for the first 3 taxable years beginning after December 31, 2012.

Exemption - In Sections 15, 16, and 19 through 22 of 2011 Senate Bill No. 2057, the Legislative Assembly allowed unexpended amounts from the following 2009-11 biennium appropriations to continue into the 2011-13 biennium:

- Agricultural Products Utilization Commission (2009 S.L., ch. 46, § 1).
- Discretionary funds (line item - 2009 S.L., ch. 46, § 1).
- Technology-based entrepreneurship grant program (grants line item - 2009 S.L., ch. 46, § 1).
- Early childhood facility grants (2009 S.L., ch. 108, § 6).
- Biofuel blender pump incentive program (2009 S.L., ch. 46, §§ 1 and 2).
- USS *North Dakota* (grants line item - 2009 S.L., ch. 46, § 1).

2020 and Beyond Initiative - In Section 29 of 2011 Senate Bill No. 2057, the Legislative Assembly provided that the North Dakota Economic Development Foundation contract with an organization with North Dakota business membership which is statewide in scope and represents business interests across the state in order to conduct a 2020 and Beyond Initiative to study various aspects of the state's economic conditions. The 2020 and Beyond Initiative must include periodic meetings of six legislators appointed by the chairman of the Legislative Management, individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests. The Department of Commerce's 2011-13 legislative appropriation includes \$50,000 from the general fund for providing a grant to implement the 2020 and Beyond Initiative.

Institution of higher education vaccinology initiative - In Section 30 of 2011 Senate Bill No. 2057, the Legislative Assembly provided that of the funds appropriated in the discretionary funds line item, \$50,000 from the general fund may be used by the Department of Commerce to provide a matching grant to an institution of higher education for a vaccinology initiative.

Crop insurance development grants - In 2011 Senate Bill No. 2222, the Legislative Assembly required the Agricultural Products Utilization Commission to reserve \$150,000 from the agricultural fuel tax fund for the purpose of awarding grants that have been approved by the Crop Insurance Development Board. If any portion of the reserved amount remains unexpended at the conclusion of a biennium, the unexpended amount must also be made available for the purpose of awarding grants during the next biennium.

The Department of Commerce is working with the Tax Department to create a certification application form and certification procedures in preparation for taxable years after December 2012.

The Department of Commerce requested to continue the following unused 2009-11 appropriation authority for the 2011-13 biennium:

	General Fund	Other Funds	Total
Agricultural Products Utilization Commission	\$682,092	\$836,767	\$1,518,859
Discretionary funds	713,693		713,693
Technology-based entrepreneurship grant program	626,078		626,078
Early childhood facility grants	92,737		92,737
Biofuel blender pump incentive program	729,555		729,555
USS <i>North Dakota</i>	86,266		86,266
Total	\$2,930,421	\$836,767	\$3,767,188

The North Dakota Economic Development Foundation of the Department of Commerce contracted with the North Dakota Chamber of Commerce to conduct a 2020 and Beyond Initiative study. Steering and advisory committees have been appointed. As of April 2012, 10 public input meetings have occurred in nine different cities. A website has also been developed to gather ideas and input within three categories--people, places, and opportunities. Recommendations from the 2020 and Beyond study will be provided to the Governor and Legislative Assembly in the fall of 2012.

The Department of Commerce provided a matching grant of \$50,000 to NDSU for a vaccinology initiative in October 2011.

As of April 2012, the Agricultural Products Utilization Commission has not received any requests for grants that have been approved by the Crop Insurance Development Board.

Disaster relief funding - In 2011 Senate Bill No. 2371, the Legislative Assembly appropriated \$235 million of federal funds that may become available to the Department of Commerce for providing loans or grants to flood-impacted individuals, property acquisitions, and infrastructure development grants to flood-impacted communities.

Energy impact coordinator - In March 2012 a memorandum of agreement was signed by the Governor's Office, Department of Commerce, and Department of Transportation to fill an energy impact coordinator temporary position to communicate and coordinate with political subdivisions on the state's progress to address infrastructure development, safety, and planning throughout oil-impacted areas. The coordinator is to specifically address five areas of concern--truck reliever routes, traffic safety, affordable housing, public safety, and improved planning and coordination.

State data center - In February 2012 the state data center at NDSU was closed and the related United States Census Bureau functions were transitioned from NDSU to the Department of Commerce.

The Department of Commerce received \$11,193,550 of federal Community Development Block Grant disaster relief funding in February 2012. The Department of Commerce is in the process of developing a plan for the distribution of disaster relief funding which must be submitted to the United States Department of Housing and Urban Development (HUD) by July 23, 2012. The United States Department of Housing and Urban Development approval of the plan is required prior to award distributions. Restrictions on use of funding provide that 80 percent be awarded to Ward County.

In addition, HUD provided \$67,575,964 of community development block grant disaster relief funding directly to the city of Minot.

The Department of Commerce will reimburse the Department of Transportation for services provided by the Energy Impact Coordinator position in the amount of \$20,000 for the period of April 2012 to March 2013.

The Department of Commerce has organized a North Dakota Census Office, which will assist in United States Census reporting, interpreting data, and responding to public requests for demographic information. The Census Office personnel consists of members of the research team within the Department of Commerce Economic Development and Finance division. The Department of Commerce also plans to contract with Coventry Consulting to provide data analysis and interpretation as necessary. The Department of Commerce plans to share costs of the state data center with the Office of Management and Budget for the remainder of the 2011-13 biennium. For the period February 2012 through April 2012, the Department of Commerce incurred \$3,230 of salary expense related to the state data center, of which \$1,615 will be reimbursed by the Office of Management and Budget. The department plans to request additional funding for the program to continue in the 2013-15 biennium based on total expenditures incurred in the 2011-13 biennium.