

**Department of Commerce
Budget 601
Senate Bill Nos. 2018, 2225, 2260; House Bill Nos. 1015, 1350, 1496**

	FTE Positions	General Fund	Other Funds	Total
2009-11 legislative appropriation	68.00	\$58,476,303 ¹	\$138,261,105	\$196,737,408
2007-09 legislative appropriation	<u>66.00</u>	<u>28,581,965</u>	<u>55,758,516</u>	<u>84,340,481</u>
2009-11 appropriation increase (decrease) to 2007-09 appropriation	2.00	\$29,894,338	\$82,502,589	\$112,396,927

¹This amount includes \$28,420,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$30,056,303.

Item Description

FTE changes - The 2009-11 biennium appropriation included funding for 68 FTE positions, an increase of 2 FTE positions from the 2007-09 biennium authorized level of 66 FTE positions. The 2009 Legislative Assembly authorized the addition of 1 FTE administrative assistant position and 1 FTE position for the State Commission on Community Service.

One-time funding - The 2009 Legislative Assembly appropriated one-time funding of \$28,420,000 from the general fund to the department for the 2009-11 biennium. This amount is not to be considered part of the agency's base budget for preparing the 2011-13 executive budget, and the department is to report to the Appropriations Committees during the 2011 legislative session on the use of this funding. One-time funding items for the department include:

Transfer to the workforce enhancement fund (SB 2018)	\$1,000,000
Biofuel blender pump grants (SB 2018)	1,000,000 ¹
Promotion and marketing of the USS <i>North Dakota</i> (SB 2018)	100,000
Transfer to the centers of excellence fund for the 2009-11 biennium (SB 2018)	15,000,000
Grants and loans for child care providers for technical assistance, infrastructure, or business planning (SB 2225)	1,820,000
Transfer to the centers of excellence fund for 2007-09 centers of excellence-awarded projects (HB 1015)	4,450,000
Grant for construction of a Great Plains Applied Energy Research Center (HB 1350)	5,000,000
Equine processing facility feasibility study (HB 1496)	50,000
	<u>\$28,420,000</u>

¹In addition, Section 4 of Senate Bill No. 2018 provides that the department use \$1 million of its federal fiscal stimulus funding for biofuel blender pump grants.

Status/Result

The Department of Commerce has filled the two newly added FTE positions. The administrative assistant position was filled in September 2009, and the position for the State Commission on Community Service was filled in October 2009.

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

Transfer to workforce enhancement fund	See the Workforce enhancement fund section below.
Biofuel blender pump grants	Biofuel blender pump grants are awarded to retailers to help alleviate the costs of installing blender pumps. The program awards \$5,000 per pump, with a limit of \$40,000 per retail location. As of April 2010, the department has received applications for 93 pumps. The department has awarded \$200,000 of state funds and is in the process of awarding \$265,000 of federal fiscal stimulus funds.
Promotion and marketing of the USS <i>North Dakota</i>	The department has not distributed any of the one-time funds provided for promotion and marketing of the USS <i>North Dakota</i> . The department is working with the North Dakota Chamber of Commerce to finalize the details regarding the use of funds. The funding is expected to be distributed by the end of the 2009-11 biennium.
Transfer to the centers of excellence fund for the 2009-11 biennium	See the Centers of excellence grants section below
Grants and loans for child care providers	The funding for grants and loans for child care providers was provided to the Division of Community Services (\$520,300) and the North Dakota Development Fund, Inc. (\$1,299,700). The Division of Community Services has completed first round grant distributions of

	\$243,000 to 96 child care facilities and have processed second round applications. Upon department approval, second round grant distributions will be \$203,000 to 67 child care facilities. Since September 2009, the Development Fund has received 24 inquiries for funding. Of the 24 inquiries, 13 inquiries had specific dollar amounts totaling \$587,925. The Development Fund has approved three requests for a total of \$190,341. Entities receiving funding were located in Minot, Bismarck, and Fargo.
Transfer to the centers of excellence fund for 2007-09 centers of excellence-awarded projects	The department has transferred the \$4,450,000 to the centers of excellence fund. The funding will be distributed to 2007-09 centers of excellence-awarded projects according to the budget timeline approved in their proposals.
Grant for construction of a Great Plains Applied Energy Research Center	A feasibility study was initiated in March 2010 to determine if a Great Plains Applied Energy Research Center on the Bismarck State College campus is viable. The study is expected to be completed by the end of the 2009-11 biennium. The actual construction of the project is contingent upon the outcome of the study.
Equine processing facility feasibility study	The \$50,000 funding from the general fund requires a dollar-for-dollar match. The department has obtained a \$30,000 grant from the Agricultural Products Utilization Commission to provide for a portion of the required match. The department is using the \$30,000 from the Agricultural Products Utilization Commission with \$30,000 from the general fund to proceed with a major portion of the study. In April 2010 a law firm from Washington, D.C., was hired to conduct a study of the legal and regulatory environment surrounding equine slaughter. The preliminary report is due by June 30, 2010, and a final report by July 15, 2010. If the results of the legal and regulatory study are affirmative, the department will proceed to Phase 2 of the study which will be to address the economic feasibility of engaging in equine slaughter within the state of North Dakota.

Federal fiscal stimulus funding - In Section 2 of Senate Bill No. 2018, the Legislative Assembly appropriated \$68,594,635 of federal fiscal stimulus funds from the American Recovery and Reinvestment Act of 2009. The funding is not to be considered part of the agency's base budget for the 2011-13 biennium. Any program expenditures made with these funds will not be replaced with state funds after the American Recovery and Reinvestment Act of 2009 funds are no longer available. Federal fiscal stimulus funding items for the department include:

The following is a summary of federal fiscal stimulus funding awards and actual program expenditures through March 31, 2010:

Community development block grant program	\$1,300,000
Community services block grant	4,853,305
State energy program	24,585,000
Energy efficiency and conservation block grants	10,000,000
Weatherization assistance program	25,266,330
Emergency shelter grants	2,590,000
Subtotal	\$68,594,635 ^{1,2}
Energy Star appliance rebate program ³	615,000 ³
Energy assurance planning and smart grid resiliency ³	258,858 ³
Total	\$69,468,493

¹Section 3 of Senate Bill No. 2018 provides that the Department of Commerce use \$2 million of the federal fiscal stimulus funds for establishing a grant program to assist in the purchase and installation of electrical generators that consume at least 75 percent of the gas from oil and gas well sites which would otherwise be flared or wasted. The funding is contingent upon approval from the United States Department of Energy of use of funding for the grant program. Before making a grant from the program, the Department of Commerce is to obtain the recommendation of the oil and gas research program administered by the Industrial Commission regarding the application's technical accuracy and consistency with the oil and gas research program.

²Section 4 of Senate Bill No. 2018 provides that the Department of Commerce use \$1 million of the federal fiscal stimulus funds for biofuel blender pump grants.

³The department received Emergency Commission approval to accept and spend additional federal fiscal stimulus funds.

Program	Funding Award	Actual Expenditures (Through March 31, 2010)
Weatherization assistance program	\$25,266,330	\$7,138,048
State energy program	24,585,000	216,676
Energy efficiency and conservation block grants	9,593,500	36,321
Community development block grant program	1,299,857	24,933
Homeless prevention and rapid rehousing program	2,582,637	305,207
Community services block grant	4,573,445	3,029,230
Energy Star appliance rebate program	615,000	1,551
Energy assurance planning and smart grid resiliency	258,858	2,621
Total	\$68,774,627	\$10,754,587

The table below is a summary of estimated federal fiscal stimulus funds expenditures by fiscal year. The department expects a portion of the funds from the American Recovery and Reinvestment Act of 2009 will continue into fiscal year 2012.

Program	FY 2010	FY 2011	FY 2012
Weatherization assistance program	\$10,000,000	\$12,000,000	\$3,266,330
State energy program	1,000,000	15,000,000	8,585,000
Energy efficiency and conservation block grants	1,000,000	5,000,000	3,593,500
Community development block grant program	520,000	779,857	0
Homeless prevention and rapid rehousing program	520,000	1,000,000	1,062,637
Community services block grant	4,400,000	173,445	0
Energy Star appliance rebate program	500,000	115,000	0
Energy assurance planning and smart grid resiliency	80,000	88,000	90,858
Total	\$18,020,000	\$34,156,302	\$16,598,325

Centers of excellence grants - The 2009 Legislative Assembly appropriated \$15 million from the general fund for transfer to the centers of excellence fund for providing funding to centers of excellence for the 2009-11 biennium. The Legislative Assembly provided a contingent general fund appropriation of \$5 million for transfer to the centers of excellence fund for providing additional centers of excellence funding for the 2009-11 biennium. The Office of Management and Budget (OMB) may transfer this funding only if actual general fund revenues for the period July 1, 2009, through December 1,

The Office of Management and Budget transferred \$15 million from the general fund to the centers of excellence fund in February 2010. In addition, OMB determined actual general fund revenues for the period July 1, 2009, through December 1, 2009, exceeded estimated general fund revenues for that period by at least \$5 million and transferred the contingent general fund appropriation of \$5 million in December 2009.

2009, exceed estimated general fund revenues for that period by at least \$5 million, as determined by OMB, based on the legislative estimates made at the close of the 2009 legislative session.

The 2009 Legislative Assembly provided in Section 23 of Senate Bill No. 2018 that the Department of Commerce use \$10 million of the funds transferred to the centers of excellence fund for centers of excellence enhancement grants. The centers of excellence enhancement grants may be made available to research universities under the control of the State Board of Higher Education or nonprofit university-related foundations for use in infrastructure or enhancement of economic development and employment opportunities.

Centers of excellence - Best practice review - The 2009 Legislative Assembly provided in Section 25 of Senate Bill No. 2018 that the Department of Commerce and the Centers of Excellence Commission are to conduct a best practice review of the centers of excellence program by contracting with an appropriate entity with broad-based expertise in programs similar to North Dakota's centers of excellence program. The Legislative Assembly provided the department a \$50,000 general fund appropriation for contracting with an entity to perform the review.

Workforce enhancement fund - The Legislative Assembly provided for the transfer of \$1 million from the general fund 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.

InnovateND program - The Legislative Assembly provided \$500,000, of which \$350,000 is from the general fund and \$150,000 is from special funds, for the InnovateND program.

Through April 2010 the Centers of Excellence Commission has awarded \$7.75 million of the \$10 million appropriated for centers of excellence enhancement grants to the following projects:

University of North Dakota	Center of Excellence for Unmanned Aircraft Systems research, education, and training	\$2,754,000
North Dakota State University	Research I expansion	4,000,000
	Materials and Nanotechnology Center	1,000,000
Total		\$7,754,000

Applications for the remaining centers of excellence funding of \$10 million have been processed and will be presented to the Budget Section for consideration on June 22, 2010.

The department has issued a request for proposal to conduct a best practice review of the centers of excellence program. Submittals were due by April 30, 2010. The department will approve an appropriate entity with broad-based expertise in programs similar to North Dakota's centers of excellence program to conduct the review. The study will be completed and presented to the Legislative Management's interim Workforce Committee on July 19, 2010.

As of April 2010 the department has awarded four workforce enhancement grants totaling \$831,222. The State College of Science was awarded a grant of \$265,000 for the college's automotive diagnostic certification center. Funding is for diagnostic equipment, software and consulting, a training platform, instructor training, and curriculum development. Bismarck State College was awarded a grant of \$199,106 for the college's welding partnership program. Funding is for three virtual welding simulator training units and related training and instruction costs. Bismarck State College was also awarded a grant of \$102,116 for an electronics and telecommunications project. Funding is for equipment, material and supplies, and instructor and curriculum development. Williston State College was awarded a grant of \$265,000 for a transportation initiative project. Funding is for equipment and instructor certification.

As of April 2010 the department has collected \$44,450 of special funds for the InnovateND program. The department expects to receive \$74,000 of special funds by the end of the 2009-11 biennium. The department attributes the decrease in special funds to slowing economic conditions. The department will disburse half of the available funds to eligible applicants in 2010 and the remaining half in 2011.

Operation Intern program - The Legislative Assembly provided \$900,000 from the general fund for the Operation Intern program in Senate Bill No. 2018.

Technology-based entrepreneurship grant program - The Legislative Assembly provided funding of \$1 million from the general fund for a technology-based entrepreneurship grant program.

Individual development accounts - The Legislative Assembly in Senate Bill No. 2260 provided a \$125,000 general fund appropriation to the Division of Community Services for providing matching funds for individual development accounts.

Tax-exempt property - The Legislative Assembly directed the Department of Commerce to compile information identifying tax-exempt property by school district, including information on the related value of the property based on soil survey, insured value, or other means and a categorization of the property by whether or not it produces revenue based on its use, during the 2009-10 interim. The Legislative Assembly provided the department with \$11,500 from the general fund for compiling the information.

Large tourism infrastructure grants - The Legislative Assembly provided that the Division of Tourism develop criteria for large tourism infrastructure grants and a method for setting funding priorities for these grants in future bienniums.

Foundation grants - The Legislative Assembly provided \$1.5 million from the general fund for a grant to the Lewis and Clark Foundation and \$500,000 from the general fund for a grant to the Theodore Roosevelt Medora Foundation. Both grants require matching funds. Section 16 of Senate Bill No. 2018 requires the Lewis and Clark Foundation to secure matching funds from nonstate sources on a dollar-for-dollar basis and Section 17 of Senate Bill No. 2018 requires the Theodore Roosevelt Medora Foundation to secure matching funds of \$12 million from nonstate sources. The Legislative Assembly also provided that the Department of Commerce establish and implement appropriate accountability requirements relating to grants provided to the Lewis and Clark Foundation and the Theodore Roosevelt Medora Foundation.

As of April 2010, 70 businesses are participating in Operation Intern along with 5 federal internships providing a total of 212 intern positions. Of the \$900,000, \$529,383 has been obligated.

The department has developed a technology-based entrepreneurship grant program with assistance from entrepreneurial centers across the state. Grants will be awarded in four rounds. Each round will provide \$250,000 of funding. The first round of applications was due April 30, 2010. The agency plans to distribute funds quarterly beginning in June 2010.

The department has provided \$125,000 to the Community Action Association for purposes of making available matching funds for individual development accounts pursuant to North Dakota Century Code Chapter 54-64. Seven community action agencies received funding from the Community Action Association to provide funds to 62 individual development accounts during the 2009-11 biennium.

The department has determined that the volume of information to be collected is too great and is instead planning to gather data on a sampling of cities that are deemed representative of the entire state. As of May 2010 the department has offered two candidates intern positions for the summer of 2010 to assist in compiling information. The department will report its findings to the Budget Section in the third quarter of 2010.

The department has developed a draft of criteria for large tourism infrastructure grants and a method to determine funding priorities for these grants. The department is still in the process of finalizing the draft. The final version will be made available to potential interested applicants by the end of the 2009-11 biennium.

As of May 2010 the grant to the Lewis and Clark Foundation has not yet been disbursed. The department is working with the foundation to ensure matching funds are secured from nonstate sources on a dollar-for-dollar basis and that once released the funds are used for construction costs only as required in Section 16 of Senate Bill No. 2018. The department has established accountability requirements requiring board minutes confirming approval for the project and financial package, submittal of a construction budget and proposed disbursement schedule, submittal of a financial sources and uses of funds statement, a schedule of donations received and pledges outstanding, an approved project bid confirming that at least \$1.5 million of the project involves construction costs, and quarterly progress reports demonstrating the funds are being used only for construction costs.

The department has provided the Theodore Roosevelt Medora Foundation a \$500,000 grant to assist the foundation in construction costs. The foundation secured \$12 million from nonstate sources as required in Section 17 of Senate Bill No. 2018. The funding provided was used in the construction of a restaurant that opened in Medora in the summer of 2009 and a hotel in Medora that will open in the summer of 2010. The department established an accountability requirement for this grant that required the foundation to submit documentation validating the match requirement was met.