

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1019

That the Senate recede from its amendments as printed on pages 1475-1480 of the House Journal and pages 1295-1300 of the Senate Journal and that Engrossed House Bill No. 1019 be amended as follows:

Page 1, line 2, after "fund" insert "; to provide an exemption; to establish a trade promotion authority; to provide a continuing appropriation" and replace "budget" with "legislative council"

Page 1, line 3, remove "section"

Page 1, line 4, replace "designate the department of commerce as the state's fiscal" with "create and enact a new section to chapter 15-10 and a new subsection to section 54-59-05 of the North Dakota Century Code, relating to centers of excellence and to wide area network services provided by the information technology department"

Page 1, line 5, remove "agent for workforce development programs"

Page 1, line 15, replace "6,718,913" with "6,713,340"

Page 1, line 16, replace "8,442,124" with "8,237,247"

Page 1, line 17, replace "73,864,584" with "46,585,026"

Page 1, after line 17, insert:

"Discretionary grants	1,447,127
North Dakota development fund	1,550,000"

Page 1, line 18, replace "5,483,385" with "2,983,179"

Page 1, line 19, replace "852,014" with "951,911"

Page 1, line 20, replace "95,361,020" with "68,467,830"

Page 1, line 21, replace "77,534,217" with "52,353,107"

Page 1, line 22, replace "17,826,803" with "16,114,723"

Page 2, replace lines 3 through 6 with:

**"SECTION 3. EXEMPTION.** The funds appropriated in the discretionary grants line item in section 1 of this Act are not subject to section 54-44.1-11 and any unexpended funds from this line item may be spent during the biennium beginning July 1, 2005, and ending June 30, 2007."

Page 2, remove lines 16 through 18

Page 3, replace lines 4 through 17 with:

**"SECTION 9. ACCOUNTABILITY MEASURES - REPORTING.** The commissioner of the department of commerce shall monitor and report annually during the 2003-04 interim to either the budget section or an interim committee designated by the legislative council regarding the following North Dakota economic goals and associated benchmarks:

1. Develop unified efforts for economic development based on collaboration and accountability:
  - a. Site selection ranking of the North Dakota department of commerce.
  - b. Share of local economic development organizations participating in statewide marketing strategy.
2. Strengthen cooperation between the university system, economic development organizations, and private businesses:
  - a. Academic research and development expenditures as percentage of gross state product.
  - b. Industry research and development expenditures as percentage of gross state product.
3. Create quality jobs that retain North Dakota's workforce and attract new high-skilled labor:
  - a. Net job growth.
  - b. New private sector businesses per one hundred thousand residents.
  - c. Average annual wage.
  - d. Net migration.
4. Create a strong marketing image that builds on the state's numerous strengths, including workforce, education, and quality of life.
  - a. Positive national and out-of-state media exposure (favorable mentions).
  - b. Number of North Dakota department of commerce web site hits per month.
  - c. Number of leads generated by the North Dakota department of commerce.
5. Accelerate job growth in sustainable, diversified industry clusters to provide opportunities for the state's economy:
  - a. Net job growth in manufacturing.
  - b. Net job growth in business services.
  - c. New private sector businesses in manufacturing.
  - d. New private sector businesses in business services.
  - e. Number of utility patents per one hundred thousand residents.

6. Strengthen North Dakota's business climate to increase international competitiveness:
  - a. Gross state product (annual growth rate).
  - b. Venture capital investments (thousands).
  - c. Merchandise export value (per capita).

The department, in cooperation with job service North Dakota, the department of human services, and the university system, shall include in its report the number of individuals trained and the number who became employed as a result of each department's workforce development and training programs, including the state's investment, the areas of occupational training, the average annual salary of those employed, and the average increase in earnings twelve months after completion of training.

**SECTION 10. TOURISM DIVISION - LEWIS AND CLARK MARKETING.**

Notwithstanding the provisions of Senate Bill No. 2337, as approved by the fifty-eighth legislative assembly, the department of commerce shall use the \$2,900,000 appropriated in Senate Bill No. 2337, only for defraying the tourism division's expenses of marketing the Lewis and Clark bicentennial celebration for the biennium beginning July 1, 2003, and ending June 30, 2005.

**SECTION 11. TOURISM DIVISION - LEWIS AND CLARK MARKETING**

**CONTRACTS.** The tourism division of the department of commerce shall request bids for each Lewis and Clark bicentennial-related marketing campaign developed during the biennium beginning July 1, 2003, and ending June 30, 2005.

**SECTION 12. TOURISM DIVISION - REPORTING.**

The department of commerce shall provide a report to the appropriations committees of the fifty-ninth legislative assembly regarding the tourism division's appropriations and expenditures to date detail for the biennium beginning July 1, 2003, and ending June 30, 2005."

Page 3, line 27, replace "grants" with "Lewis and Clark bicentennial"

Page 3, line 28, replace "\$100,000" with "\$150,000"

Page 4, line 1, after "The" insert "discretionary"

Page 4, replace lines 5 through 8 with:

**"SECTION 17. RED RIVER VALLEY RESEARCH CORRIDOR MARKETING.**

The discretionary grants line item in section 1 of this Act includes \$200,000 from the general fund for the purpose of contracting with a private organization for conducting a marketing and image-building campaign for the Red River valley research corridor during the second year of the biennium beginning July 1, 2003, and ending June 30, 2005.

**SECTION 18. FORT ABRAHAM LINCOLN GRANT.**

The Lewis and Clark bicentennial line item in section 1 of this Act includes \$150,000 from the general fund for the tourism division for the purpose of providing a grant to the fort Abraham Lincoln foundation for costs associated with the national guard reconstruction of the seventh cavalry stable, interpretation of the stable, and maintenance and repairs of other fort buildings, for the biennium beginning July 1, 2003, and ending June 30, 2005.

**SECTION 19. DEVELOPMENT FUND - CENTERS OF EXCELLENCE**

**GRANTS.** Notwithstanding chapter 10-30.5, the department of commerce shall provide a grant from the development fund of \$1,250,000 to the North Dakota state university

center for technology enterprise and of \$800,000 to the university of North Dakota center for innovation. The department shall provide the grant on October 1, 2003.

**SECTION 20. LEGISLATIVE INTENT - INTERNSHIP PROGRAM.** It is the intent of the legislative assembly that the department of commerce workforce development division develop an internship program involving its internet web site and in conjunction with North Dakota university system programs.

**SECTION 21. TRADE PROMOTION AUTHORITY - REPORT TO FIFTY-NINTH LEGISLATIVE ASSEMBLY.** The department of commerce shall establish a trade promotion authority for promoting North Dakota products and improving international trade of North Dakota products for the biennium beginning July 1, 2003, and ending June 30, 2005. The department shall use \$75,000 from the general fund appropriated in the operating expenses line item in section 1 of this Act for operating costs of the authority for the 2003-05 biennium. The department shall report to the appropriations committees of the fifty-ninth legislative assembly regarding its recommendations to improve trade of North Dakota products with other countries and to overcome trade barriers and its recommendation regarding continuation of the trade promotion authority.

**SECTION 22. GIFTS, GRANTS, AND OTHER INCOME - CONTINUING APPROPRIATION.** The department of commerce may accept gifts, grants, or other income for use by the trade promotion authority which are hereby appropriated for the biennium beginning July 1, 2003, and ending June 30, 2005.

**SECTION 23.** A new section to chapter 15-10 of the North Dakota Century Code is created and enacted as follows:

**Centers of excellence.**

1. The state board of higher education shall establish a centers of excellence program relating to economic development consistent with the purpose under subsection 2. The board shall designate centers of excellence. A designation by the board of a center of excellence within the economic development category does not preclude the board or a higher education institution from designating a center of excellence in an academic or service area. Centers of excellence relating to economic development include the North Dakota state university center for technology enterprise and the university of North Dakota center for innovation.

Before January 1, 2004, the board, in consultation with the North Dakota economic development foundation and with private sector input, shall establish definitions and eligibility criteria for centers of excellence relating to economic development. The board shall present the definitions and eligibility criteria for the centers of excellence relating to economic development to an interim committee designated by the legislative council. The North Dakota economic development foundation may identify and recommend high priority centers of excellence relating to economic development for consideration by the state board of higher education for future budget requests.

2. The purpose of the program is to develop and engage strategies for science and technology research and development, commercialization, entrepreneurship, infrastructure, growth and expansion of knowledge-based industries, and activities in the state to develop innovative approaches that expand the gross state product; to assist efforts to attract private and federal assistance for science and technology research and development and for commercialization in growth clusters most likely to increase the gross state product; to increase collaboration among state, federal, and private research and development and

technology commercialization organizations in the state; to strengthen the leadership and support of the national science foundation experimental program to stimulate competitive research programs and to encourage partnerships with other state institutions for expanded efforts to stimulate economic growth in identified industry clusters; to provide leadership in science and technology policy at a regional, a national, and an international level; and to create employment opportunities for North Dakota university system graduates. Identified industry clusters include advanced manufacturing, aerospace, energy, information and technology, tourism, and value-added agriculture.

3. The state board of higher education shall allocate funds from appropriations for undesignated centers of excellence relating to economic development based on the criteria established and shall report on such allocations, in partnership with the North Dakota economic development foundation, to the budget section. A recipient of funds under this section shall use the funds to enhance capacity, enhance infrastructure, and leverage state, federal, and private sources of funding. Funds awarded under this section may not be used to supplant funding for current operations or academic instruction or to pay indirect costs. The board may award funds under this section to research universities, university-related foundations, and public institutions that are located in the state which demonstrate the potential to deliver expertise and service to industry clusters that will contribute to the gross state product. A recipient of funds under this section which is an institution of higher education under the control of the board of higher education or which is a nonprofit university-related foundation shall:
- a. Provide the board of higher education with documentation of the availability of two dollars of matching funds for each dollar of funds awarded under this section as a condition of eligibility for receipt of funds under this section; and
  - b. Provide the board of higher education, governor, and North Dakota economic development foundation with annual reports for four fiscal years following receipt of the funds.

**SECTION 24.** A new subsection to section 54-59-05 of the North Dakota Century Code is created and enacted as follows:

Notwithstanding subsection 11, the department may provide wide area network services for a period not to exceed four years to an occupant of a technology park associated with an institution of higher education or to a business located in a business incubator associated with an institution of higher education."

Page 4, line 17, after the second "than" insert "two hundred", remove the overstrike over "~~fifty~~", and remove "one"

Page 4, line 18, remove "hundred"

Page 5, overstrike lines 5 and 6

Page 5, line 7, overstrike "7." and insert immediately thereafter "6."

Page 5, line 11, overstrike "8." and insert immediately thereafter "7."

Page 5, line 17, overstrike "9." and insert immediately thereafter "8."

Page 5, line 25, replace "16" with "25"

Page 5, line 26, replace "2003" with "2002"

Renumber accordingly

**STATEMENT OF PURPOSE OF AMENDMENT:**

**House Bill No. 1019 - Department of Commerce - Conference Committee Action**

	EXECUTIVE BUDGET	HOUSE VERSION	CONFERENCE COMMITTEE CHANGES	CONFERENCE COMMITTEE VERSION	SENATE VERSION	COMPARISON TO SENATE
Salaries and wages	\$6,791,269	\$6,718,913	(\$5,573)	\$6,713,340	\$6,713,340	
Operating expenses	8,842,124	8,442,124	(204,877)	8,237,247	8,442,223	(\$204,976)
Grants	48,032,153	73,864,584	(27,279,558)	46,585,026	46,585,026	
Agricultural Products Utilization Commission	6,770,557	5,483,385	(2,500,206)	2,983,179	2,983,179	
Lewis and Clark Bicentennial	853,147	852,014	99,897	951,911	851,911	100,000
Discretionary grants North Dakota Development Fund			1,447,127	1,447,127	1,647,127	(200,000)
			1,550,000	1,550,000	2,000,000	(450,000)
<b>Total all funds</b>	<b>\$71,289,250</b>	<b>\$95,361,020</b>	<b>(\$26,893,190)</b>	<b>\$68,467,830</b>	<b>\$69,222,806</b>	<b>(\$754,976)</b>
Less estimated income	<u>55,759,805</u>	<u>77,534,217</u>	<u>(25,181,110)</u>	<u>52,353,107</u>	<u>51,954,482</u>	<u>398,625</u>
General fund	\$15,529,445	\$17,826,803	(\$1,712,080)	\$16,114,723	\$17,268,324	(\$1,153,601)
FTE	57.00	57.00	0.00	57.00	57.00	0.00

**Dept. 601 - Department of Commerce - Detail of Conference Committee Changes**

	REDUCES RECOMMENDED FUNDING FOR HEALTH INSURANCE <sup>1</sup>	REDUCES FUNDING FOR INFORMATION TECHNOLOGY COSTS <sup>2</sup>	ADDS ADMINISTRATIVE FUNDING <sup>3</sup>	REMOVES CONSOLIDATION OF WORKFORCE PROGRAMS <sup>4</sup>	REMOVES FUNDING FOR INTERNSHIP PROGRAMS <sup>5</sup>	REMOVES FUNDING FOR ETHANOL INCENTIVES <sup>6</sup>
Salaries and wages	(\$5,573)					
Operating expenses		(\$24,877)	\$20,000			
Grants				(\$25,032,431)	(\$1,000,000)	
Agricultural Products Utilization Commission	(206)					(\$2,500,000)
Lewis and Clark Bicentennial	(103)					
Discretionary grants North Dakota Development Fund						
<b>Total all funds</b>	<b>(\$5,882)</b>	<b>(\$24,877)</b>	<b>\$20,000</b>	<b>(\$25,032,431)</b>	<b>(\$1,000,000)</b>	<b>(\$2,500,000)</b>
Less estimated income	<u>(1,540)</u>			<u>(22,679,570)</u>		<u>(2,500,000)</u>
General fund	(\$4,342)	(\$24,877)	\$20,000	(\$2,352,861)	(\$1,000,000)	\$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	CREATES A SEPARATE LINE ITEM FOR DISCRETIONARY GRANTS <sup>7</sup>	ADDS FUNDING FOR DISCRETIONARY GRANTS <sup>8</sup>	ADDS FUNDING FOR FEASIBILITY STUDY <sup>9</sup>	ADDS FUNDING FOR MARKETING <sup>10</sup>	ADDS FUNDING FOR DEVELOPMENT FUND <sup>11</sup>	REDUCES OPERATING FUNDING <sup>12</sup>
Salaries and wages						
Operating expenses						(\$100,000)
Grants	(\$1,247,127)					
Agricultural Products Utilization Commission						
Lewis and Clark Bicentennial						
Discretionary grants North Dakota Development Fund	1,247,127	\$150,000	\$50,000	\$200,000	\$1,550,000	
<b>Total all funds</b>	<b>\$0</b>	<b>\$150,000</b>	<b>\$50,000</b>	<b>\$200,000</b>	<b>\$1,550,000</b>	<b>(\$100,000)</b>
Less estimated income						
General fund	\$0	\$150,000	\$50,000	\$200,000	\$1,550,000	(\$100,000)
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	REDUCES FUNDING FOR TOURISM MARKETING <sup>13</sup>	CHANGES GRANTS FUNDING <sup>14</sup>	ADDS FUNDING FOR GRANTS <sup>15</sup>	TOTAL CONFERENCE COMMITTEE CHANGES
Salaries and wages				(\$5,573)
Operating expenses	(\$100,000)			(204,877)
Grants				(27,279,558)
Agricultural Products Utilization Commission				(2,500,206)
Lewis and Clark Bicentennial	(200,000)	\$200,000	\$100,000	99,897
Discretionary grants		(200,000)		1,447,127
North Dakota Development Fund				1,550,000
Total all funds	(\$300,000)	\$0	\$100,000	(\$26,893,190)
Less estimated income				(25,181,110)
General fund	(\$300,000)	\$0	\$100,000	(\$1,712,080)
FTE	0.00	0.00	0.00	0.00

1 Funding for state employee health insurance premiums is reduced from \$493 to \$488.70 per month.

2 This amendment reduces funding for information technology by \$24,877 from the general fund, which represents a reduction in information technology funding from the general fund of approximately 5 percent.

3 The operating expenses line item is increased by \$20,000 for administrative costs of the department.

4 The section added by the House designating the Department of Commerce as the state's fiscal agent and administrator of all workforce development and workforce training funds is removed. The Senate also removed this section. As a result, funding added by the House for the following programs is removed:

AGENCY/ PROGRAM	GENERAL FUND	FEDERAL FUNDS	SPECIAL FUNDS	TOTAL
Department of Human Services - Job opportunities and basic skills (JOBS)		(\$8,225,614)		(\$8,225,614)
Department of Human Services - Basic employment skills training (BEST)		(391,198)	(\$7,500)	(398,698)
Job Service - Work Force 2000	(\$1,002,861)			(1,002,861)
Job Service - Senior community service employment		(1,070,352)		(1,070,352)
Job Service - Trade adjustment assistance		(99,800)		(99,800)
Job Service - Workforce Investment Act		(12,735,106)		(12,735,106)
Job Service - New jobs training program			(150,000)	(150,000)
State Board for Vocational and Technical Education - Workforce training contracts	(1,350,000)			(1,350,000)
Total	(\$2,352,861)	(\$22,522,070)	(\$157,500)	(\$25,032,431)

5 Removes funding added by the House for grants for direct support of internships for students entering growth industries that have critical shortages of available employees. A section of legislative intent is added providing that the Workforce Development Division develop a streamlined internship program involving its web site and in conjunction with University System efforts. The Senate also made these changes.

6 Funding of \$2.5 million from the highway tax distribution fund for ethanol incentive payments is removed in accordance with provisions of Senate Bill No. 2222, which includes a continuing appropriation for the Agricultural Products Utilization Commission to make ethanol incentive payments. The Senate also made these changes.

7 Funding for the director's discretionary grants is removed from the grants line item and established as a separate line item in the bill. A section is added allowing the department to continue the appropriation authority included in this line item beyond the 2003-05 biennium. The Senate also made these changes.

8 The discretionary grants line item is increased by \$150,000 from the general fund. The department is expected to have unspent general fund appropriation authority of at least \$200,000 for the 2001-03 biennium, \$150,000 of which has not been included in the March revised general fund turnback estimate for the 2001-03 biennium. The Senate also made these changes.

9 Adds funding for preparing a North Dakota proposal to attract a high-tech manufacturing facility to the state, the same as the Senate version.

10 The discretionary grants line item is increased by \$200,000 from the general fund. A section of legislative intent is added providing that this funding be used for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium. The Senate also made these changes.

11 Funding is added for the Development Fund. The House did not provide any additional funding for the Development Fund and the Senate provided \$2 million of funding for the Development Fund.

12 The operating expenses line item is reduced by \$100,000 from the general fund relating to reductions in funding for professional services (\$70,000) and travel (\$30,000).

13 Funding for tourism marketing is reduced by \$300,000, \$200,000 of which relates to Lewis and Clark marketing and \$100,000 to general marketing.

<sup>14</sup> Funding for the \$100,000 grant for the Lewis and Clark Interpretive Center in Washburn added by the House and included in the Senate version and the \$100,000 grant for Fort Lincoln added by the Senate is moved from the discretionary grants line item to the Lewis and Clark Bicentennial line item.

<sup>15</sup> The Lewis and Clark line item is increased by \$100,000 from the general fund to increase the grant specified for the Lewis and Clark Interpretive Center in Washburn by \$50,000, to \$150,000 and to increase the grant specified for Fort Lincoln by \$50,000, to \$150,000.

The Conference Committee amendment includes the section added by the House designating \$25,000 of the director's discretionary grants for use in rescues of visitors to North Dakota tourist attractions. The Senate had removed this section.

A section is added providing that the department use \$150,000 of the Lewis and Clark Bicentennial line item to provide a grant to the Fort Abraham Lincoln Foundation for reconstruction and interpretation of the Seventh Cavalry stable at the fort and for maintenance and repairs of other fort buildings. The Senate version provided for a \$100,000 grant.

The section added by the House providing that the department provide a grant to the Lewis and Clark Interpretive Center in Washburn is changed to increase the grant to \$150,000. The House and Senate versions provided that the grant be for \$100,000.

The section added by the House precluding the department from spending funding to support the New Economy Initiative is removed, the same as the Senate version.

The House reduced the operating expenses of the research, business development, and marketing programs of the Division of Economic Development and Finance by \$200,000 from the general fund. The Conference Committee changes this reduction to allow the department to determine the specific areas of the department's budget to reduce.

This amendment provides that the administrative costs of the Development Fund be paid from the Development Fund, the same as the House version. The executive budget and the Senate version provided that these costs be paid from the general fund.

The section added by the House providing for annual reports to the Budget Section on select activities and outcomes of the department, which the Senate removed, is changed to provide for specific benchmark reporting to either the Budget Section or another interim committee designated by the Legislative Council.

Three new sections are added providing that the \$2.9 million appropriated to the Tourism Division in Senate Bill No. 2337 be used exclusively for marketing the Lewis and Clark Bicentennial celebration, that the Tourism Division request bids for each Lewis and Clark Bicentennial-related marketing campaign developed during the 2003-05 biennium, and that the Department of Commerce provide detailed reports to the Appropriations Committees of the 2005 Legislative Assembly regarding the Tourism Division's appropriations and expenditures.

A section is added providing for the establishment of a trade promotion authority for the 2003-05 biennium and providing that the department use \$75,000 of its operating expenses line item for operating costs of the authority. In addition, a section is added authorizing the department to spend gifts, grants, or other income received for use by the trade promotion authority, pursuant to a continuing appropriation for the 2003-05 biennium.

The section added by the Senate providing a continuing appropriation for moneys collected from the NDhasjobs.com Internet web site is not included in the Conference Committee amendment.

A section is added authorizing the Information Technology Department to provide wide area network services for up to four years to an occupant of a higher education-related technology park or business incubator.

The maximum seed capital investment that is eligible for an individual income tax credit is increased from the House version of \$100,000 to \$250,000, provisions limiting investments in one qualified business to no more than \$250,000 is removed, and the effective date is changed

from taxable years beginning after December 31, 2003, to taxable years beginning after December 31, 2002. The Senate also made these changes.

Sections are added creating a Centers of Excellence program within the University System and identifying the NDSU Center for Technology Enterprise and the UND Center for Innovation as Centers of Excellence. The Senate established the program in the Department of Commerce and identified six entities as Centers of Excellence.

A section is added providing that as of October 1, 2003, the Development Fund provide \$1,250,000 to the NDSU Center for Technology Enterprise and \$800,000 to the UND Center for Innovation. The Senate had provided that the NDSU Center for Technology Enterprise receive a \$1,500,000 grant, and the UND Center for Innovation receive a \$1,000,000 grant.