

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1018

Page 1, line 2, replace "15-69-07" with "10-30.5-13"

Page 1, line 2, replace "and a new section" with "three new sections"

Page 1, line 3, after "54-60" insert ", a new chapter to title 54, a new subdivision to subsection 7 of section 57-38-30.3, and a new section to chapter 57-38"

Page 1, line 3, replace "the centers of excellence program," with "a small business technology investment program, a"

Page 1, line 4, remove the first "and"

Page 1, line 4, after "fund" insert ", entrepreneurial centers development grants, an electronic portfolio program, centers of research excellence, and income tax credits for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes"

Page 1, line 5, after the second comma insert "15-69-03,"

Page 1, line 8, after the first semicolon insert "to provide for a legislative management study of population growth impact on revenues and reduction of flaring of natural gas; to provide a vaccinology initiative grant;"

Page 1, replace lines 20 and 21 with:

"Salaries and wages	\$10,020,840	\$1,094,688	\$11,115,528
Operating expenses	14,478,272	(245,012)	14,233,260"

Page 1, replace line 23 with:

"Grants	65,411,058	(5,033,064)	60,377,994"
---------	------------	-------------	-------------

Page 2, replace lines 5 and 6 with:

"Centers of excellence	0	13,000,000	13,000,000
North Dakota trade office	2,064,000	549,400	2,613,400
Partner programs	2,022,044	100,000	2,122,044"

Page 2, replace line 8 with:

"Total all funds	\$97,672,773	\$36,460,916	\$134,133,689"
------------------	--------------	--------------	----------------

Page 2, replace lines 10 and 11 with:

"Total general fund	\$28,006,303	\$17,492,449	\$45,498,752
Full-time equivalent positions	68.00	1.25	69.25"

Page 2, after line 17, insert:

"American Indian business office 0 100,000"

Page 2, remove line 22

Page 2, replace line 24 with:

"Child care service providers 0 250,000"

Page 2, replace line 26 with:

"Centers of excellence 19,500,000 13,000,000

Electronic portfolio pilot project 0 150,000

2020 and beyond 0 50,000"

Page 2, remove line 28

Page 2, replace line 31 with:

"Total all funds \$99,064,635 \$40,417,088"

Page 3, replace line 2 with:

"Total general fund \$30,470,000 \$15,920,338"

Page 5, after line 6, insert:

"SECTION 4. Section 10-30.5-13 of the North Dakota Century Code is created and enacted as follows:

10-30.5-13. Small business technology investment program.

1. The corporation shall administer a small business technology investment program that provides matching investments to startup technology-based businesses.
2. The following provisions apply to small business technology investments:
 - a. A qualified applicant:
 - (1) Must be a North Dakota business that is at the startup stage;
 - (2) Must be a primary sector business in the technology field; and
 - (3) Shall meet underwriting guidelines established by the corporation.
 - b. Before the corporation distributes funds under this section, the recipient shall provide the department of commerce with detailed documentation of the availability of two dollars of angel fund investment matching funds for each dollar of state funds distributed under this section. The matching funds must be cash, must come from a North Dakota angel fund certified under section 57-38-01.26, and may not be an in-kind asset.

3. An investment under this section may not exceed fifty thousand dollars. Eligible use of the investment funds include developing a proof of concept. A recipient may not receive more than one award under this section.
4. An investment under this section is not a business incentive under chapter 54-60.1."

Page 5, after line 27, insert:

"SECTION 6. AMENDMENT. Section 15-69-03 of the North Dakota Century Code is amended and reenacted as follows:

15-69-03. (~~Effective through July 31, 2011~~) Centers of excellence commission.

The centers of excellence commission consists of six members. The foundation shall appoint three of the foundation's members to serve on the commission and the board shall appoint three of the board's members to serve on the commission. The commission members shall designate a chairman and a vice chairman of the commission. Each member of the commission shall serve for a term of three years, beginning July first; may be reappointed for additional terms; and serves at the pleasure of the appointing entity. If a commission member ceases to serve as a member of the appointing entity, that member's membership on the commission ceases immediately and the appointing entity shall appoint a new member for the remainder of the term. Terms of commission members must be staggered. On a meeting-by-meeting basis, an appointing entity may substitute a member of that appointing entity to serve in place of one of the regular members appointed by that entity. If the commission chairman and vice chairman are not present at a meeting, the commission members present at that meeting shall select a commission member to serve as chairman for that meeting. A commission member may receive compensation and travel and expense reimbursement from the appointing entity. The department of commerce shall provide the commission with appropriate staff services as may be requested by the commission."

Page 6, line 3, remove the overstrike over "4."

Page 6, line 6, remove the overstrike over "assist with"

Page 6, line 7, remove the overstrike over "~~postaward monitoring as may be requested by the commission.~~"

Page 6, line 11, remove the overstrike over "~~2. The commission shall meet as necessary to~~"

Page 6, line 14, remove the overstrike over "~~direct the department of commerce~~"

Page 6, line 15, remove the overstrike over "to"

Page 6, line 15, remove "administer the centers of excellence program;"

Page 6, line 18, remove the overstrike over "3."

Page 7, line 16, remove the overstrike over "~~For no fewer than six years and no more than ten years following center designation,~~"

Page 7, remove the overstrike over lines 17 and 18

Page 7, line 30, remove the overstrike over "commission's"

Page 7, line 30, remove "department's"

Page 8, line 1, remove the overstrike over "~~commission~~"

Page 8, line 1, remove "department"

Page 8, line 2, remove "Effective on"

Page 8, replace lines 3 through 6 with "Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
- b. Verification of compliance with the centers of excellence program matching fund requirements;
- c. Verification awarded center funds were used for authorized uses;
- d. Verification the center complied with the center's application timeline and any authorized revisions;
- e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
- f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
- g. Verification of a sample of labor charged to the center; and
- h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences."

Page 8, line 7, remove the overstrike over "~~commission directs the~~"

Page 8, line 7, remove the overstrike over "~~to distribute~~"

Page 8, line 7, remove "distributes"

Page 8, line 8, remove the overstrike over "~~commission~~"

Page 8, line 8, remove "department"

Page 8, line 20, remove the overstrike over "~~commission shall direct the~~"

Page 8, line 20, remove the overstrike over "~~to~~"

Page 8, line 20, remove "shall"

Page 8, line 22, remove the overstrike over "~~commission~~"

Page 8, line 22, remove "department"

Page 8, line 26, remove the overstrike over "~~commission may~~"

Page 8, line 27, remove the overstrike over "~~direct that the~~"

Page 8, line 27, remove "may"

Page 8, line 28, remove the overstrike over "~~commission~~"

Page 8, line 28, remove "department"

Page 9, remove lines 5 through 30

Page 10, remove lines 1 through 7

Page 10, line 27, remove "fourteen thousand dollars per retail"

Page 10, replace lines 28 through 30 with "a maximum of twenty thousand dollars per retail location to motor fuel retailers for the installation of biofuel blender pumps and up to fourteen thousand dollars per retail location for the installation of associated equipment, including the piping systems and storage components, when blender pumps are installed for a maximum grant of thirty-four thousand dollars per location."

Page 11, remove lines 8 through 10

Page 12, replace lines 13 through 20 with:

"SECTION 11. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Entrepreneurial centers development grants.

The department shall administer an entrepreneurial centers development grant program to provide grants to institutions under the control of the state board of higher education which are not research universities as defined under section 13 of this Act. The centers of excellence commission established under chapter 15-69 shall make grant award determinations under this section. A recipient's appropriate use of funds may include awarding a grant to establish a new entrepreneurial center within an eligible institution or to enhance the ability of an existing entrepreneurial center to assist an entrepreneur in growing the entrepreneur's businesses. The department shall work with the centers of excellence commission in establishing guidelines to qualify for a grant under this section which may include preference for an applicant that establishes the availability of matching funds. The centers of excellence commission shall consider how a proposed grant award would help achieve the goals outlined in the North Dakota economic development strategic plan.

SECTION 12. A new section to chapter 54-60 of the North Dakota Century Code is created and enacted as follows:

Division of workforce development - Pilot program - Higher education electronic portfolio system.

1. The division of workforce development, the North Dakota university system, job service North Dakota, and representatives of the institutions of higher education under the control of the state board of higher education shall work together to establish a pilot program through which an electronic portfolio system will be implemented by selected institutions of higher

education under the control of the state board of higher education in order to address the needs of students, faculty, and employers. The pilot program may include Valley City state university and the North Dakota state college of science. If Valley City state university or the North Dakota state college of science chooses not to participate, any other institution of higher education under the control of the state board of higher education may participate in this pilot program.

2. The pilot program must provide for an electronic portfolio system that:
 - a. Is online;
 - b. Is a multimedia system that enables the user to create and manage the user's education and career information;
 - c. Enables students, job seekers, and professionals to showcase education and skills to potential employers;
 - d. Provides for creation of and access to lifelong personal electronic portfolio accounts and services to students, job seekers, and professionals seeking to advance their careers in the state;
 - e. Provides access to job seekers residing outside the state who may be interested in relocating or returning to the state; and
 - f. Allows employers and economic developers to conduct online searches to determine workforce potential by geographic region, skill, education, experience, and other factors.
3. Under this pilot program, the North Dakota university system, job service North Dakota, and the division of workforce development shall work together to:
 - a. Facilitate the effective integration of future workers into the workforce system and to enhance the ability of state and local economic development officials to effectively access North Dakota's skilled workforce through the system; and
 - b. Ensure the system is complementary to the state's workforce system and higher education system.
4. The division of workforce development shall administer the pilot program.

SECTION 13. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions.

In this chapter, unless the context otherwise requires:

1. "Center" means a center of research excellence that has been designated under this chapter.
2. "Commission" means the centers of excellence commission as defined under chapter 15-69.
3. "Department" means the department of commerce.

4. "Industry cluster" means one of the following industries:
 - a. Advanced manufacturing;
 - b. Energy;
 - c. Information and technology;
 - d. Tourism;
 - e. Value-added agriculture; or
 - f. An industry, including the aerospace industry, specifically identified by the department of commerce as an industry that will contribute to the gross state product.
5. "Infrastructure" means new building construction or major building renovation. The term does not include a purchase of equipment or remodel of an existing building.
6. "Research university" means an institution under the control of the state board of higher education which has a full-time student enrollment in excess of nine thousand students.

Centers of research excellence - Application - Eligibility.

1. The department shall establish a centers of research excellence program. The commission shall make funding award determinations under this program. A center must be a research university or a nonprofit university-related or college-related foundation of a research university which is working in partnership with the private sector.
2. The department shall provide center application forms, accept applications, review applications for completeness and compliance with commission policy, forward complete applications to the commission in accordance with guidelines established by the commission, and assist with preaward reviews and postaward monitoring as may be requested by the commission. No more than two applications per campus of a research university institution may be submitted to the department for each round of center funding.
3. The commission shall meet as necessary to review all complete applications; consider the potential need for independent, expert review of complete applications; approve or disapprove complete applications; make funding award recommendations for commission-approved proposed centers; direct the department to distribute funds to the centers; monitor centers for compliance with award requirements; review changes in assertions made in center applications; and conduct postaward monitoring of centers.
4. In considering whether to approve or disapprove a center application, the commission shall determine whether the applicant has conducted the due diligence necessary to put together a viable proposal, the commission shall determine whether the applicant has provided information in the application which clearly outlines how the matching fund requirement will be met, and the commission shall consider whether the center will:

- a. Use university research to promote private sector job growth and expansion of knowledge-based industries or use university research to promote the development of new products, high-tech companies, or skilled jobs in this state;
 - b. Create high-value private sector employment opportunities in this state;
 - c. Provide for public-private sector involvement and partnerships;
 - d. Leverage other funding, including cash from the private sector;
 - e. Promote the commercialization of new products and services in industry clusters;
 - f. Become financially self-sustaining; and
 - g. Establish and meet a deadline for acquiring and expending all public and private funds specified in the application.
5. In considering whether to approve an application, the commission may provide for an independent, expert review of the application to determine whether the proposed center is viable and whether the proposed center is likely to have the desired economic impact. As necessary, the commission may contract for additional technical review of applications. The commission may not approve an application unless the commission determines the proposed center has a high likelihood of viability and success in positively impacting economic development in the state.
 6. The board rules adopted under subsection 9 of section 15-10-17, relating to ownership of intellectual property, inventions, and discoveries, must address activities and issues unique to centers.

Use of funds - Terms of funds - Distribution of funds - Postaward monitoring.

1. A center shall use center grant funds to enhance capacity and leverage state, federal, and private sources of funding. A center awarded center funds under this chapter may not use the funds for infrastructure, to supplant funding for current operations or academic instructions, or to pay indirect costs.
2. For no fewer than six years and no more than ten years following center designation, the commission shall monitor the center's activities in order to determine whether the center is having the desired economic impact.
3. As a condition for receipt of funds under this chapter, a center shall agree to provide the board, foundation, and budget section of the legislative management with annual audits on all funds distributed to the center under this chapter. The annual audits must be provided until the completion of the commission's postaward monitoring of the center. As a condition for receipt of funds under this chapter, a center shall agree to provide the commission with the information necessary to monitor the postaward activities of the center. Instead of requiring annual audits under this subsection, the commission may require that the center be audited on all funds distributed to the center under this chapter at the halfway point of the

postaward monitoring and at the end of the postaward monitoring and that for all other years during the postaward monitoring the center contract with an independent accountant for an agreed-upon procedures engagement. A center may use funds distributed to the center under this chapter to pay for audits required under this subsection or for an agreed-upon procedures engagement. At a minimum, an agreed-upon procedures engagement under this subsection must include:

- a. Verification of the accuracy of jobs data regarding jobs claimed created by the center, distinguishing between the creation of private sector jobs and jobs within the institution of higher education;
 - b. Verification of compliance with the centers of excellence program matching fund requirements;
 - c. Verification awarded center funds were used for authorized uses;
 - d. Verification the center complied with the center's application timeline and any authorized revisions;
 - e. Verification the center complied with the center's scope of activities as provided under the center's application and any authorized revisions;
 - f. Review of a sample of center expenditures to verify the expenses were approved, supported with documentation, and made in accordance with the scope identified in the center's application;
 - g. Verification of a sample of labor charged to the center; and
 - h. Comparison of the center's application budget to the center's actual expenditures, including documentation explaining any material differences.
4. Before the commission directs the department to distribute center funds awarded under this chapter, the center shall provide the commission with detailed documentation of private sector participation and the availability of two dollars of matching funds for each dollar of state funds to be distributed. Of the two dollars of matching funds, at least one dollar must be cash, of which at least fifty cents must be from the private sector. The matching funds may include funds facilitated through the collaboration of the private sector participants with other funding entities. The noncash matching funds may include in-kind assets with itemized value. Private sector participation may be established through equity investments or through contracts for services with private sector entities. In making funding recommendations and designation determinations, the commission shall give major consideration to the portion of the matching funds provided in cash by the private sector.
5. The commission shall direct the department to distribute the center funds awarded under this chapter in disbursements consistent with the center's budget and timeframe outlined in the approved award. The commission may not direct distribution of center funds under this chapter if there are no private sector partners participating or if the statutorily required matching funds are not available.

6. If, before center funds are distributed by the department, a center undergoes a change in the terms of or assertions made in its application, the commission may direct that the department withhold all or a portion of any undistributed funds pending commission review of the changes.
7. The commission may use funds appropriated for the centers of research excellence program to pay for the commission's administrative expenses.

Eminent researcher recruitment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer an eminent researcher recruitment grant program to provide challenge grants to raise funds to be used by research universities and foundations established to further the work of such research universities in attracting an eminent researcher to join the faculties of the research universities. Under this program, the commission shall make grant award determinations. The commission shall adopt standards relative to the award of a grant under this section which must require that a foundation contribute at least fifty percent and not more than seventy-five percent of the total amount the commission deems necessary to attract an eminent researcher. The commission may revise the contribution formulas at any time in order to maximize the benefits that may result from recruiting one or more eminent researcher in the biennium and depending on the total funds available to the grant program. In determining whether to make a grant award under this section, the commission may consider the existing programs of the North Dakota university system, the necessity for such an eminent researcher, and any duplication the recruitment of the eminent researcher might cause. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Base realignment grants.

As part of the centers of research excellence program, the department of commerce shall establish and administer a base realignment grant program to provide grants to a research university or a nonprofit university-related foundation 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 and infrastructure and economic development projects or programs to accommodate growth in proximity to or at the Grand Forks air force base. Under this program, the commission shall make grant award determinations. The department shall work with the commission in establishing guidelines to qualify for a grant under this section.

Centers of research excellence fund - Continuing appropriation.

The centers of research excellence fund is a special fund in the state treasury. All moneys in the centers of research excellence fund are appropriated to the department of commerce on a continuing basis for the purpose of implementing and administering this chapter. Interest earned on moneys in the fund must be credited to the fund.

SECTION 14. A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century Code is created and enacted as follows:

Automating manufacturing processes tax credit under section 15 of this Act.

SECTION 15. A new section to chapter 57-38 of the North Dakota Century Code is created and enacted as follows:

Income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

1. A taxpayer that is a primary sector business is allowed a nonrefundable credit against the tax imposed under section 57-38-30 or 57-38-30.3 for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes in this state. The amount of the credit under this section is twenty percent of the costs incurred in the taxable year to purchase manufacturing machinery and equipment for the purpose of automating manufacturing processes. Qualified expenditures under this section may not be used in the calculation of any other income tax deduction or credit allowed by law.
2. For purposes of this section:
 - a. "Manufacturing machinery and equipment for the purpose of automating manufacturing processes" means new or used automation and robotic equipment.
 - b. "Primary sector business" means a business certified by the department of commerce which, through the employment of knowledge or labor, adds value to a product, process, or service that results in the creation of new wealth.
3. The taxpayer shall claim the total credit amount for the taxable year in which the manufacturing machinery and equipment are purchased. The credit under this section may not exceed the taxpayer's liability as determined under this chapter for any taxable year.
4. If the amount of the credit determined under this section exceeds the liability for tax under this chapter, the excess may be carried forward to each of the next five succeeding taxable years.
5. The aggregate amount of credits allowed under this section may not exceed two million dollars in any calendar year. Credits subject to this limitation must be determined based upon the date of the qualified purchase.
6. If a taxpayer entitled to the credit provided by this section is a member of a group of corporations filing a North Dakota consolidated tax return using the combined reporting method, the credit may be claimed against the aggregate North Dakota tax liability of all the corporations included in the North Dakota consolidated return.
7. A partnership, subchapter S corporation, limited partnership, limited liability company, or any other passthrough entity entitled to the credit under this section must be considered to be the taxpayer for purposes of calculating the credit. The amount of the allowable credit must be determined at the passthrough entity level. The total credit determined at the entity level must be passed through to the partners, shareholders, or members in proportion to their respective interests in the passthrough entity. An individual

taxpayer may take the credit passed through under this subsection against the individual's state income tax liability under section 57-38-30.3.

8. The department of commerce shall provide the tax commissioner the name, address, and federal identification number or social security number of the taxpayer approved as qualifying for the credit under this section, and a list of those items that were approved as a qualified expenditure by the department. The taxpayer claiming the credit shall file with the taxpayer's return, on forms prescribed by the tax commissioner, the following information:
 - a. The name, address, and federal identification number or social security number of the taxpayer who made the purchase; and
 - b. An itemization of:
 - (1) Each item of machinery or equipment purchased for automation;
 - (2) The amount paid for each item of machinery or equipment if the amount paid for the machinery or equipment is being used as a basis for calculating the credit; and
 - (3) The date on which payment for the purchase was made.
9. Notwithstanding the time limitations contained in section 57-38-38, this section does not prohibit the tax commissioner from conducting an examination of the credit claimed and assessing additional tax due under section 57-38-38."

Page 12, line 23, replace "\$4,935,000" with "\$250,000"

Page 12, remove lines 27 through 31

Page 13, remove lines 1 through 31

Page 14, remove lines 1 and 2

Page 14, line 16, replace "Up to \$665,000 of the" with "The"

Page 14, line 20, replace "\$600,000" with "\$4,000,000"

Page 14, remove line 21

Page 14, line 22, replace "safeguard complex in Nekoma" with "entrepreneurial centers development grants under section 11 of this Act"

Page 14, line 22, replace "department of commerce may use up to \$65,000" with "office of management and budget shall transfer \$1,000,000"

Page 14, line 23, remove "for grants to child care service providers for workforce development, quality improvement,"

Page 14, replace lines 24 and 25 with "to the North Dakota development fund, incorporated, for the purpose of providing investments to startup stage technology-based businesses under section 4 of this Act."

Page 15, after line 8, insert:

"SECTION 24. EXEMPTION. The amount appropriated for the promotion and marketing of the USS North Dakota contained in the grants line item in section 1 of chapter 46 of the 2009 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2011, and ending June 30, 2013."

Page 15, after line 13, insert:

"SECTION 26. TRANSFER - CENTERS OF RESEARCH EXCELLENCE FUND. The office of management and budget shall transfer the amount appropriated in the centers of excellence line item in section 1 of this Act to the centers of research excellence fund for the purpose of implementing and administering the centers of research excellence grants, for the biennium beginning July 1, 2011, and ending June 30, 2013. The department of commerce may use up to \$1,000,000 of the funds transferred to the centers of research excellence fund for eminent researcher recruitment grants. During the biennium beginning July 1, 2011, and ending June 30, 2013, the centers of excellence commission may not award more than one-half of the amount available for centers of research excellence grants, including base realignment grants, to one research university or nonprofit foundation related to that research university."

Page 15, after line 18, insert:

"SECTION 28. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$900,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund."

Page 15, after line 28, insert:

"SECTION 30. APPROPRIATION. There is appropriated out of any moneys in the lands and minerals trust fund in the state treasury, not otherwise appropriated, the sum of \$600,000, or so much of the sum as may be necessary, to the department of commerce for the purpose of providing a grant to assist in the acquisition of the antiballistic missile site at the Stanley R. Mickelson safeguard complex in Nekoma."

Page 16, after line 15, insert:

"SECTION 32. CENTERS OF RESEARCH EXCELLENCE LIMITED DEPLOYMENT-COOPERATIVE AIRSPACE PROJECT GRANT. The department of commerce may use \$4,000,000 of the funds transferred to the centers of research excellence fund in section 26 of this Act 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 biennium beginning July 1, 2011, and ending June 30, 2013. Up to \$2,700,000 of this amount may be awarded to the university of North Dakota and up to \$1,300,000 to North Dakota state university. The commissioner of commerce shall develop application criteria, review submitted applications, and recommend applications for approval to the centers of excellence commission.

SECTION 33. NORTH DAKOTA ECONOMIC DEVELOPMENT FOUNDATION - 2020 AND BEYOND INITIATIVE.

1. During the 2011-12 interim, the North Dakota economic development foundation shall 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. The 2020 and beyond initiative must include periodic meetings of six legislators appointed by the chairman of the legislative management, with two members of the senate, one of whom must be from the majority party and one of whom must be from the minority party and two members of the house of representatives, one of whom must be from the majority party and one of whom must be from the minority party; individuals representing North Dakota business interests, individuals representing North Dakota education interests, and individuals representing state and local government interests.

2. The 2020 and beyond initiative must:
 - a. Assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends in the state;
 - b. Study and assess successful models of other states and countries in creating economic growth and whether those models could be replicated and improved upon in this state;
 - c. Evaluate the effectiveness of programs and investments in the state designed to develop the state's workforce and to attract and retain businesses in the state;
 - d. Identify impediments to and opportunities for economic growth and job creation in the state;
 - e. Consider what new investments in infrastructure and changes to the state's tax and regulatory environment could be made to maintain and increase the state's standing as a business-friendly state;
 - f. Evaluate the state's higher education model to determine whether maximum opportunities for synergy between public and private sectors are being realized;
 - g. Consider how higher education institutions in the state could spur economic development in the state through innovation, knowledge transfer, and community engagement;
 - h. Find ways to unite public, nonprofit, and business interests behind common goals and solutions for faster, better results; and
 - i. Make recommendations to the North Dakota economic development foundation based on the outcome of the initiative.
3. The legislative members of the 2020 and beyond initiative are entitled to receive compensation and expenses from the legislative council in the same manner as provided for members of the legislative management committees under section 54-35-10.
4. The grants line item in section 1 of this Act includes the sum of \$50,000 from the general fund for providing a grant to implement the 2020 and beyond initiative.

SECTION 34. DEPARTMENT OF COMMERCE GRANT - INSTITUTION OF HIGHER EDUCATION VACCINOLOGY INITIATIVE. Of the funds appropriated in the

grants line item in section 1 of this Act, \$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. The department shall require one dollar of matching funds from the institution for each one dollar of state funds awarded as a grant.

SECTION 35. LEGISLATIVE MANAGEMENT STUDY - EXAMINATION OF POPULATION GROWTH IMPACT ON REVENUES. During the 2011-12 interim, the legislative management shall consider studying the development of a reliable means of estimating the effect of future population growth on state and local government revenues. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly.

SECTION 36. LEGISLATIVE MANAGEMENT STUDY - REDUCTION OF FLARING OF NATURAL GAS. During the 2011-12 interim, the legislative management shall study methods to encourage reduction or restrict allowance of flaring of natural gas. The legislative management may gather input from the tax department, oil and gas division of the industrial commission, state department of health, petroleum industry representatives, and interested members of the public and representatives of political subdivisions to identify and implement a method of reducing flaring of natural gas, including improved methods for capturing or using the natural gas. The interim committee to which this study is assigned shall meet as often as necessary before November 2011 to determine if it is feasible and desirable to seek introduction of legislation to implement any preliminary recommendation of the interim committee during the November 2011 special legislative session. The interim committee shall include in its deliberations an examination of each legislative proposal to reduce flaring of natural gas considered by the sixty-second legislative assembly. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Page 16, line 17, replace "26" with "37"

Page 16, line 19, replace "8" with "9"

Page 16, after line 20, insert:

"SECTION 40. EFFECTIVE DATE - EXPIRATION DATE. Sections 14 and 15 of this Act are effective for the first three taxable years beginning after December 31, 2011, and are thereafter ineffective."

Page 16, line 22, remove "8,"

Page 16, line 22, after the fourth comma insert "10,"

Page 16, line 22, replace "18" with "20"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1018 - Department of Commerce - Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Salaries and wages	\$10,871,979	\$10,871,979	\$243,549	\$11,115,528
Operating expenses	14,108,260	13,883,260	350,000	14,233,260

Capital assets	70,018	70,018		70,018
Grants	60,627,994	66,262,994	(5,885,000)	60,377,994
North Dakota Development Fund	400,000	250,000		250,000
Discretionary funds	928,082	928,082		928,082
Centers of workforce excellence	2,000,000			
Economic development initiatives	186,846	186,846		186,846
Agriculture Products Utilization Comm	2,739,767	2,739,767		2,739,767
Centers of excellence	13,000,000		13,000,000	13,000,000
North Dakota Trade Office	2,553,000	2,553,000	60,400	2,613,400
Partner programs	2,122,044	2,022,044	100,000	2,122,044
Division of Energy	619,691			
Federal fiscal stimulus funds	24,496,750	24,496,750		24,496,750
Workforce enhancement		2,000,000		2,000,000
Nekoma ABM site acquisition			600,000	600,000
Total all funds	\$134,724,431	\$126,264,740	\$8,468,949	\$134,733,689
Less estimated income	88,634,937	88,634,937	600,000	89,234,937
General fund	\$46,089,494	\$37,629,803	\$7,868,949	\$45,498,752
FTE	70.25	68.25	1.00	69.25

Department No. 601 - Department of Commerce - Detail of Senate Changes

	Adds Funding to ND Trade Office for Increased Lease Rate¹	Reduces Funding for Child Care Service Provider Grants²	Restores Funding for Centers of Excellence³	Adds Funding for Electronic Portfolio Pilot Project⁴	Restores Funding for American Indian Business Development Office⁵	Adds Funding for Development Foundation 2020⁶
Salaries and wages						
Operating expenses				150,000		
Capital assets						
Grants		(4,685,000)				50,000
North Dakota Development Fund						
Discretionary funds						
Centers of workforce excellence						
Economic development initiatives						
Agriculture Products Utilization Comm						
Centers of excellence			13,000,000			
North Dakota Trade Office	60,400					
Partner programs					100,000	
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition						
Total all funds	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
Less estimated income	0	0	0	0	0	0
General fund	\$60,400	(\$4,685,000)	\$13,000,000	\$150,000	\$100,000	\$50,000
FTE	0.00	0.00	0.00	0.00	0.00	0.00

	Removes Funding for Tourism Infrastructure Grants⁷	Removes Minot Air Force Base Realignment Grant⁸	Adds Energy Director and Associated Operating⁹	Restores Funding for Jobs for America's Graduates Program¹⁰	Changes Funding Source Nekoma ABM Site Acquisition¹¹	Total Senate Changes
Salaries and wages			\$243,549			\$243,549
Operating expenses			100,000	100,000		350,000
Capital assets						
Grants	(1,000,000)	(250,000)				(5,885,000)
North Dakota Development Fund						

Discretionary funds						
Centers of workforce excellence						13,000,000
Economic development initiatives						60,400
Agriculture Products Utilization Comm						100,000
Centers of excellence						
North Dakota Trade Office						
Partner programs						
Division of Energy						
Federal fiscal stimulus funds						
Workforce enhancement						
Nekoma ABM site acquisition					600,000	600,000
Total all funds	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$600,000	\$8,468,949
Less estimated income	0	0	0	0	600,000	600,000
General fund	(\$1,000,000)	(\$250,000)	\$343,549	\$100,000	\$0	\$7,868,949
FTE	0.00	0.00	1.00	0.00	0.00	1.00

¹ Funding is added for the North Dakota Trade Office for a lease rate increase from \$2 per square foot to \$8 per square foot.

² One-time funding provided for child care service providers recruitment, training, and retention grants is reduced from \$4,935,000 to \$250,000.

³ One-time funding of \$13 million is restored for the centers of excellence grant program, the same level recommended in the executive budget.

⁴ One-time funding is added for an electronic portfolio pilot project.

⁵ One-time funding of \$100,000 is restored for the American Indian Business Development Office, to provide the same level of funding as included in the executive budget.

⁶ Funding is added for grants relating to a 2020 and beyond initiative to assess current assets and resources of the state and whether these assets and resources match the emerging opportunities and trends within the state.

⁷ Funding provided by the House to the Division of Tourism for a tourism infrastructure grant is removed.

⁸ Funding provided by the House related to a Minot Air Force Base realignment grant is removed.

⁹ Funding is restored for a director of energy position (\$243,549) and associated operating expenses are added (\$100,000).

¹⁰ Funding from the general fund removed by the House to continue four Jobs for America's Graduates programs previously paid for with federal funds in the 2009-11 biennium is restored.

¹¹ The funding source of a grant to assist in the acquisition of the antiballistic missile (ABM) site at the Stanley R. Mickelson Safeguard Complex in Nekoma is changed from the carryover related to the Great Plains Applied Energy Research Center to the lands and minerals trust fund.

A new section of North Dakota Century Code is created for a small business technology investment program that provides matching investments to startup technology-based businesses.

Statutory provisions relating to centers of excellence are changed to:

- Remove the expiration date of the Centers of Excellence Commission of July 31, 2011, and

- make other changes and additions relating to postaward monitoring;
- Centers of research excellence and a centers of research excellence fund; and
- Eminent researcher recruitment grants, base realignment grants, and entrepreneurial centers development grants.

A new section to Chapter 54-60 is created to provide a pilot program within higher education for an electronic portfolio system administered by the Division of Workforce Development.

A section is added creating an internship fund.

Authority provided by the House for the Department of Commerce to administer an Innovation 2020 grant program and technology award equity investment program is removed.

A new section is added to provide that \$50,000 from the grants line item may be used as a matching grant for an institution of higher education vaccinology initiative.

Changes are made to the biofuel blender pump incentive program relating to the limits per retail location.

Funding from unspent 2009-11 biennium appropriations for the Great Plains Applied Energy Research Center of \$4 million is provided to the Department of Commerce for entrepreneurial centers development grants, and \$1 million is provided to the Development Fund for providing investments to startup state technology-based businesses.

Funding provided by the House of \$600,000 from the Great Plains Applied Energy Research Center carryover related to a grant to assist in the acquisition of the AMB site at the Stanley R. Mickelson Safeguard Complex in Nekoma is removed. The Senate changed the funding source of this initiative to the lands and minerals trust fund.

Funding provided by the House of \$65,000 from the Great Plains Applied Energy Research Center carryover related to a grant to child care service providers for workforce development quality improvement, technical assistance, and capacity building in collaboration with the Department of Human Services under Section 50-11.1-14.1 is removed.

A centers of research excellence fund is created, and the bill provides for a transfer of the \$13 million provided for centers of excellence to this fund. Of the funding provided, \$1 million is for eminent researcher recruitment grants and \$4 million for grants related to limited deployment-cooperative airspace projects (\$2.7 million to the University of North Dakota and \$1.3 million to North Dakota State University).

Sections are added to provide an income tax credit for purchases of manufacturing machinery and equipment for the purpose of automating manufacturing processes.

A section is added authorizing unexpended amounts from the 2009-11 biennium appropriation of \$100,000 for the USS *North Dakota* to continue into the 2011-13 biennium.

A section is added to provide for a Legislative Management study of the impact of future population growth on state and local government revenues.

A section is added to provide for a Legislative Management study of gas flaring issues.