

**FIRST ENGROSSMENT
with Senate Amendments
ENGROSSED HOUSE BILL NO. 1018**

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the department of
2 commerce; to create and enact two new sections to chapter 54-60, a new section to chapter
3 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century
4 Code, relating to a beyond visual line of sight unmanned aircraft system program, fund, and
5 income tax credit; to provide exemptions; to provide for a legislative management study; to
6 provide for a transfer; to provide for a report; and to declare an emergency.

7 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

8 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
9 as may be necessary, are appropriated out of any moneys in the general fund in the state
10 treasury, not otherwise appropriated, and from special funds derived from federal funds and
11 other income, to the department of commerce for the purpose of defraying the expenses of the
12 department of commerce, for the biennium beginning July 1, 2019, and ending June 30, 2021,
13 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>	
14				
15				
16	Salaries and wages	\$12,995,788	\$221,498	\$13,217,286
17	Operating expenses	15,477,622	3,620,581	19,098,203
18	Grants	48,910,416	9,328,111	58,238,527
19	Discretionary funds	2,200,000	1,000,000	3,200,000
20	Agricultural products utilization	3,152,915	(3,152,915)	0
21	commission			
22	North Dakota trade office	2,000,000	(400,000)	1,600,000
23	Partner programs	1,939,845	(377,314)	1,562,531
24	Entrepreneurship grants and vouchers	1,950,000	1,498,467	3,448,467

Sixty-sixth
Legislative Assembly

1	Intermodal container shipping fees	<u>0</u>	<u>1,300,000</u>	<u>1,300,000</u>
2	Total all funds	\$88,626,586	\$13,038,428	\$101,665,014
3	Less estimated income	<u>58,283,906</u>	<u>(360,613)</u>	<u>57,923,293</u>
4	Total general fund	\$30,342,680	\$13,399,041	\$43,741,721
5	Full-time equivalent positions	66.40	(4.60)	61.80

6 **SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO**

7 **SIXTY-SEVENTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time
8 funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the
9 one-time funding items included in the appropriation in section 1 of this Act:

10	<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
11	Flood impact grants/loans	\$5,201,752	\$0
12	Unmanned aircraft system	2,000,000	2,225,000
13	Base retention grants	600,000	250,000
14	Enhanced use lease grant	3,000,000	3,000,000
15	Workforce grants to tribally controlled community colleges	500,000	500,000
16	Census 2020 program	0	1,000,000
17	Workforce safety grant	0	1,000,000
18	Entrepreneurship grants and vouchers	0	2,500,000
19	Sculpture maintenance grants	0	250,000
20	Nonresident nurse employment recruitment	0	800,000
21	Intermodal container transportation shipping fees	<u>0</u>	<u>1,300,000</u>
22	Total all funds	\$11,301,752	\$12,825,000
23	Less estimated income	<u>10,301,752</u>	<u>3,800,000</u>
24	Total general fund	\$1,000,000	\$9,025,000

25 The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget
26 for the 2021-23 biennium. The department of commerce shall report to the appropriations
27 committees of the sixty-seventh legislative assembly on the use of this one-time funding for the
28 biennium beginning July 1, 2019, and ending June 30, 2021.

29 **SECTION 3. EXEMPTION.** The amount of \$2,200,000 appropriated in the discretionary
30 funds line item in section 1 of chapter 43 of the 2017 Session Laws, of which \$1,200,000 was
31 from the general fund and \$1,000,000 was from the research North Dakota fund, is not subject

1 to section 54-44.1-11 and any unexpended funds from this appropriation are available for
2 discretionary uses during the biennium beginning July 1, 2019, and ending June 30, 2021.

3 **SECTION 4. EXEMPTION.** The amount of \$2,000,000 appropriated from the strategic
4 investment and improvements fund for the unmanned aircraft systems program in section 1 of
5 chapter 43 of the 2017 Session Laws is not subject to section 54-44.1-11 and any unexpended
6 funds from this program are available for the program during the biennium beginning July 1,
7 2019, and ending June 30, 2021.

8 **SECTION 5. EXEMPTION.** The amount of \$1,500,000 appropriated from the general fund
9 for the early childhood education grant program in section 1 of chapter 43 of the 2017 Session
10 Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are
11 available for the program during the biennium beginning July 1, 2019, and ending June 30,
12 2021.

13 **SECTION 6. TRANSFER - INTERNSHIP FUND.** The office of management and budget
14 shall transfer \$855,000 of the amount appropriated in the operating expenses line item in
15 section 1 of this Act to the internship fund for the purpose of administering the operation intern
16 program, for the biennium beginning July 1, 2019, and ending June 30, 2021.

17 **SECTION 7. EXEMPTION.** The amount of \$950,000 appropriated from the general fund in
18 the operating expenses line item for the operation intern program in section 1 of chapter 43 of
19 the 2017 Session Laws and transferred to the internship fund in section 7 of chapter 43 of the
20 2017 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this
21 program are available for the program during the biennium beginning July 1, 2019, and ending
22 June 30, 2021.

23 **SECTION 8. TRADE OFFICE - MATCHING FUND REQUIREMENT.** The North Dakota
24 trade office line item and the general fund appropriation in section 1 of this Act include
25 \$1,600,000 of funding relating to the North Dakota trade office. The department of commerce
26 may spend sixty percent of this amount without requiring any matching funds from the trade
27 office. Any additional amounts may be spent only to the extent the North Dakota trade office
28 provides one dollar of matching funds from private or other public sources for each one dollar
29 provided by the department for the biennium beginning July 1, 2019, and ending June 30, 2021.
30 Matching funds may include money spent by businesses or organizations to pay salaries to

1 export assistants, provide training to export assistants, or buy computer equipment as part of
2 the North Dakota trade office's export assistance program.

3 **SECTION 9. ENTREPRENEURSHIP GRANTS AND VOUCHER PROGRAM - ONE-TIME**
4 **FUNDING - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - EXEMPTION.** Section
5 1 of this Act includes the sum of \$3,448,467, of which \$740,956 is from the general fund,
6 \$2,500,000 is from the strategic investment and improvements fund, and \$207,511 is from the
7 economic development fund, for an entrepreneurship grants and voucher program to be
8 developed and administered by the department of commerce, for the biennium beginning
9 July 1, 2019, and ending June 30, 2021. The \$2,500,000 from the strategic investment and
10 improvements fund is considered a one-time funding item. The department shall establish
11 guidelines to provide grants to entrepreneurial centers certified by the department. The
12 department also shall establish guidelines to award vouchers to entrepreneurs to procure
13 business development assistance from certified entrepreneurial centers or to provide grants to
14 entrepreneurs working with an entrepreneurial center. The amount appropriated for
15 entrepreneurship grants in section 1 of this Act is not subject to section 54-44.1-11 and any
16 unexpended funds from this line item are available during the biennium beginning July 1, 2021,
17 and ending June 30, 2023.

18 **SECTION 10. BASE RETENTION GRANT PROGRAM - ONE-TIME FUNDING.** The grants
19 line item in section 1 of this Act includes \$250,000 from the general fund for the base retention
20 grant program. The department of commerce shall develop guidelines for awarding grants
21 under this section. Grants awarded under this program may be provided to one or more
22 communities with an air force base or air national guard facilities. The grant program must
23 award cost reimbursement grants and may not award direct grants. The department shall
24 consult with the North Dakota commission on military promotion and strategic sustainment
25 regarding approval of grant awards. This funding is considered a one-time funding item.

26 **SECTION 11. BIOTECHNOLOGY GRANT PROGRAM.** The grants line item in section 1 of
27 this Act includes \$300,000 from the general fund for the purpose of providing biotechnology
28 grants to a local association with bioscience experience to promote bioscience and
29 biotechnology research and business development in North Dakota agriculture and life and
30 energy science industries.

1 **SECTION 12. APPROPRIATION - 2017-19 BIENNIUM - BEYOND VISUAL LINE OF**
2 **SIGHT UNMANNED AIRCRAFT SYSTEM PROGRAM - EXEMPTION.** There is appropriated
3 out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum
4 of \$28,000,000, or so much as the sum as may be necessary, to the department of commerce
5 for the purpose of defraying the expenses relating to the beyond visual line of sight unmanned
6 aircraft system program, for the period beginning with the effective date of this Act, and ending
7 June 30, 2019. The funding provided under this section is not subject to section 54-44.1-11 and
8 any unexpended funds may be continued and are available for the program during the biennium
9 beginning July 1, 2019, and ending June 30, 2021.

10 **SECTION 13.** A new section to chapter 54-60 of the North Dakota Century Code is created
11 and enacted as follows:

12 **Beyond visual line of sight unmanned aircraft system program - Requirements -**
13 **Report to legislative management.**

14 The department may establish and administer a beyond visual line of sight unmanned
15 aircraft system program for the design, purchase, implementation, and operating costs of a
16 beyond visual line of sight unmanned aircraft system. The department shall require any entity
17 receiving funding for this program to provide quarterly payments to the state treasurer equal to
18 three percent of the entity's gross income associated with the beyond visual line of sight
19 unmanned aircraft system as reported in the entity's prior year financial statements. The state
20 treasurer shall deposit fifty percent of any payments received in the state general fund and fifty
21 percent in the beyond visual line of sight unmanned aircraft system fund. The department shall
22 provide a semi-annual reports to the legislative management regarding the development of the
23 beyond visual line of sight unmanned aircraft systems program and the total amount deposited
24 by the state treasurer in the state general fund and the beyond visual line of sight unmanned
25 aircraft system fund.

26 **SECTION 14.** A new section to chapter 54-60 of the North Dakota Century Code is created
27 and enacted as follows:

28 **Beyond visual line of sight unmanned aircraft system fund.**

29 There is created in the state treasury a special fund known as the beyond visual line of sight
30 unmanned aircraft system fund. The fund consists of moneys deposited by the state treasurer
31 from entities receiving funding from the department of commerce for the beyond visual line of

1 sight unmanned aircraft system program. Interest earned on moneys in the fund must be
2 credited to the fund. Moneys in the fund may be used, subject to legislative appropriations, to
3 defray the expenses of the beyond visual line of sight unmanned aircraft system program.

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

6 **Income tax credit for beyond visual line of sight unmanned aircraft system payments.**

7 A taxpayer that received funding under section 12 of this Act is entitled to a credit against
8 tax liability determined under section 57-38-30 or 57-38-30.3 equal to the amount the taxpayer
9 remitted to the state treasurer under section 13 of this Act during the taxable year. The credit
10 under this section may not exceed the taxpayer's liability as determined under this chapter for
11 the taxable year. A passthrough entity entitled to the credit under this section must be
12 considered to be the taxpayer for purposes of this section, and the amount of the credit allowed
13 must be determined at the passthrough entity level. The amount of the credit determined at the
14 passthrough entity level must be passed through to the partners, shareholders, or members in
15 proportion to their respective interests in the passthrough entity.

16 **SECTION 16.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
17 Century Code is created and enacted as follows:

18 Beyond visual line of sight unmanned aircraft system payment credit under
19 section 15 of this Act.

20 **SECTION 17. LEGISLATIVE MANAGEMENT STUDY - BEYOND VISUAL LINE OF**
21 **SIGHT UNMANNED AIRCRAFT SYSTEM PROGRAM.** During the 2019-20 interim, the
22 legislative management shall consider studying the future administration and regulation of the
23 unmanned aircraft systems industry in North Dakota, including beyond visual line of sight
24 unmanned aircraft system. The study must include a determination of the appropriate state
25 agency or private entity to be assigned responsibility of regulating unmanned aircraft system
26 programs, including licensing, registration, appropriate fees, and other responsibilities. The
27 study may include a review of the audited financial statements associated with the beyond
28 visual line of sight unmanned aircraft system of an entity receiving funding from the
29 appropriation for the beyond visual line of sight unmanned aircraft system program in section 9
30 of this Act. The legislative management shall report its findings and recommendations, together

1 with any legislation necessary to implement the recommendations, to the sixty-seventh
2 legislative assembly.

3 **SECTION 18. LEGISLATIVE MANAGEMENT STUDY - MOTION PICTURE INCENTIVES.**

4 During the 2019-20 interim, the legislative management shall consider studying motion picture
5 incentives. The study must include a review of upper Midwest and neighboring states' statutes
6 on motion picture incentives to assess their successes and challenges; an analysis of the
7 economic impact that would benefit communities through food, lodging, supplies, and
8 transportation; an assessment of existing industry infrastructure in the state and opportunities
9 for growth; and an identification of unique geographic, seasonal, regulatory, and topographical
10 assets the state has for the motion picture industry. The legislative management shall report its
11 findings and recommendations, together with any legislation necessary to implement the
12 recommendations, to the sixty-seventh legislative assembly.

13 **SECTION 19. SCULPTURE MAINTENANCE GRANTS - ONE-TIME FUNDING.** The grants

14 line item in section 1 of this Act includes \$250,000 from the general fund for the purpose of
15 providing grants, on a reimbursement basis, to maintain the structure and appearance of metal
16 sculptures located adjacent to highways in North Dakota. Grant funds may be awarded only for
17 sculptures with current land leases. Grant funds may be awarded only to the extent that
18 matching funds on a dollar-for-dollar basis are provided from private or other nonstate sources.
19 Matching funds may include in-kind payments for labor and materials. The department of
20 commerce shall establish guidelines to require a privately funded maintenance plan to be
21 established for future maintenance cost of metal sculptures adjacent to highways in North
22 Dakota. This funding is considered a one-time funding item.

23 **SECTION 20. NONRESIDENT NURSE EMPLOYMENT RECRUITMENT PROGRAM -**

24 **ONE-TIME FUNDING.** The grants line item in section 1 of this Act includes \$800,000 from the
25 general fund for the purpose of establishing a non-resident nurse employment recruitment
26 program. The department of commerce shall provide up to \$4,000 in incentives for each
27 nonresident licensed nurse who signs a written agreement to work at least four years in a North
28 Dakota licensed health care facility. Any licensed health care facility receiving funds from this
29 program must provide two dollars of incentive matching funds for each one dollar provided by
30 the department. This funding is considered a one-time funding item.

1 **SECTION 21. TRANSFER - ESTIMATED INCOME- BEGINNING FARMER REVOLVING**

2 **LOAN FUND - ONE-TIME FUNDING.** As requested by the commissioner of the department of
3 commerce, the Bank of North Dakota shall transfer from the beginning farmer revolving loan
4 fund to the department of commerce the sum of \$1,300,000, or so much of the sum as may be
5 necessary, included in the estimated income line item in section 1 of this Act for paying
6 intermodal container transportation shipping fees in the event intermodal containers are unable
7 to be shipped, resulting in fees for the transport of containers to new locations for the biennium
8 beginning July 1, 2019, and ending June 30, 2021. This funding is considered a one-time
9 funding item.

10 **SECTION 22. APPROPRIATION - 2017-19 BIENNIUM - NORTH DAKOTA GORGE**

11 **GRANT - EXEMPTION.** There is appropriated out of any moneys in the general fund in the
12 state treasury, not otherwise appropriated, the sum of \$750,000, or so much of the sum as may
13 be necessary, to the department of commerce for the purpose of providing grants, on a
14 reimbursement basis, to an organization dedicated to preserving a North Dakota gorge for the
15 period beginning with the effective date of this Act, and ending June 30, 2019. Grant funds may
16 be awarded only for expenditures related to the purchase and maintenance of outdoor
17 recreation equipment, the improvement and maintenance of real property, enhancing public
18 access to natural resources, and addressing public safety hazards in a North Dakota gorge.
19 Grant funds may be awarded only to the extent that matching funds on a dollar-for-dollar basis
20 are provided from private or other non-state sources. Matching funds may include in-kind
21 payments for labor and materials. The funding provided in this section is considered a one-time
22 funding item. The funding provided under this section is not subject to section 54-44.1-11 and
23 any unexpended funds may be continued and are available for the program during the biennium
24 beginning July 1, 2019, and ending June 30, 2021.

25 **SECTION 23. EFFECTIVE DATE.** Sections 15 and 16 of this Act are effective for taxable
26 years beginning after December 31, 2018.

27 **SECTION 24. EMERGENCY.** Sections 12, 13, 14, 15, 16, and 22 of this Act are declared to
28 be an emergency measure.