

Department of Commerce
House Bill No. 1019, Senate Bill No. 2337

	FTE Positions	General Fund	Other Funds	Total
2003-05 executive budget (bills as introduced)	57.00	\$15,529,445	\$55,759,805	\$71,289,250
2003-05 legislative appropriations	57.00	19,014,723	52,353,107	71,367,830
Legislative increase (decrease) to executive budget	0.00	\$3,485,278	(\$3,406,698)	\$78,580
Legislative increase (decrease) to 2001-03 appropriations	0.00	\$1,134,436	\$8,699,382	\$9,833,818

SUMMARY OF LEGISLATIVE CHANGES TO THE EXECUTIVE BUDGET AND MAJOR FUNDING ITEMS

Salaries and Wages

The legislative action affecting the recommended appropriation for the Department of Commerce is in accordance with legislative salary and fringe benefits guidelines as contained in Senate Bill No. 2423, which allows agencies to provide salary increases of up to 1 percent on January 1, 2004, and up to 2 percent on January 1, 2005, to be funded in part from pooled savings accumulated from agency FTE position reductions.

	Major Items	General Fund	Other Funds	Total
	FTE Positions			
The legislative action:				
Removed funding recommended in the executive budget for state employee salary increases		(\$56,878)	(\$18,783)	(\$75,661)
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$493 to \$488.70 per month per policy		(4,342)	(1,540)	(5,882)
Reduced funding for information technology. The amount reduced represents a reduction in information technology funding of approximately 5 percent.		(24,877)		(24,877)
Added funding for administrative costs		20,000		20,000
Reduced funding for professional services by \$70,000 and travel by \$30,000		(100,000)		(100,000)
Changed the source of funding for administrative costs of the Development Fund from the general fund to the Development Fund. Section 8 was added to the bill authorizing money in the Development Fund to be used for costs of administering the fund.		(398,625)	398,625	
Reduced operating expenses. The department may determine the specific areas to reduce.		(200,000)		(200,000)
Reduced funding for tourism marketing		(300,000)		(300,000)

Reduced funding for Lewis and Clark marketing	(200,000)	(200,000)		
Added funding for Lewis and Clark marketing in Senate Bill No. 2337	2,900,000	2,900,000		
Removed funding for the New Economy Initiative	(200,000)	(200,000)		
Added funding for discretionary grants	150,000	150,000		
Added funding to assist in the preparation of a North Dakota proposal to attract a "high-tech" manufacturing firm to the state	50,000	50,000		
Added funding for a marketing and image-building campaign for the Red River Valley research corridor beginning in the second year of the biennium	200,000	200,000		
Added funding to the Lewis and Clark line item, and of the funding provided, designated a \$150,000 grant to the Lewis and Clark Interpretive Center in Washburn and a \$150,000 grant to Fort Lincoln	100,000	100,000		
Added funding for the Development Fund	1,550,000	1,550,000		
Removed funding for ethanol incentives			(3,785,000)	(3,785,000)
Total	<u>0.00</u>	<u>\$3,485,278</u>	<u>(\$3,406,698)</u>	<u>\$78,580</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation which included funding for 57 FTE positions, the same as the 2001-03 biennium.

Lewis and Clark Marketing

The Legislative Assembly appropriated \$3,851,911 from the general fund for Lewis and Clark Bicentennial-related marketing and activities. Of this amount, \$2.9 million was appropriated in Senate Bill No. 2337 for marketing the Lewis and Clark Bicentennial celebration (See **Related Legislation** section below) and \$951,911 in the Lewis and Clark Bicentennial line item in House Bill No. 1019. Of the \$951,911, \$150,000 is for providing a grant to the Lewis and Clark Interpretive Center in Washburn and \$150,000 is for providing a grant to the Fort Abraham Lincoln Foundation. The remaining \$651,911 is for other Lewis and Clark Bicentennial marketing and activities.

Section 11 was added to House Bill No. 1019 providing that the Tourism Division request bids for each Lewis and Clark Bicentennial-related marketing campaign developed during the 2003-05 biennium.

Trade Promotion Authority

Sections 21 and 22 require the department to establish a trade promotion authority for promoting North Dakota products and improving international trade for North Dakota products for the 2003-05 biennium. The department is to use \$75,000 from the general fund appropriated in its operating expenses line item for operating costs of the authority for the 2003-05 biennium. The department may spend any gifts, grants, or other income received by the authority pursuant to a continuing appropriation for the 2003-05 biennium. The department is to report to the Appropriations Committees of the 2005 Legislative Assembly regarding its recommendation 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.

Development Fund

The Legislative Assembly appropriated \$1,550,000 from the general fund for the Development Fund for the 2003-05 biennium. The executive budget did not include any general fund support for the Development Fund for the 2003-05 biennium. The Legislative Assembly appropriated funding of \$398,625 for administrative costs of the Development Fund from the Development Fund rather than the general fund. The executive budget recommended that the administrative costs be paid from the general fund, the same as the 2001-03 biennium. Section 19 requires the Department of Commerce to provide a \$1,250,000 grant to the North Dakota State University (NDSU) Center for Technology Enterprise and an \$800,000 grant to the University of North Dakota (UND) Center for Innovation from the Development Fund on October 1, 2003.

Centers of Excellence

Section 23 requires the Board of Higher Education to establish a centers of excellence program relating to economic development. The section allows the board to designate centers of excellence based on definitions and eligibility criteria established by the board, in consultation with the North Dakota Economic Development Foundation and with private sector input. The section designates the NDSU Center for Technology Enterprise and the UND Center for Innovation as centers of excellence and Section 19 provides that the Department of Commerce provide a \$1,250,000 grant to the NDSU Center for Technology Enterprise and an \$800,000 grant to the UND Center for Innovation from the Development Fund on October 1, 2003.

Ethanol Production Incentives

Senate Bill No. 2222 provides for the ethanol incentive program. The bill establishes a formula for distributing ethanol incentive payments based on the price of gasoline and the price of corn. It creates an ethanol production incentive fund into which is deposited 40 percent of all registration fees on farm vehicles and the one cent withheld on agricultural gasoline tax refunds. The State Treasurer may not transfer any farm vehicle registration fee collections that would cause the ethanol production incentive fund's balance to exceed \$5 million. Revenue to the fund for the 2003-05 biennium is anticipated to total \$3,085,000, of which \$2.8 million is from farm vehicle registration fees and \$285,000 from the one cent withheld on agricultural gasoline tax refunds. The bill provides a continuing appropriation to the Department of Commerce for making the ethanol incentive payments; therefore, no specific amount is appropriated for the 2003-05 biennium. An eligible plant may not receive more than \$1.6 million in production incentives annually and may not receive a cumulative total of more than \$10 million in incentive payments. The bill provides that change of ownership of an ethanol plant does not affect the \$10 million maximum payment amount. For the 2003-05 biennium, an ethanol plant that was in operation before July 1, 1995, and has a production capacity of fewer than 15 million gallons of ethanol may receive incentive payments of up to \$600,000 per year, and an ethanol plant that was in operation before July 1, 1995, and which produced more than 15 million gallons in the previous year may receive incentive payments of up to \$300,000 per year.

Section 5 of House Bill No. 1019 requires the Tax Commissioner to audit the ethanol production incentive program during the 2003-05 biennium.

Seed Capital Investment Tax Credit

Section 25 amends the seed capital investment tax credit by increasing the credit from 30 to 45 percent of the amount invested, increasing the eligible annual investment from \$50,000 to \$250,000, providing that the credit be claimed over three rather than two years, and removing provisions that the tax credits for investments in one qualified business may not exceed \$250,000.

Section 7 provides legislative intent that the state's seed capital investment tax credit primary focus be to encourage the availability of seed capital or early stage financing for the 2003-05 biennium.

Other Sections in Bill

Carryover - Sections 3 and 4 allow the Department of Commerce to continue unspent 2003-05 biennium appropriation authority in the discretionary grants line item and grants awarded but not paid in the agricultural products utilization line item beyond the 2003-05 biennium.

General fund transfer - Section 6 directs the Industrial Commission to transfer \$1 million from the student loan trust fund to the general fund during the 2003-05 biennium as requested by the director of the Office of Management and Budget.

Accountability measures - Section 9 provides that the department report to either the Budget Section or another interim Legislative Council committee on North Dakota's economic goals and associated benchmarks.

Tourism reporting - Section 12 provides 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.

Partnerships with Indian tribes - Section 13 provides legislative intent that the department assist in the creation of business partnerships with North Dakota Indian tribes in order to increase primary sector business growth on the Indian reservations and other areas in the state.

Tourism learning vacations - Section 14 provides legislative intent that the Tourism Division establish, coordinate, and promote North Dakota learning vacations.

Visitor rescue grants - Section 16 provides that the department use up to \$25,000 of the general fund appropriation provided for discretionary grants to reimburse political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions.

Red River Valley research corridor marketing - Section 17 provides that the department use \$200,000 of the general fund appropriation provided for discretionary grants to contract 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 2003-05 biennium.

Internships - Section 20 provides legislative intent that the Workforce Development Division develop an internship program involving its Internet web site and in conjunction with North Dakota University System programs.

Information Technology Department's wide area network services - Section 24 provides that the Information Technology Department may provide wide area network services for up to four years to a business located in a higher education institution's business incubator or technology park.

Related Legislation

Carryover - Section 43 of Senate Bill No. 2015 authorizes the Department of Commerce to continue up to \$850,000 of its unspent 2001-03 biennium grants appropriation for the 2003-05 biennium.

Workforce Development Division web site continuing appropriation - Senate Bill No. 2030 provides a continuing appropriation to the Department of Commerce of up to \$130,000 per biennium from fees generated from its career guidance and job opportunities web site to pay for costs associated with the web site. Any amounts received in excess of \$130,000 per biennium may be spent pursuant to legislative appropriations or Budget Section approval. The department's 2003-05 biennium appropriation includes \$200,000 from web site fee collections for costs of operating the web site for the 2003-05 biennium.

Lewis and Clark marketing - Senate Bill No. 2337 provides for an additional lodging tax of 1 percent effective through June 2007 and appropriates \$2.9 million from the general fund or the amount generated by the additional 1 percent lodging tax if less than \$2.9 million to the Tourism Division for marketing the Lewis and Clark Bicentennial celebration. Senate Bill No. 2337 provides that the \$2.9 million be used for out-of-state marketing of the Lewis and Clark Bicentennial celebration; however, Section 10 of House Bill No. 1019 which was approved later during the session provides that the funding may be used for **all marketing-related** costs associated with the Lewis and Clark Bicentennial celebration.

Ethanol production incentive program - Senate Bill No. 2222 provides for the ethanol production incentive program. (See **Ethanol Production Incentives** section above for additional information)