

**Department of Commerce
Budget No. 601
Senate Bill No. 2018, House Bill No. 1050**

	FTE Positions	General Fund	Other Funds	Total
2005-07 executive budget (bills as introduced)	59.00	\$23,129,164	\$105,432,496	\$128,561,660
2005-07 legislative appropriations	62.00	19,180,781	57,434,283	76,615,064
Legislative increase (decrease) to executive budget	3.00	(\$3,948,383)	(\$47,998,213)	(\$51,946,596)
Legislative increase (decrease) to 2003-05 appropriations	5.00	\$166,058	\$5,081,176	\$5,247,234

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 House Bill No. 1050.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Added funding for state employee salary increases		\$22,040	\$9,837	\$31,877
Reduced funding recommended in the executive budget for state employee health insurance premiums from \$559.15 to \$553.95 per month per policy		(4,695)	(2,044)	(6,739)
Added funding for a vacant position previously paid for with federal funds		120,000		120,000
Added funding from the Development Fund for 1 FTE position recommended in the executive budget to be paid from the Development Fund, pursuant to a continuing appropriation			118,994	118,994

Provided funding for the following economic initiatives recommended by the Primary Sector Business Congress:	1.00	500,000	250,000	750,000
<ul style="list-style-type: none"> • Target industry identification and report • Image information program • Business hotline • Local economic developer certification and training • Dakota Manufacturing Initiative • Intellectual property rights study and report • Economic development incentives study and report • Business climate initiative study 				
Provided funding for the following economic development grants:		150,000		150,000
<ul style="list-style-type: none"> • Life sciences sector development (\$100,000) • Rural Development Council (\$50,000) 				
Provided funding for operating an American Indian Business Development Office within the department	1.00	129,272		129,272
Provided funding from the Development Fund (\$500,000) and from the State Mill and Elevator (\$200,000) for costs associated with the International Business and Trade Office. Matching funds of 50 percent must be provided before this funding is available.			700,000	700,000
Removed funding recommended by the Governor for centers of excellence (see Centers of Excellence section below)		(5,000,000)	(50,000,000)	(55,000,000)
Added funding in the discretionary funds line item for reimbursing political subdivisions for extraordinary costs incurred in rescues of visitors to North Dakota tourist attractions		10,000		10,000
Provided funding for the Tourism Division to develop, market, and implement learning-based vacations, including development of a learning-based vacation web site which will allow individuals to create individualized learning-based vacations	1.00	125,000		125,000
Provided \$75,000 from the agricultural fuel tax fund and \$150,000 of federal funds to the Agricultural Products Utilization Commission for an animal identification grant program			225,000	225,000
Added funding from a federal technical skills training grant for additional workforce training			700,000	700,000
Total	3.00	(\$3,948,383)	(\$47,998,213)	(\$51,946,596)

FTE Changes

The Legislative Assembly did not change the executive recommendation to add 1 FTE economic analyst position and 1 FTE administrative position for the Development Fund. The Legislative Assembly added 1 FTE relating to economic initiatives, including the image information program and business hotline, 1 FTE for the American Indian Business Development Office, and 1 FTE for the Tourism Division relating to the learning vacation initiative.

Centers of Excellence

The executive budget recommended for the department an appropriation of \$5 million from the general fund and authorization to borrow up to \$50 million from the Bank of North Dakota for providing grants to the centers of excellence. The Legislative Assembly removed these provisions and authorized the Office of Management and Budget to borrow up to \$15 million from the Bank of North Dakota and to distribute the funds to the centers of excellence as directed by the Centers of Excellence Commission. If the \$15 million is not adequate funding for the 2005-07 biennium, the Office of Management and Budget may borrow up to an additional \$5 million from the Bank to be used for centers of excellence grants, subject to Emergency Commission and Budget Section approval. A section of legislative intent was added providing that the Legislative Assembly intends to provide a total of \$50 million for the centers of excellence during the 2005-07 biennium and future bienniums.

Any loans and accrued interest are to be repaid from funds transferred to the permanent oil tax trust fund during the 2005-07 biennium. Repayments may not begin until a total of \$77 million of oil tax revenues has been received by the general fund, of which \$71 million will be retained in the general fund and \$6 million transferred to the permanent oil tax trust fund. As additional amounts in excess of the \$6 million are transferred into the fund, the Office of Management and Budget may use 50 percent of any additional transfers for repaying the Bank loan and interest, the total of which may not exceed \$16 million during the 2005-07 biennium. Section 44 of the bill amends statutory provisions relating to the permanent oil tax trust fund to allow transfers from the general fund to the permanent oil tax trust fund before the end of each biennium.

Tourism Grants

House Bill No. 1020, the Parks and Recreation Department appropriations bill, includes a section requiring the Tourism Division of the Department of Commerce to provide the following grants from the general fund appropriation included in the Lewis and Clark Bicentennial line item in Senate Bill No. 2018:

Fort Abraham Lincoln Foundation	\$100,000
Lewis and Clark Foundation	100,000
Three Affiliated Tribes Lewis and Clark Bicentennial	50,000
Standing Rock Tourism - Lewis and Clark	50,000
Cowboy Hall of Fame	25,000
Total	\$325,000

Other Sections in Bill

Section 16 was added providing for a \$425,000 transfer from the beginning farmer revolving loan fund to the agricultural fuel tax fund for the Agricultural Products Utilization Commission.

Sections 17 and 18 allow the Agricultural Products Utilization Commission to continue any unspent 2005-07 appropriation authority for grants into the 2007-09 biennium and the department to continue any unspent 2005-07 biennium appropriation authority in the discretionary funds line item into the 2007-09 biennium.

Section 22 was added requiring that upon receipt, review, and approval of an application from a private company within the state doing research on sensor technology relating to wheat scab disease, the Agricultural Products Utilization Commission shall provide a \$100,000 grant to this company.

Section 25 requires the department to provide a \$400,000 grant from its general fund appropriation to the Red River Valley research corridor for matching federal funds.

Section 26 requires the department to provide a \$50,000 grant from its general fund appropriation to the North Dakota center for technology program.

Section 27 requires the department to provide a \$250,000 grant from its general fund appropriation to the partners in marketing program. Sections 29, 30, 31, 32, and 39 were added creating an Office of Renewable Energy and Energy Efficiency within the department and transferring responsibility to administer the ethanol incentive program from the Agricultural Products Utilization Commission to this office.

Sections 35 and 37 were added providing for responsibilities of an International Business and Trade Office in the Economic Development and Finance Division of the department and Section 46 provides for a report to the Legislative Council.

Section 36 was added changing statutory provisions relating to the American Indian Business Development Office within the department and Section 46 provides for a report to the Legislative Council.

Section 38 was added requiring the department to implement a local economic developer certification program and Section 47 provides for a report to the Legislative Council.

Section 40 was added requiring the department to identify target industries, designate one of the industries as a special focus target industry, and report biennially to the Legislative Council.

Section 41 was added requiring the department to implement an image information program and Section 48 provides for a report to the Legislative Council.

Section 42 was added requiring the department to implement a business hotline program and Section 49 provides for a report to the Legislative Council.

Section 45 was added requiring the department to implement a Dakota Manufacturing Initiative and Section 50 provides for a report to the Legislative Council.

Section 51 was added requiring the department to study the state's intellectual property laws and report to the Legislative Council.

Section 52 was added requiring the department to study the state's economic development incentives and report to the Legislative Council.

Section 53 was added requiring the department to monitor and report annually to the Legislative Council regarding economic goals and benchmarks identified in this section.

Related Legislation

House Bill No. 1020 includes a section requiring the Tourism Division of the Department of Commerce to provide \$325,000 of general fund grants from the funding included in the Lewis and Clark Bicentennial line item in Senate Bill No. 2018 (see **Tourism Grants** section above).

House Bill No. 1185 continues the department's rural growth incentive grant program that otherwise would have been discontinued on July 31, 2005.

House Bill No. 1203 provides for economic development accountability reporting.

House Bill No. 1478 reduces the motor vehicle fuel tax rate to one cent per gallon on sales of "E85" fuel and provides for the transfer of 20 cents per gallon of "E85" sold from the funding of the Agricultural Products Utilization Commission to the highway tax distribution fund until a total of 1.2 million gallons is sold.

House Bill No. 1519 allows the Agricultural Products Utilization Commission to provide agricultural technology grants in addition to its other grant programs.

Senate Bill No. 2032 addresses a number of economic development and business climate issues, including providing for the centers of excellence program.

Senate Bill No. 2147 allows the Agricultural Products Utilization Commission to provide nature-based tourism grants and technical assistance grants for value-added businesses in addition to its other grant programs.

Senate Bill No. 2270 provides ethanol incentives for existing ethanol plants in North Dakota for the 2005-07 biennium and allows for continuing ethanol production incentives for existing plants if the plants increase production levels.