

**Department of Commerce
Budget No. 601
House Bill Nos. 1018, 1014, 1019, Senate Bill Nos. 2001, 2187**

	FTE Positions	General Fund	Other Funds	Total
2007-09 executive budget (bills as introduced)	73.00	\$26,169,736	\$55,361,293	\$81,531,029
2007-09 legislative appropriations	66.00	28,581,965¹	55,758,516	84,340,481
Legislative increase (decrease) to executive budget	(7.00)	\$2,412,229	\$397,223	\$2,809,452
Legislative increase (decrease) to 2005-07 appropriations	4.00	\$9,401,184	(\$1,675,767)	\$7,725,417

¹This amount includes a \$2 million transfer from the general fund to the workforce enhancement fund and \$3.1 million of one-time funding. Excluding these items, the agency's ongoing general fund appropriation is \$23,481,965.

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 specified for the Department of Commerce as contained in Section 8 of Senate Bill No. 1018.

	Major Items FTE Positions	General Fund	Other Funds	Total
The legislative action:				
Reduced funding recommended in the executive budget relating to retiree health credit contributions		(\$7,579)	(\$2,777)	(\$10,356)
Provided for a transfer from the general fund to the workforce enhancement fund in House Bill No. 1019. Money in the fund is appropriated continually to the department for workforce enhancement grants.		2,000,000		2,000,000
Added funding for costs of the Office of Faith-Based and Community Initiatives. The office was transferred to the Department of Commerce from the Governor's office in Senate Bill No. 2001.		25,000		25,000
Added funding in Senate Bill No. 2187 for emergency shelter programs		200,000		200,000
Added funding in Senate Bill No. 2187 for planning and administrative costs relating to the continuum of care homeless program of the federal Department of Housing and Urban Development		100,000		100,000

Removed the executive budget initiative to provide students and their parents information about North Dakota career opportunities	(10.00)	(1,226,244)		(1,226,244)
Added funding to administer the career promotion in workforce deficient industries program and the internship program	1.00	160,000		160,000
Added funding for internships for postsecondary students to provide a total of \$600,000 from the general fund		200,000		200,000
Added funding for additional responsibilities of the Workforce Development Division, including talent initiative and workforce intelligence coordination, and for planning	2.00	300,000		300,000
Added funding for the Workforce System Initiative		50,000		50,000
Added funding to provide a total of \$300,000, of which \$150,000 is from the general fund for the Innovate ND program		50,000		50,000
Added funding for the internship program of the Trade Office. A total of \$1.5 million is appropriated from the general fund for the Trade Office.		100,000		100,000
Added funding for a business incentive expenditure report pilot project and for three tax expenditure report pilot projects		100,000		100,000
Added funding for administrative costs relating to centers of excellence applications from funds transferred by the Office of Management and Budget from the centers of excellence appropriation from the permanent oil tax trust fund			375,000	375,000
Added funding for costs associated with provisions of House Bill No. 1462, including the development of a state energy plan. The \$25,000 of other funds is to be raised by the department.		25,000	25,000	50,000
Added funding for the Agricultural Products Utilization Commission to provide a total of \$1,662,115 from the general fund		200,000		200,000
Added funding for the department to contract for services relating to the Beginning Again North Dakota pilot program		30,000		30,000
Reduced funding for tourism marketing and promotion		(3,948)		(3,948)

Added funding for the Tourism Division to provide a grant to the Lewis and Clark Foundation in Washburn. The Tourism Division may only provide grant funds to the extent the Lewis and Clark Foundation provides \$2 of matching funds for each \$1 of state grant funds.	100,000	100,000		
Added funding for the Tourism Division to match private funds for tourism-related promotions and events involving officially sanctioned statewide pageant titleholders who are over age 17. The Tourism Division may provide matching funds on a dollar-for-dollar basis of up to \$1,000 for each eligible promotion or event as determined by the Tourism Division.	10,000	10,000		
Total	<u>(7.00)</u>	<u>\$2,412,229</u>	<u>\$397,223</u>	<u>\$2,809,452</u>

FTE Changes

The Legislative Assembly did not change the executive recommendation to add 1 FTE business development specialist in the Division of Economic Development and Finance but did remove the 10 FTE positions within the Division of Workforce Development recommended in the executive budget to provide students and their parents information about North Dakota career opportunities. The Legislative Assembly added 1 FTE position to administer the career promotion in the workforce deficient industries program and the internship program and 2 FTE positions for the additional responsibilities of the Workforce Development Division, including talent initiative and workforce intelligence coordination, and for planning.

One-Time Funding

In Section 9, the Legislative Assembly identified a total of \$3.1 million from the general fund, of which \$3 million is a transfer to the Development Fund and \$100,000 is for tax expenditure and business incentive expenditure reports as one-time funding. This amount is not to be considered part of the agency's base budget for preparing the 2009-11 executive budget and the Department of Commerce is to report to the Appropriations Committees during the 2009 legislative session on the use of this funding.

Centers of Excellence

The executive budget included a \$20 million general fund appropriation to the Office of Management and Budget for providing grants to centers of excellence. The Legislative Assembly removed the general fund appropriation and appropriated \$15 million from the permanent oil tax trust fund to the Office of Management and Budget for centers of excellence grants and authorized the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to \$5 million from the Bank of North Dakota for providing additional funding for centers of excellence, if the \$15 million appropriated from the permanent oil tax trust fund is committed. Of the \$15 million appropriation, up to \$10 million is available for Budget Section approval at its first meeting after September 1, 2007, and up to \$5 million and any unawarded funds remaining from the first year \$10 million allocation is available for Budget Section approval at its first meeting after September 1, 2008. The Legislative Assembly, in Sections 30 through 33 of House Bill No. 1018, made changes to the centers of excellence statutory provisions relating to award designations, Budget Section rereferrals of applications, commission staffing responsibilities, postaward monitoring, distribution of funding awards, and allowable administrative costs.

Other Sections in House Bill No. 1018

Trade Office matching requirement - Section 10 allows the Department of Commerce to provide \$750,000 of the \$1.5 million from the general fund appropriated for the Trade Office without requiring any matching funds but requires a dollar-for-dollar match for any additional amounts. The section also specifies the type of funding that qualifies as matching funds.

PACE fund to Development Fund transfer - Section 11 authorizes the Industrial Commission to transfer up to \$1 million from the partnership in assisting community expansion (PACE) fund to the Development Fund during the 2007-09 biennium.

Internship program report - Section 12 provides that the Department of Commerce report to the Appropriations Committees of the 2009 Legislative Assembly regarding the internship program.

Renaissance Zone Conference - Section 19 requires the Department of Commerce to organize a Renaissance Zone Conference during the 2007-08 interim and provide a report to the Legislative Council.

Workforce System Initiative - Legislative Council study - Section 20 requires the Legislative Council to study the state's system of addressing workforce needs.

Department of Commerce - Legislative Council study - Section 21 provides for a Legislative Council study of the Department of Commerce.

Proposed promise grant program - Legislative Council study - Section 22 provides for a Legislative Council study of implementing a grant program for North Dakota students attending North Dakota higher education institutions.

Higher education report on CCbenefits - Section 23 provides that the Board of Higher Education monitor and report to the Legislative Council on the implementation of the services of CCbenefits, Inc., at higher education institutions.

Pilot projects - Tax expenditures and business incentive expenditure reports - Sections 24 and 25 provide that the Department of Commerce and the Tax Department prepare a report on three selected tax expenditures and that the Department of Commerce prepare a report on a business incentive expenditure during the 2007-09 biennium. The reports are to be submitted to the 2009 Legislative Assembly.

Tax credit transfer study - Section 26 requires the Tax Commissioner to monitor and report to the 2009 Legislative Assembly on the implementation and use of transferable tax credits.

Housing needs - Legislative Council study - Section 27 provides for a Legislative Council study of the state's housing needs.

Wireless service providers - Legislative Council study - Section 28 provides for a Legislative Council study of issues relating to the state's wireless service providers.

Centers of excellence - Sections 30 through 33 relate to centers of excellence (see **Centers of Excellence** section above).

Housing programs - Section 34 makes changes to housing programs of the Housing Finance Agency.

Department of Commerce organizational structure - Section 35 makes changes to the organizational structure of the Department of Commerce.

Workforce Development Division - Sections 36 and 37 relate to the duties and responsibilities of the Workforce Development Division of the Department of Commerce, including to develop the state's talent strategy and intelligence coordination strategy and to administer the internship and career promotion programs.

Beginning Again North Dakota pilot program - Section 38 provides that the department establish a Beginning Again North Dakota pilot program.

Business incentive definition - Section 39 changes provisions relating to the definition of a business incentive.

Missile silo historic site name - Section 40 provides that if the State Historical Society acquires a missile silo historic site the name of the site will be the Ronald Reagan Historic Site.

Taxable value of wind turbines - Section 41 relates to the taxable valuation of wind turbine electric generators.

Angel fund investment tax credit - Sections 42 and 46 relate to income tax credits for certain angel fund investments.

Tax credits for hard-to-fill positions - Sections 43, 45, and 46 allow income tax credits for hard-to-fill positions.

Internship employment tax credit - Sections 44 and 46 allow income tax credits for internships.

Research and experimental tax credit - Sections 46 and 47 relate to income tax credits for qualified research and experimental expenditures.

Maximum seed capital investment tax credit - Section 48 increases the maximum allowable seed capital investment tax credit from a total of \$2 million each year to \$3.5 million each year.

Agriculture business investment tax credit - Section 49 expands the types of businesses that qualify for the agriculture business investment tax credit.

Business climate initiative - Section 50 removes the requirement that the Legislative Council study the state's business climate during the 2007-08 interim.

Beginning entrepreneur tax exemptions and deductions - Section 51 repeals statutory provisions relating to allowable beginning entrepreneur tax exemptions and deductions.

Related Legislation

House Bill No. 1019 creates a Workforce Enhancement Council, transfers \$2 million from the general fund to the workforce enhancement fund, and provides a continuing appropriation to the Department of Commerce to spend the money in the fund for providing grants to higher education institution assigned primary responsibility for workforce training in the state.

Senate Bill No. 2001 transfers the Office of Faith-Based and Community Initiatives to the Department of Commerce from the Governor's office.

Senate Bill No. 2288 increases the maximum allowable balance in the ethanol incentive fund from \$5 million to \$7.5 million.