

**Department of Commerce
Budget No. 601
Senate Bill Nos. 2018 and 2144**

	FTE Positions	General Fund	Other Funds	Total
2017-19 legislative appropriation	66.40	\$31,342,680 ¹	\$68,885,658	\$100,228,338
2015-17 legislative appropriation	<u>69.40</u>	<u>52,522,359</u>	<u>75,169,473</u>	<u>127,691,832</u>
2017-19 appropriation increase (decrease) to 2015-17 appropriation	(3.00)	(\$21,179,679)	(\$6,283,815)	(\$27,463,494)

¹This amount includes \$1,000,000 of one-time funding. Excluding this amount, the agency's ongoing general fund appropriation is \$30,342,680.

Item Description

FTE position changes - The Legislative Assembly approved 66.40 FTE positions for the Department of Commerce for the 2017-19 biennium, a decrease of 3 FTE positions from the 2015-17 biennium amount of 69.40 FTE positions. The Legislative Assembly removed 1 FTE administrative assistant position, 1 FTE program assistant positions, and 1 FTE program administrator position.

In May 2018 the Department of Commerce implemented a reduction-in-force plan to remove an additional 13 FTE positions.

Status/Result

The Department of Commerce removed the 3 FTE positions identified by the Legislative Assembly. All of the positions were vacant at the time of removal.

Of the 13 positions removed by the department, 12 positions were paid from the general fund and 1 position from federal funds. The reduction in force included the following positions:

Title	FTE
Administrative assistant	2.0
Receptionist and administrative assistant	1.0
Travel counselor and administrative assistant	1.0
Business research specialist	1.0
Commercialization manager	1.0
Tourism development manager	1.0
Entrepreneurship manager	1.0
Marketing manager	1.0
Business development manager	1.0
Office manager	1.0
Research manager	1.0
Program and grants officer	1.0
Total	13.0

One-time funding - In Section 3 of Senate Bill No. 2018, the 2017 Legislative Assembly identified \$10,801,752 of one-time funding for the Department of Commerce, of which \$1,000,000 is from the general fund, \$4,600,000 is from the strategic investment and improvements fund, and \$5,201,752 is from federal funds. In Section 3 of Senate Bill No. 2144, the 2017 Legislative Assembly appropriated \$500,000 from the student loan trust fund to the Department of Commerce. The table below summarizes one-time funding provided to the department for the 2017-19 biennium.

	General Fund	Other Funds
Flood impact grants and loan		\$5,201,752
Base retention grants		600,000
Unmanned aircraft systems		2,000,000
Enhanced use lease grants	\$1,000,000	2,000,000
Workforce grants to tribally controlled community colleges		500,000
Total	\$1,000,000	\$10,301,752

The following is a summary of the status of the Department of Commerce's one-time funding items:

Flood impact grants and loans	Through March 2018 the department has awarded \$351,000. The department anticipates all of the funds will be awarded and spent by the end of the biennium.
Base retention grants	See the Base retention grant program section below.
Unmanned aircraft systems	See the Unmanned aircraft systems program section below.
Enhanced use lease grants	See the Enhanced use lease grants section below.
Tribal community college grants	See the Tribal community college grants section below.

Base retention grant program - In Section 8 of Senate Bill No. 2018, the Legislative Assembly identified one-time funding of \$600,000 from the strategic investment and improvements fund for the base retention grant program for the 2017-19 biennium. The department may award up to \$200,000 to each community with an Air Force Base or Air National Guard facilities. Grants awarded under the base retention program must be direct grants and not cost reimbursement grants.

Unmanned aircraft systems program - In Section 9 of Senate Bill No. 2018, the Legislative Assembly identified one-time funding of \$2 million from the strategic investment and improvements fund for the unmanned aircraft system test site for the 2017-19 biennium. In Section 6 of the bill, the department was also authorized to continue up to \$1 million of unspent 2015-17 biennium appropriations for unmanned aircraft systems into the 2017-19 biennium.

Enhanced use lease grant - In Section 10 of Senate Bill No. 2018, the Legislative Assembly identified one-time funding of \$3 million, of which \$1 million is from the general fund and \$2 million is from the strategic investment and improvements fund for the enhanced use lease grant program for the 2017-19 biennium. The department is to require grant recipients to provide \$1 million of matching funds.

Tribal community college grants - In Section 3 of Senate Bill No. 2144, the Legislative Assembly appropriated one-time funding of \$500,000 from the student loan trust fund to the Department of Commerce to provide workforce grants to tribally controlled community colleges during the 2017-19 biennium.

The purpose of the grant funding is to develop certificate- or degree-based training programs that assist students to obtain jobs within the state and to assist students with establishing a new business.

Research North Dakota grant program - The 2013 Legislative Assembly established the Research North Dakota grant program and the Research North Dakota venture program.

Section 15 of 2013 Senate Bill No. 2018 established the Research North Dakota grant program in North Dakota Century Code Section 54-65-06 to provide grants to research universities for research, development, and commercialization activities in collaboration with a private sector partner.

The Research North Dakota fund is established in Section 54-65-08 and provides a continuing appropriation from the fund to the department for administering Research North Dakota.

Through April 2018 the Department of Commerce has awarded a grant of \$200,000 to Grand Forks County. The department anticipates grants of \$200,000 each will be distributed to the Minot Area Chamber of Commerce and the Fargo Moorhead West Fargo Air National Guard Support Group in June 2018.

Through March 2018 the department has not received any requests for funding; therefore, none of the \$2 million for the unmanned aircraft system program has been spent. The department anticipates the entire amount will be spent during the 2017-19 biennium.

See the **Exemptions** section for additional information.

Through March 2018 the department has not received any requests for funding; therefore, none of the \$3 million appropriation for enhanced use lease grants has been spent. Through March 2018, none of the \$1 million of matching funds has been raised. The department anticipates the entire amount will be spent during the 2017-19 biennium and the entire \$1 million matching fund requirement will be met.

Through March 2018 the \$500,000 was awarded to Turtle Mountain Community College. Of this amount, \$250,000 was distributed to the college in April 2018. The department will distribute the remaining \$250,000 to the college when \$187,500, or 75 percent, of the initial \$250,000 distribution is spent by the college.

Through March 2018 none of the \$500,000 for tourism programs or \$1,000,000 for discretionary funds have been spent using Research North Dakota funds. The department anticipates spending these amounts by the end of the 2017-19 biennium.

The \$4 million transfer from the Research North Dakota fund to the general fund was made in July 2017.

See the **Entrepreneurship grants and vouchers** and **Energy and Environmental Research Center** sections below for additional information.

Section 14 of 2017 Senate Bill No. 2018 identifies \$3,500,000 from the Research North Dakota fund to the Department of commerce for department programs. Of this amount, \$500,000 is for the North Dakota tourism program, \$1,000,000 is for discretionary funds, \$1,500,000 is for entrepreneurship grants and vouchers, and \$500,000 is for providing a grant to the Energy and Environmental Research Center.

Section 15 of 2017 Senate Bill No. 2018 requires the Office of Management and Budget to transfer \$4 million from the Research North Dakota fund to the general fund during the 2017-19 biennium.

Research North Dakota venture program - The Research North Dakota venture program is part of the Research North Dakota grant program and is divided into two parts--the Research North Dakota venture grant program and Research North Dakota venture investment program.

Section 16 of 2013 Senate Bill No. 2018 established the Research North Dakota venture grant program in Section 54-65-07 to provide grants to research universities to further commercialize technology developed through a research university.

The Research North Dakota venture investment program was established in Section 10-30.5-14 by Section 9 of 2013 Senate Bill No. 2018 to provide funding from the North Dakota Development Fund, Inc., for investments to startup or spinoff businesses that utilize technology developed through a research university. A business is limited to an individual investment of up to \$250,000.

Entrepreneurship grants and vouchers - In Section 12 of 2017 Senate Bill No. 2018, the Legislative Assembly identified \$2,250,000, of which \$600,000 is from the general fund, \$1,500,000 is from the Research North Dakota fund, and \$150,000 is from the economic development fund, for the entrepreneurship grants and vouchers program for the 2017-19 biennium. Of the total appropriated, \$900,000 is to be distributed equally to entrepreneurial centers located in Bismarck, Fargo, and Grand Forks, \$300,000 to an organization that provides workforce safety, and \$300,000 for biotechnology grants.

The department is required to establish guidelines to provide grants to entrepreneurial centers certified by the department. The department must also establish guidelines to award vouchers to entrepreneurs to procure business development assistance from certified entrepreneurial centers or to provide grants to entrepreneurs working with an entrepreneurial center.

This program is used to support entrepreneurs as they start and grow their businesses in North Dakota. The program is also known as Innovate North Dakota. The purpose of the biotechnology grants is to conduct research on and develop and commercialize vaccines and antibodies for the prevention of, treatment of, or cure for cancer; virally infectious diseases; or other pathogens, including bacteria, mycobacteria, fungi, and parasites.

The Department of Commerce has awarded \$168,251 under the Research North Dakota venture grant program through March 2018.

Through March 2018 there were no qualifying projects for the Research North Dakota venture investment program, and as a result, the Department of Commerce has not provided any funding from the development fund for the venture investment program.

Following the 2017 legislative session, Governor Burgum vetoed the portion of Section 12 related to the \$300,000 designation to an organization that provides workforce safety. As a result, the Department of Commerce reduced its entrepreneurial grants and voucher program appropriation by \$300,000 to a total of \$1,950,000.

Through March 2018, the department has spent \$726,853 for entrepreneurship grants and vouchers, of which \$206,252 is from the general fund and \$520,601 is from special funds. The department anticipates spending \$1,950,000 on the entrepreneurship grants and vouchers program during the biennium.

Through March 2018 the department has awarded \$250,000 to the North Dakota State University Research and Technology Park in Fargo, \$150,000 to the University of North Dakota Center for Innovation Foundation in Grand Forks, and \$75,000 to the Center for Technology and Business in Bismarck from funds available in the Research North Dakota fund. The department anticipates awarding the entire \$300,000 to each entrepreneurship center during the 2017-19 biennium.

Through May 2018, the department has awarded \$47,500 of biotechnology grants from funds available in the Research North Dakota fund. The department anticipates awarding the entire \$300,000 during the 2017-19 biennium.

Energy and Environmental Research Center - In Section 13 of 2017 Senate Bill No. 2018, the Legislative Assembly identified \$500,000 from the Research North Dakota fund to be awarded as a grant to the Energy and Environmental Research Center (EERC) at the University of North Dakota. The grant must be utilized for economic development and diversification of the North Dakota economy and may be awarded only if the EERC provides dollar-for-dollar matching funds from private or other public sources for the funds provided by the Department of Commerce.

Operation Intern program - In Section 7 of 2017 Senate Bill No. 2018, the Legislative Assembly authorized the Office of Management and Budget to transfer \$950,000 from the Department of Commerce operating expenses line item to the internship fund for administering the operation intern program during the 2017-19 biennium. The department was authorized to spend the funding prior to the start of the 2017-19 biennium pursuant to an emergency clause in Section 16 of the bill.

North Dakota Trade Office - In Section 11 of 2017 Senate Bill No. 2018, the Legislative Assembly identified \$2 million from the general fund for the North Dakota Trade Office. The department may spend 60 percent of the appropriation without requiring matching funds from the North Dakota Trade Office. Any additional amounts may be spent only with dollar-for-dollar matching funds from private or other public sources.

Early childhood education grant program - In Senate Bill No. 2018, the 2017 Legislative Assembly provided \$1.5 million from the general fund for early childhood education grants, also known as prekindergarten community grants.

In 2017 Senate Bill No. 2250, the Legislative Assembly amended Section 15.1-37-06 to allow an early childhood education program to extend beyond 32 weeks and precludes children enrolled in a Head Start program to be counted for determining eligibility for grant funds.

Homeless shelter grants - In Senate Bill No. 2018, the Legislative Assembly provided \$300,000 from the general fund for homeless shelter grants. The Department of Commerce may also use funds available in its discretionary funds line item for grants to homeless shelters.

Exemptions - In Section 6 of 2015 House Bill No. 1018, the Legislative Assembly provided an exemption to allow unexpended 2015-17 biennium funds for the entrepreneurship grants and vouchers program to continue and to be spent during the 2017-19 biennium.

In 2017 Senate Bill No. 2018, the Legislative Assembly provided exemptions to allow unexpended 2015-17 biennium funds to continue and to be spent during the 2017-19 biennium as follows:

- Agricultural Products Utilization Commission (APUC) - Section 4 provides an exemption for APUC.

Through March 2018 the department has awarded \$250,000 of the \$500,000 appropriation to the EERC. The department anticipates awarding the remaining \$250,000 during fiscal year 2019.

The transfer was made in July 2017. Through March 2018, the Department of Commerce has spent \$212,000 of the \$950,000 appropriation. The department anticipates spending the remaining \$738,000 by the end of the 2017-19 biennium.

Through March 2018 the department has provided \$1.6 million to the North Dakota Trade Office. The North Dakota Trade Office has provided matching funds of approximately \$400,000.

Through March 2018 none of the \$1.5 million appropriation has been spent but the department anticipates spending the entire amount by the end of the 2017-19 biennium.

Through March 2018 the department has awarded \$150,000 of homeless shelter grants and anticipates awarding the remaining \$150,000 during fiscal year 2019. The department does not anticipate using funds available in its discretionary funds line item for homeless shelter grants during the 2017-19 biennium.

The Department of Commerce requested to continue the following unspent 2015-17 biennium appropriation authority into the 2017-19 biennium:

	General Fund	Other Funds	Total
Entrepreneurship grants and vouchers	\$937,703	\$146,680	\$1,084,383
Agricultural Products Utilization Commission	341,474	2,200,380	2,541,854
Discretionary funds	649,273	0	649,273
Unmanned aircraft systems program	1,000,000	0	1,000,000
Total	\$2,928,450	\$2,347,060	\$5,275,510

- Discretionary funds - The exemption in Section 5 relates to the discretionary funds line item.
- Unmanned aircraft systems program - Section 6 provides an exemption of up to \$1 million for the unmanned aircraft systems program.