

**Department 601 - Department of Commerce
Senate Bill No. 2018**

Executive Budget Comparison to Prior Biennium Appropriations

	FTE Positions	General Fund	Other Funds	Total
2021-23 Executive Budget	58.80	\$33,398,770	\$62,565,608	\$95,964,378
2019-21 Legislative Appropriations ¹	61.80	40,191,721	58,423,293	98,615,014
Increase (Decrease)	(3.00)	(\$6,792,951)	\$4,142,315	(\$2,650,636)

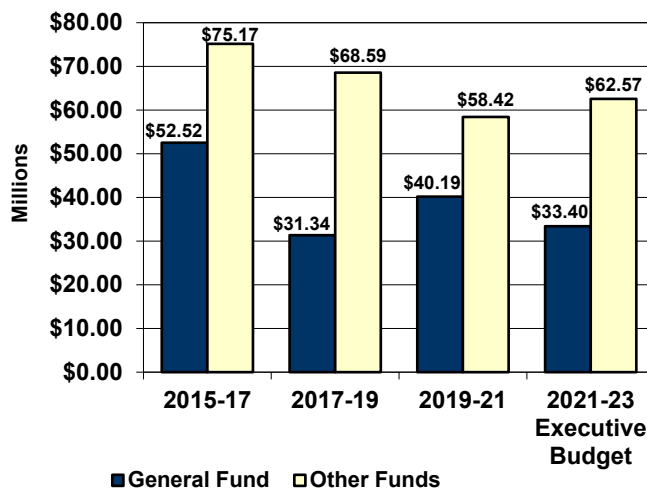
¹The 2019-21 biennium agency appropriation amounts have not been adjusted for the following:

- Additional special funds authority of \$1 million resulting from Emergency Commission action during the 2019-21 biennium.
- Additional federal funds authority of \$129,680,028, of which \$121,985,711 is related to Coronavirus (COVID-19) costs, resulting from Emergency Commission action during the 2019-21 biennium.

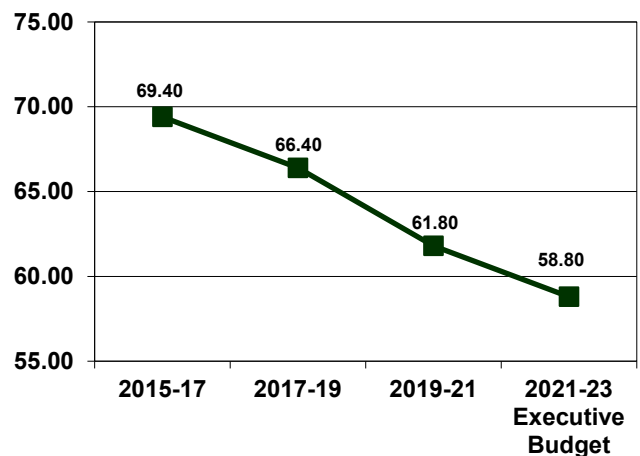
Ongoing and One-Time General Fund Appropriations

	Ongoing General Fund Appropriation	One-Time General Fund Appropriation	Total General Fund Appropriation
2021-23 Executive Budget	\$30,198,770	\$3,200,000	\$33,398,770
2019-21 Legislative Appropriations	32,866,721	7,325,000	40,191,721
Increase (Decrease)	(\$2,667,951)	(\$4,125,000)	(\$6,792,951)

Agency Funding



FTE Positions



Executive Budget Comparison to Base Level

	General Fund	Other Funds	Total
2021-23 Executive Budget	\$33,398,770	\$62,565,608	\$95,964,378
2021-23 Base Level	32,866,721	54,123,293	86,990,014
Increase (Decrease)	\$532,049	\$8,442,315	\$8,974,364

Attached as an appendix is a detailed comparison of the executive budget to the agency's base level appropriations.

First House Action

Attached is a comparison worksheet detailing first house changes to base level funding and the executive budget.

**Executive Budget Highlights
(With First House Changes in Bold)**

	General Fund	Other Funds	Total
1. Provides funding for state employee salary and benefit increases, of which \$333,787 is for salary increases, \$2,872 is for health insurance increases, and \$66,559 is for retirement increases. The Senate added funding for salary adjustments of 2 percent on July 1, 2021, with a minimum monthly increase of \$80 and a	\$328,634	\$74,584	\$403,218

maximum monthly increase of \$300 and 2 percent on July 1, 2022, and increases in health insurance premiums from \$1,427 to \$1,429 per month. The Senate did not add funding for retirement contribution increases.

2. Underfunds salaries	(\$140,000)	\$0	(\$140,000)
3. Transfers 1 FTE information technology (IT) position to the Information Technology Department for an IT unification initiative, which includes a decrease of \$149,792 for salaries and wages and an increase of \$149,792 for operating expenses	\$0	\$0	\$0
4. Transfers 2 FTE positions and related funding for the HOME program, of which \$356,421 is for salaries and wages, \$286,950 is for operating expenses, and \$7,700,000 is for grants, to the Housing Finance Agency. Of the total, \$7,643,371 is from federal funds and \$700,000 is from the intergovernmental assistance fund	\$0	(\$8,343,371)	(\$8,343,371)
5. Adds funding for Microsoft Office 365 license expenses	\$5,486	\$1,013	\$6,499
6. Reduces funding for the marketing division, primarily related to operating fees and services. The Senate did not reduce this funding.	(\$630,000)	\$0	(\$630,000)
7. Reduces funding for the tourism division, primarily related to operating fees and services. The Senate did not reduce this funding.	(\$955,046)	\$0	(\$955,046)
8. Adjusts funding for the Community Services Division, primarily related to operating fees and services. Of the \$329,488 increase in other funds, \$291,576 is from federal funds and \$37,912 is from the intergovernmental assistance fund.	(\$216,576)	\$329,488	\$112,912
9. Reduces funding for the Workforce Development Division, primarily related to operating fees and services	(\$199,664)	\$0	(\$199,664)
10. Reduces funding for grants to the North Dakota State Commission on National and Community Service for AmeriCorps to provide total federal funding of \$1.62 million. The Senate did not reduce this funding, resulting in total funding of \$1.82 million, of which \$1.62 million is from federal funds and \$200,000 is from the general fund, the same as provided for the 2019-21 biennium.	(\$200,000)	\$0	(\$200,000)
11. Reduces funding for the Economic Development and Finance Division, primarily related to travel, rent, professional development, and operating fees and services	(\$195,000)	\$0	(\$195,000)
12. Reduces funding for the administration division, primarily related to rent, IT data processing, IT software supplies, postage, and travel, of which \$3,283 is from the economic development fund	(\$396,990)	(\$3,283)	(\$400,273)
13. Reduces funding for the Operation Intern program to provide a total of \$755,000 from the general fund	(\$100,000)	\$0	(\$100,000)
14. Adds funding for the unmanned aircraft system (UAS) program, of which \$2,000,000 is from the general fund, \$7,000,000 is from federal funds, and \$20,150 is from the UAS fund. Of the total, \$2,000,000 is for operating expenses of the Northern Plains UAS Test Site and \$7,020,150 is for grants. The Senate added \$10,020,150 of ongoing funding for the UAS program, of which \$3,000,000 is from the general fund, \$7,000,000 is from federal funds, and \$20,150 is from the UAS fund. Of the total, \$3,000,000 is for operating expenses of the Northern Plains UAS Test Site and \$7,020,150 is for grants.	\$2,000,000	\$7,020,150	\$9,020,150
15. Transfers \$505,000 from the intergovernmental assistance fund from the grants line item to the operating expenses line item	\$0	\$0	\$0
16. Transfers \$151,284 from the general fund for the early childhood education program from the operating expenses line item to the grants line item to provide a total of \$1.5 million from the general fund	\$0	\$0	\$0
17. Removes funding for the biotechnology grant program	(\$300,000)	\$0	(\$300,000)
18. Reduces funding for homeless shelter grants to provide a total of \$1,330,212 from the general fund	(\$169,788)	\$0	(\$169,788)

19. Adds federal funding for a state apprenticeship expansion program. The funding will be transferred to the North Dakota State College of Science for the administration of the program. In August 2020, the Emergency Commission and Budget Section approved a request to accept and spend \$694,317 of federal funds for this program for the remainder of the 2019-21 biennium.	\$0	\$347,157	\$347,157
20. Adds funding to continue federal COVID-19 relief funds received during the 2019-21 biennium for Community Services Division-related programs into the 2021-23 biennium, including \$3 million for the community development block grant program, \$4 million for the community services block grant program, and \$1 million for the emergency solutions grant program. The Senate did not add this funding. This funding was included in House Bill No. 1394.	\$0	\$8,000,000	\$8,000,000
21. Reduces funding for discretionary funds to provide a total of \$1.55 million from the general fund	(\$600,000)	\$0	(\$600,000)
22. Transfers funding to the Agriculture Commissioner for the North Dakota Trade Office, resulting in \$750,000 for the program in the Department of Commerce budget and \$850,000 for the program in the Agriculture Commissioner budget. The Senate transferred the entire \$1.6 million appropriation from the general fund for the program from the Department of Commerce to the Agriculture Commissioner.	(\$850,000)	\$0	(\$850,000)
23. Adds one-time funding for tourism marketing operating expenses. The Senate added one-time funding of \$7 million from the general fund for tourism marketing and branding operating expenses.	\$2,000,000	\$0	\$2,000,000
24. Adds one-time funding for tourism branding operating expenses. The Senate including this funding in the \$7 million general fund appropriation for tourism marketing and branding operating expenses described in the entry above.	\$200,000	\$0	\$200,000
25. Adds one-time funding for UAS grants from the UAS fund	\$0	\$1,000,000	\$1,000,000
26. Adds one-time funding for a technical skills training grant program to support skills-based and hands-on workforce training programs for displaced workers	\$1,000,000	\$0	\$1,000,000

Other Sections in Senate Bill No. 2018

Appropriation - Department of Transportation - Beyond visual line of sight UAS program - Section 3 appropriates \$28 million to the Department of Transportation from grant funds received from the Department of Commerce pursuant to Section 11 for the purpose of defraying tower infrastructure construction expenses of the beyond visual line of sight UAS program during the 2021-23 biennium. The Department of Transportation may bid, award, and administer any contracts necessary to complete the construction of the tower infrastructure. This funding is considered a one-time funding item.

Internship fund transfer - Section 4 transfers \$755,000 from the general fund to the internship fund in the operating expenses line item for the Operation Intern program.

Entrepreneurship grants and vouchers program - Section 5 identifies \$948,467 included in Section 1, of which \$740,956 is from the general fund and \$207,511 is from the economic development fund for the entrepreneurship grants and vouchers program, also known as Innovate ND, for the 2021-23 biennium.

Strategic investment and improvements fund - Beyond visual line of sight UAS program - Enhanced use lease grant program - Section 6 identifies \$26 million from the strategic investment and improvements fund in Section 1, of which \$19 million is for providing beyond visual line of sight UAS grants and \$7 million is for providing enhanced use lease grants during the 2021-23 biennium. This funding is considered a one-time funding item.

Beyond visual line of sight UAS program - Matching fund requirement - Section 7 identifies \$1 million from the general fund in Section 1 is for providing grants to an organization dedicated to expanding workforce opportunities, training, and education related to the beyond visual line of sight UAS industry, which the Department of Commerce may provide only to the extent the organization provides \$1 of matching funds from private or other public sources for each \$1 provided by the department during the 2021-23 biennium. This funding is considered a one-time funding item.

North Dakota Trade Office - Advisory board - Continuing appropriation - Section 8 creates a new section to North Dakota Century Code Chapter 4.1-01 to transfer the international business and trade office, also known as the North Dakota Trade Office, from the Department of Commerce to the Agriculture Commissioner.

UAS-related programs continuing appropriation - Section 9 amends Section 54-60-29 to expand the continuing appropriation provided to the Department of Commerce from the UAS fund for expenses of the UAS program to also include expenses of the beyond visual line of sight UAS program and the enhanced use lease grant program.

North Dakota Trade Office - Repeal - Section 10 repeals Section 54-60-16 related to the international business and trade office, also known as the North Dakota Trade Office, as part of the transfer of the program from the Department of Commerce to the Agriculture Commissioner.

Beyond visual line of sight UAS program exemption - Section 11 provides an exemption for unexpended 2017-19 biennium funds continued into the 2019-21 biennium for the beyond visual line of sight UAS program to continue into the 2021-23 biennium. The 2019 Legislative Assembly provided a \$28 million supplemental appropriation from the general fund for this purpose for the 2017-19 biennium. The Department of Commerce may provide grants of up to \$28 million to the Department of Transportation, pursuant to the appropriation in Section 3, defraying tower infrastructure construction expenses of the beyond visual line of sight UAS program during the 2021-23 biennium.

Unmanned aircraft systems program exemption - Section 12 provides an exemption for the UAS program to continue any unexpended 2019-21 biennium funds for the operating expenses of this program into the 2021-23 biennium. A total of \$2.25 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.

Enhanced use lease grant program exemption - Section 13 provides an exemption for the enhanced use lease grant program to continue any unexpended 2019-21 biennium funds for the program into the 2021-23 biennium. A total of \$3 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.

Early childhood education grant program exemption - Section 14 provides an exemption to continue unexpended 2019-21 biennium funds for the early childhood education program into the 2021-23 biennium. A total of \$1.5 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.

Nonresident nurse employment recruitment program exemption - Section 15 provides an exemption to continue \$320,000 of the \$500,000 appropriated from the general fund for the nonresident nurse employment recruitment program for the 2019-21 biennium into the 2021-23 biennium. In addition to the program eligibility guidelines established for the 2019-21 biennium, the Department of Commerce is required to provide funding for the program to eligible nursing students in the state who have not been employed by a health care provider on a full-time basis in the year preceding the grant award.

Discretionary funds exemption - Section 16 provides an exemption for discretionary funds to continue any unexpended 2019-21 biennium funds in the discretionary funds line item into the 2021-23 biennium. A total of \$2.15 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.

Continuing Appropriations

Innovation loan fund to support technology advancement - Section 6-09.18-05 - Provided for the purpose of providing innovation technology loans and for administrative expenses. The Department of Commerce is required to deposit to the fund all principal and interest paid on loans made from the fund. Loan recipients may only use funding to conduct applied research, experimentation, or operational testing within the state.

Ethanol production incentive fund - Section 17-02-05 - Allows for payments of ethanol production incentives to North Dakota ethanol plants.

Workforce enhancement fund - Section 54-60-23 - All funds in the workforce enhancement fund are appropriated to the Department of Commerce on a continuing basis for implementing and administering the Workforce Enhancement Council and workforce enhancement grants to higher education institutions assigned primary responsibility for workforce training.

Community development loan fund - Section 54-44.5-05 - Allows for the expenditures of community development block grant revolving loan funds.

Research North Dakota - Section 54-65-08 - This continuing appropriation allows for implementing and administering the Research North Dakota program.

Internship fund - Section 54-60-17.1 - This continuing appropriation allows for the expansion of the number of new internships, work experience, and apprenticeship opportunities with North Dakota employers.

UAS program fund - Section 54-60-29 - This continuing appropriation allows the UAS test site to collect fees and use the collected fees for expenses relating to the administration of the test site.

Energy conservation grant fund - Section 54-44.5-05.1 - This continuing appropriation allows for the agency to provide grants to political subdivisions for energy conservation projects in nonfederal public buildings.

Significant Audit Findings

The operational audit for the Department of Commerce conducted by the State Auditor's office for the period ending June 30, 2019, identified the following significant audit findings:

- **Circumventing procurement guidelines** - The Department of Commerce circumvented procurement requirements related to the "Be Legendary" logo. In July 2018, the department entered a contract with a Minnesota-based business for \$9,500 to update the official North Dakota logo and develop digital and other mediums, including a new nd.gov website. The department later entered two temporary employment contracts to allow the work from the original contract to continue to avoid certain procurement requirements. The total of these contracts was \$87,163.
- **Violation of appropriation law** - The Department of Commerce improperly charged \$853,908 related to the enhanced use lease grant program for the 2017-19 biennium in the 2019-21 biennium. The 2017 Legislative Assembly provided a one-time appropriation of \$3 million to the department for the enhanced use lease grant program, of which \$1 million was

from the general fund and \$2 million was from the strategic investment and improvements fund. In December 2017, the department entered a grant agreement with Grand Forks County.

Grand Forks County submitted reimbursement requests for the work completed but the final payment to the county exceeded the reimbursement request by \$458,801, resulting in an advance payment prohibited by the grant agreement.

An additional \$395,107 for the program related to July 2019 expenditures was improperly charged to appropriations for the 2017-19 biennium.

The department did not request an exemption from the 2019 Legislative Assembly to continue funding for the program from the 2017-19 biennium to the 2019-21 biennium. Therefore, the total of \$853,908 should have been canceled at the end of the 2017-19 biennium and retained in the originating funding sources--the general fund and the strategic investment and improvements fund.

- **Noncompliance with contract requirements** - The Department of Commerce did not monitor contract deliverables of an entrepreneurial contract, resulting in \$123,750 being paid to unapproved subcontractors. An additional \$23,448 was not supported by progress reports.
- **Lack of internal control surrounding appropriations** - The Department of Commerce's internal control procedures are not effective to ensure expenditures are charged to the proper biennial appropriations authorized by the Legislative Assembly, as seen in the violation of appropriation law audit finding.

Major Related Legislation

House Bill No. 1141 - Transfers \$15 million from the strategic investment and improvements fund to the innovation loan fund to support technology advancement for providing innovation technology loans during the 2021-23 biennium.

House Bill No. 1142 - Appropriates \$250,000 from the general fund to the Department of Commerce for providing matching funds to an organization assisting in the recruitment, distribution, and supply, and enhancing the quality and efficiency of personnel providing health services in rural areas of the state. The department may spend the appropriated funds only to the extent the organization has secured matching funds from nonstate sources on a \$1-for-\$1 basis.

House Bill No. 1394 - This bill provides a 2019-21 biennium appropriation of \$11,393,078 to the Department of Commerce from federal funds received as a result of the COVID-19 pandemic, of which \$7,393,078 is for the community services block grant program, \$3,000,000 is for the community development block grant program, and \$1,000,000 is for the emergency solutions block grant program. Section 2 of the bill provides an exemption for the Department of Commerce to continue the funding into the 2021-23 biennium.

House Bill No. 1395 - This bill provides a 2019-21 biennium appropriation of \$109,179,000 of federal funding to the Department of Commerce, as approved by the Emergency Commission and Budget Section during the 2019-20 interim, from the state's allocation from the federal Coronavirus Relief Fund for various programs in response to the COVID-19 pandemic.

Senate Bill No. 2245 - Appropriates \$10 million from the strategic investment and improvements fund to the Department of Commerce for developing an intermodal transportation assistance program, which must be used for providing grants to an organization dedicated to the purchase and development of an intermodal transportation facility and expansion of intermodal infrastructure in the state. Grant funds awarded must be used for the purchase of infrastructure assets, real property, and equipment necessary for successful intermodal rail service in the state.

Senate Bill No. 2291 - Requires the Department of Commerce to study environmental social governance related to government and private industry in the state. The study must include an evaluation of investment policies and the potential implications for the state related to the boycott of energy or production of agriculture commodities by companies that intend to penalize, inflict economic harm on, or limit commercial relations. The department is required to report its findings and recommendations to the Legislative Management by June 1, 2022.

Senate Concurrent Resolution No. 4001 - Authorizes the Budget Section to hold the required legislative hearings on state plans for the receipt and expenditures of new or revised block grants passed by Congress. The Department of Commerce appropriation bill contains directions regarding the use of community services block grant program money for the period ending September 30, 2023.

Department of Commerce - Budget No. 601
Senate Bill No. 2018
Base Level Funding Changes

	Executive Budget Recommendation				Senate Version			
	FTE Positions	General Fund	Other Funds	Total	FTE Positions	General Fund	Other Funds	Total
2021-23 Biennium Base Level	61.80	\$32,866,721	\$54,123,293	\$86,990,014	61.80	\$32,866,721	\$54,123,293	\$86,990,014
2021-23 Ongoing Funding Changes								
Base payroll changes		(\$49,007)	\$16,577	(\$32,430)		(\$49,007)	\$16,577	(\$32,430)
Salary increase		272,046	61,741	333,787		266,126	56,512	322,638
Health insurance increase		2,341	531	2,872		2,341	531	2,872
Retirement contribution increase		54,247	12,312	66,559				0
Underfunds salaries		(140,000)		(140,000)		(140,000)		(140,000)
Transfers 1 FTE IT position to ITD for IT unification	(1.00)			0	(1.00)	3,525		3,525
Transfers the HOME program to the Housing Finance Agency	(2.00)		(8,343,371)	(8,343,371)	(2.00)		(8,343,371)	(8,343,371)
Adds funding for Microsoft Office 365 license expenses		5,486	1,013	6,499		5,486	1,013	6,499
Reduces funding for the marketing division		(630,000)		(630,000)				0
Reduces funding for the tourism division		(955,046)		(955,046)				0
Adjusts funding for the Community Services Division		(216,576)	329,488	112,912		(216,576)	329,488	112,912
Reduces funding for the Workforce Development Division		(199,664)		(199,664)		(199,664)		(199,664)
Reduces funding for the Economic Development and Finance Division		(195,000)		(195,000)		(195,000)		(195,000)
Reduces funding for the administration division		(396,990)	(3,283)	(400,273)		(396,990)	(3,283)	(400,273)
Reduces funding for the Operation Intern program		(100,000)		(100,000)		(100,000)		(100,000)
Adds funding for the UAS program		2,000,000	7,020,150	9,020,150		3,000,000	7,020,150	10,020,150
Transfers funding for contractual fees from grants to operating expenses				0				0
Transfers funding for the early childhood education program from operating to grants				0				0
Reduces funding for the Community Service Commission for AmeriCorps		(200,000)		(200,000)				0
Removes funding for the biotechnology grant program		(300,000)		(300,000)		(300,000)		(300,000)
Reduces funding for homeless shelter grants		(169,788)		(169,788)		(169,788)		(169,788)
Adds funding for rural health care grants				0		200,000		200,000
Adds funding for a state apprenticeship expansion program			347,157	347,157			347,157	347,157
Adds funding to continue community services federal COVID-19 programs			8,000,000	8,000,000				0
Reduces funding for discretionary funds		(600,000)		(600,000)		(600,000)		(600,000)
Transfers funding for the North Dakota Trade Office to the Agriculture Commissioner		(850,000)		(850,000)		(1,600,000)		(1,600,000)
Total ongoing funding changes	(3.00)	(\$2,667,951)	\$7,442,315	\$4,774,364	(3.00)	(\$489,547)	(\$575,226)	(\$1,064,773)
One-time funding items								
Adds funding for tourism marketing		\$2,000,000		\$2,000,000		\$7,000,000		\$7,000,000
Adds funding for tourism branding		200,000		200,000				0
Adds funding for UAS program grants			\$1,000,000	1,000,000			\$1,000,000	1,000,000
Adds funding for the beyond visual line of sight UAS program				0		1,000,000	19,000,000	20,000,000
Adds funding for enhanced use lease grants				0		7,000,000		7,000,000
Adds funding for technical skills training grants		1,000,000		1,000,000		1,000,000		1,000,000
Adds funding for workforce grants to tribally controlled community colleges				0		500,000		500,000
Total one-time funding changes	0.00	\$3,200,000	\$1,000,000	\$4,200,000	0.00	\$9,500,000	\$27,000,000	\$36,500,000
Total Changes to Base Level Funding	(3.00)	\$532,049	\$8,442,315	\$8,974,364	(3.00)	\$9,010,453	\$26,424,774	\$35,435,227
2021-23 Total Funding	58.80	\$33,398,770	\$62,565,608	\$95,964,378	58.80	\$41,877,174	\$80,548,067	\$122,425,241
<i>Total ongoing changes as a percentage of base level</i>	<i>(4.9%)</i>	<i>(8.1%)</i>	<i>13.8%</i>	<i>5.5%</i>	<i>(4.9%)</i>	<i>(1.5%)</i>	<i>(1.1%)</i>	<i>(1.2%)</i>
<i>Total changes as a percentage of base level</i>	<i>(4.9%)</i>	<i>1.6%</i>	<i>15.6%</i>	<i>10.3%</i>	<i>(4.9%)</i>	<i>27.4%</i>	<i>48.8%</i>	<i>40.7%</i>

Other Sections in Department of Commerce - Budget No. 601

	<u>Executive Budget Recommendation</u>	<u>Senate Version</u>
Appropriation - Department of Transportation - Beyond visual line of sight unmanned aircraft system program - One-time funding		Section 3 appropriates \$28 million to the Department of Transportation from grant funds received from the Department of Commerce pursuant to Section 11 for the purpose of defraying tower infrastructure construction expenses of the beyond visual line of sight UAS program during the 2021-23 biennium. The Department of Transportation may bid, award, and administer any contracts necessary to complete the construction of the tower infrastructure. This funding is considered a one-time funding item.
Internship fund transfer	Section 9 would transfer \$755,000 from the general fund to the internship fund in the operating expenses line item for the Operation Intern program.	Section 4 transfers \$755,000 from the general fund to the internship fund in the operating expenses line item for the Operation Intern program.
Entrepreneurship grants and vouchers program	Section 14 would identify \$948,467 included in Section 1, of which \$740,956 is from the general fund and \$207,511 is from the economic development fund for the entrepreneurship grants and vouchers program, also known as Innovate ND, for the 2021-23 biennium. Any unexpended funds for the program would be made available to the department during the 2023-25 biennium.	Section 5 identifies \$948,467 included in Section 1, of which \$740,956 is from the general fund and \$207,511 is from the economic development fund for the entrepreneurship grants and vouchers program, also known as Innovate ND, for the 2021-23 biennium.
Estimated income - Strategic investment and improvements fund - Beyond visual line of sight UAS program - Enhanced use lease grants program		Section 6 identifies \$26 million from the strategic investment and improvements fund in Section 1, of which \$19 million is for providing beyond visual light of sight UAS grants and \$7 million is for providing enhanced use lease grants during the 2021-23 biennium. This funding is considered a one-time funding item.
Beyond visual line of sight UAS program - Matching fund requirement - One-time funding		Section 7 identifies \$1million from the general fund in Section 1 is for providing grants to an organization dedicated to expanding workforce opportunities, training, and education related to the beyond visual line of sight UAS industry, which the Department of Commerce may provide only to the extent the organization provides \$1 of matching funds from private or other public sources for each \$1 provided by the department during the 2021-23 biennium. This funding is considered a one-time funding item.
North Dakota Trade Office - Advisory board - Continuing appropriation		Section 8 creates a new section to Chapter 4.1-01 to transfer the international business and trade office, also known as the North Dakota Trade Office, from the Department of Commerce to the Agriculture Commissioner.
UAS-related programs continuing appropriation	Section 16 would amend Section 54-60-29 to expand the continuing appropriation provided to the Department of Commerce from the UAS fund for expenses of the UAS program to also include expenses of the beyond visual line of sight UAS program and the enhanced use lease grant program.	Section 9 amends Section 54-60-29 to expand the continuing appropriation provided to the Department of Commerce from the UAS fund for expenses of the UAS program to also include expenses of the beyond visual line of sight UAS program and the enhanced use lease grant program.
North Dakota Trade Office - Repeal		Section 10 repeals Section 54-60-16 related to the international business and trade office, also known as the North Dakota Trade Office, as part of the transfer of the program from the Department of Commerce to the Agriculture Commissioner.

Other Sections in Department of Commerce - Budget No. 601

	<u>Executive Budget Recommendation</u>	<u>Senate Version</u>
Exemption - Beyond visual line of sight UAS program	Section 4 would provide an exemption for unexpended 2017-19 biennium funds continued into the 2019-21 biennium for the beyond visual line of sight UAS program to continue into the 2021-23 biennium. The 2019 Legislative Assembly provided a \$28 million supplemental appropriation from the general fund for this purpose for the 2017-19 biennium.	Section 11 provides an exemption for unexpended 2017-19 biennium funds continued into the 2019-21 biennium for the beyond visual line of sight UAS program to continue into the 2021-23 biennium. The 2019 Legislative Assembly provided a \$28 million supplemental appropriation from the general fund for this purpose for the 2017-19 biennium. The Department of Commerce may provide grants of up to \$28 million to the Department of Transportation, pursuant to the appropriation in Section 3, for the purpose of defraying tower infrastructure construction expenses of the beyond visual line of sight UAS program during the 2021-23 biennium.
Exemption - UAS program	Section 7 would provide an exemption for the UAS program to continue any unexpended 2019-21 biennium funds for the operating expenses of this program into the 2021-23 biennium. A total of \$2.25 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.	Section 12 provides an exemption for the UAS program to continue any unexpended 2019-21 biennium funds for the operating expenses of this program into the 2021-23 biennium. A total of \$2.25 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.
Exemption - Enhanced use lease grant program	Section 8 would provide an exemption for the enhanced use lease grant program to continue any unexpended 2019-21 biennium funds for the program into the 2021-23 biennium. A total of \$3 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.	Section 13 provides an exemption for the enhanced use lease grant program to continue any unexpended 2019-21 biennium funds for the program into the 2021-23 biennium. A total of \$3 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.
Exemption - Early childhood education program	Section 5 would provide an exemption to continue unexpended 2019-21 biennium funds for the early childhood education program into the 2021-23 biennium. A total of \$1.5 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.	Section 14 provides an exemption to continue unexpended 2019-21 biennium funds for the early childhood education program into the 2021-23 biennium. A total of \$1.5 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.
Exemption - Nonresident nurse employment recruitment program	Section 6 would provide an exemption to continue unexpended 2019-21 biennium funds for the nonresident nurse employment recruitment program into the 2021-23 biennium. A total of \$500,000 was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.	Section 15 provides an exemption to continue \$320,000 of the \$500,000 appropriated from the general fund for the nonresident nurse employment recruitment program for the 2019-21 biennium into the 2021-23 biennium. In addition to the program eligibility guidelines established for the 2019-21 biennium, the Department of Commerce is required to provide funding for the program to eligible nursing students in the state who have not been employed by a health care provider on a full-time basis in the year preceding the grant award.
Exemption - Discretionary funds	Section 3 would provide an exemption for discretionary funds to continue any unexpended 2019-21 biennium funds in the discretionary funds line item into the 2021-23 biennium. A total of \$2.15 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.	Section 16 provides an exemption for discretionary funds to continue any unexpended 2019-21 biennium funds in the discretionary funds line item into the 2021-23 biennium. A total of \$2.15 million was appropriated from the general fund to the department for this purpose for the 2019-21 biennium.
Exemption - Operation Intern program	Section 10 would provide an exemption for the Operation Intern program to continue any unexpended 2019-21 biennium funds for the program into the 2021-23 biennium. A total of \$855,000 was appropriated from the general fund and transferred to the internship fund for this purpose for the 2019-21 biennium.	

Other Sections in Department of Commerce - Budget No. 601

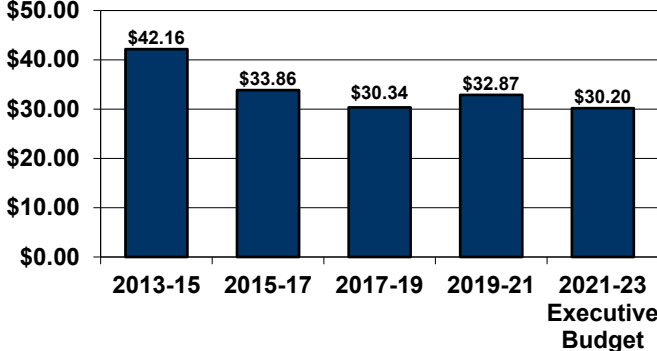
	<u>Executive Budget Recommendation</u>	<u>Senate Version</u>
Exemption - Intermodal container transportation shipping fees	Section 11 would provide an exemption to continue any unexpended 2019-21 biennium funds for intermodal container transportation shipping fees into the 2021-23 biennium. A total of \$1.3 million was appropriated from the beginning farmer revolving loan fund for this purpose for the 2019-21 biennium.	
Other funds appropriation	Section 12 would appropriate all federal and special funds received by the Department of Commerce in excess of those funds appropriated in Section 1.	
North Dakota Trade Office - Matching fund requirement	Section 13 would identify \$750,000 from the general fund for the North Dakota Trade Office and would allow the Department of Commerce to spend 60 percent of the North Dakota Trade Office line item listed in Section 1 without requiring any matching funds from the North Dakota Trade Office. Any additional amounts may be spent only to the extent the North Dakota Trade Office provides \$1 of matching funds from private or other public sources for each \$1 provided by the Department of Commerce during the 2021-23 biennium.	
North Dakota Trade Office - Statutory changes	Section 15 would amend Section 54-60-16 to restrict the North Dakota Trade Office, also known as the International Business and Trade Office, from assisting businesses with investment opportunities in farming, forestry, ranching, food quality, and nutrition. The section would also be amended to provide the Commissioner of Commerce, or the commissioner's designee, must serve as the chairman of the International Business and Trade Office Advisory Board.	

Department 601 - Department of Commerce

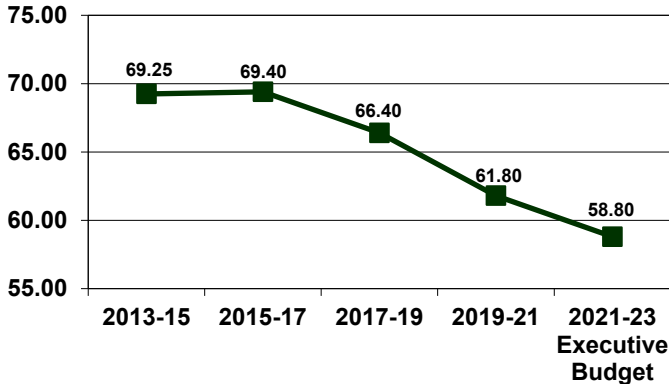
Historical Appropriations Information

Ongoing General Fund Appropriations Since 2013-15

Ongoing General Fund Appropriations (in Millions)



FTE Positions



Ongoing General Fund Appropriations					
	2013-15	2015-17	2017-19	2019-21	2021-23 Executive Budget
Ongoing general fund appropriations	\$42,157,060	\$33,859,099	\$30,342,680	\$32,866,721	\$30,198,770
Increase (decrease) from previous biennium	N/A	(\$8,297,961)	(\$3,516,419)	\$2,524,041	(\$2,667,951)
Percentage increase (decrease) from previous biennium	N/A	(19.7%)	(10.4%)	8.3%	(8.1%)
Cumulative percentage increase (decrease) from 2013-15 biennium	N/A	(19.7%)	(28.0%)	(22.0%)	(28.4%)

Major Increases (Decreases) in Ongoing General Fund Appropriations

2015-17 Biennium

- 1. Removed grants authorized in the 2013-15 biennium, including homeless shelter grants (\$2 million), child care facility grants (\$2.6 million), tribal college grants (\$5 million), and rural health service grants (\$400,000) (\$10,000,000)
- 2. Added funding for partner programs to provide total funding of \$2.2 million \$251,786
- 3. Added funding from the general fund to provide matching funds to an organization assisting in the recruitment, distribution, supply, quality, and efficiency of personnel providing health services in rural areas of the state. The funding required a dollar-for-dollar match from nonstate sources. \$200,000
- 4. Added funding from the general fund to provide early childhood education grants \$906,000

2017-19 Biennium

- 1. Removed 3 FTE positions and related funding of \$479,078, of which \$274,522 is from the general fund and \$204,556 is from other funds (\$274,522)
- 2. Adjusted funding for operating expenses, primarily related to professional services, postage, office supplies, and equipment (\$1,438,838)
- 3. Reduced funding for the Operation Intern program to provide total funding of \$950,000 (\$550,000)
- 4. Reduced funding for prekindergarten community grants to provide total funding of \$1.5 million (\$500,000)
- 5. Reduced funding for the North Dakota Trade Office to provide total funding of \$2 million (\$556,694)
- 6. Reduced funding for partner programs to provide total funding of \$1,939,845 (\$233,984)
- 7. Added funding for homeless shelter grants \$300,000
- 8. Adjusted funding for entrepreneurship grants and vouchers to provide total funding of \$1.95 million, of which \$600,000 is from the general fund, \$1.2 million is from the Research North Dakota fund, and \$150,000 is from the economic development fund (\$750,000)

2019-21 Biennium

- | | |
|--|---------------|
| 1. Removed 3 FTE positions and related funding of \$521,836, of which \$130,845 is from the general fund | (\$130,845) |
| 2. Adjusted funding for the department's reorganization | (\$1,549,149) |
| 3. Added funding for homeless shelter grants to provide a total of \$1.5 million from the general fund | \$1,200,000 |
| 4. Added funding for biotechnology grants | \$300,000 |
| 5. Adjusted funding for discretionary funds from the Research North Dakota fund to the general fund | \$950,000 |
| 6. Added funding for the tourism division to provide total funding of \$8,801,678 for operating expenses, of which \$8,259,678 is from the general fund and \$542,000 is from the Department of Tourism fund | \$1,000,000 |
| 7. Added funding for matching funds to an organization providing research-based literacy intervention services to students below grade four who score below proficient in reading | \$200,000 |

2021-23 Biennium (Executive Budget Recommendation)

- | | |
|---|---------------|
| 1. Underfunds salaries | (\$140,000) |
| 2. Reduces funding for operating expenses, primarily related to operating fees and services, travel, rent, professional development, IT data processing, IT software supplies, and postage. The Senate did not reduce funding for operating expenses for the marketing division (\$630,000) and tourism division (\$955,046), resulting in a reduction of operating expenses primarily related to operating fees and services, travel, rent, professional development, IT data processing, IT software supplies, and postage of \$1,008,230. | (\$2,593,276) |
| 3. Reduces funding for the Operation Intern program to provide a total of \$755,000 from the general fund | (\$100,000) |
| 4. Adds funding for the UAS program for operating expenses of the Northern Plains UAS Test Site. The Senate added \$3,000,000 from the general fund for this purpose. | \$2,000,000 |
| 5. Removes funding for the biotechnology grant program | (\$300,000) |
| 6. Reduces funding for homeless shelter grants to provide a total of \$1,330,212 from the general fund | (\$169,788) |
| 7. Reduces funding for discretionary funds to provide a total of \$1,550,000 from the general fund | (\$600,000) |
| 8. Transfers funding to the Agriculture Commissioner for the North Dakota Trade Office, resulting in \$750,000 for the program in the Department of Commerce budget and \$850,000 for the program in the Agriculture Commissioner budget. The Senate transferred the entire \$1.6 million appropriation from the general fund for the program from the Department of Commerce to the Agriculture Commissioner. | (\$850,000) |

**GOVERNOR'S RECOMMENDATION FOR THE
DEPARTMENT OF COMMERCE AS SUBMITTED BY
THE OFFICE OF MANAGEMENT AND BUDGET**

SECTION 1. APPROPRIATION. The funds provided in this section, or so much of the funds as may be necessary, are appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, and from special funds derived from federal funds and other income, to the department of commerce for the purpose of defraying the expenses of the department of commerce, for the biennium beginning July 1, 2021, and ending June 30, 2023 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
Salaries and Wages	\$13,217,286	\$ (275,425)	\$12,941,861
Operating Expenses	14,873,203	2,055,986	16,929,189
Grants	52,638,527	643,803	53,282,330
Discretionary Funds	2,150,000	(600,000)	1,550,000
North Dakota Trade Office	1,600,000	(850,000)	750,000
Partner Programs	1,562,531	0	1,562,531
Entrepreneurship Grants and Vouchers	948,467	0	948,467
CARES Act Funding	<u>0</u>	<u>8,000,000</u>	<u>8,000,000</u>
Total All Funds	\$86,990,014	\$8,974,364	\$95,964,378
Less Estimated Income	<u>54,123,292</u>	<u>8,442,316</u>	<u>62,565,608</u>
Total General Fund	\$32,866,722	\$ 532,048	\$33,398,770
Full-Time Equivalent Positions	61.80	(3.00)	58.80

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-EIGHTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty- sixth legislative assembly for the 2019-21 biennium and the 2021-23 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2019-21</u>	<u>2021-23</u>
Unmanned Aircraft System	\$ 2,225,000	\$ 0
Enhanced Use Lease Grant	3,000,000	0
Workforce Grant to Tribally Controlled Community	500,000	0
Census 2020	1,000,000	0
Workforce Safety Grant	1,000,000	0
Entrepreneurship Grants and Vouchers	2,000,000	0
Sculpture Maintenance Grants	75,000	0
Nonresident Nurse Employment Recruitment	500,000	0
Intermodal Container Transportation Shipping Fees	1,300,000	0
Job Development and Economic Growth Grant	25,000	0
Unmanned Aircraft System – Test Site	0	1,000,000
Tourism – Destination Marketing	0	2,000,000
Tourism – Brand Extension	0	200,000
Technical Skills Training Grant	<u>0</u>	<u>1,000,000</u>
Total All Funds	\$11,625,000	\$4,200,000
Total Special Funds	<u>4,300,000</u>	<u>1,000,000</u>
Total General Fund	\$ 7,325,000	\$3,200,000

The 2021-23 biennium one-time funding amounts are not a part of the entity's base budget for the 2023-25 biennium. The department of commerce shall report to the appropriations committees of the sixty-seventh legislative assembly on the use of this one-time funding for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 3. EXEMPTION. The amount appropriated for the discretionary funds line item in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 4. EXEMPTION. The amount appropriated for the beyond visual line of sight unmanned aircraft systems program in section 12 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 5. EXEMPTION. The amount of \$1,500,000 appropriated from the general fund for the early childhood education grant program in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are available for the program during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 6. EXEMPTION. The amount of \$500,000 appropriated from the general fund for the nonresident nurse employment recruitment program in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 7. EXEMPTION. The amount of \$2,225,000 appropriated from the general fund for the unmanned aircraft systems operating expense in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are available for the program during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 8. EXEMPTION. The amount of \$3,000,000 appropriated from the general fund for the enhanced use lease grants in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are available for the program during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 9. TRANSFER - INTERNSHIP FUND. The office of management and budget shall transfer \$755,000 of the amount appropriated in the operating expenses line item in section 1 of this Act to the internship fund for the purpose of administering the operation intern program, for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 10. EXEMPTION. The amount of \$855,000 appropriated from the general fund in the operating expenses line item for the operation intern program in section 1 of chapter 18 of the 2019 Session Laws and transferred to the internship fund in section 7 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are available for the program during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 11. EXEMPTION. The amount of \$1,300,000 appropriated to the department of commerce from the beginning farmer revolving loan fund for intermodal container transportation shipping fees in section 1 of chapter 18 of the 2019 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are available for the program during the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 12. APPROPRIATION - In addition to the amounts appropriated to the department of commerce in section 1 of this Act, there is appropriated any additional income from federal or other funds which may become available to the agency for the biennium beginning July 1, 2021 and ending June 30, 2023.

SECTION 13. TRADE OFFICE - MATCHING FUND REQUIREMENT. The North Dakota trade office line item and the general fund appropriation in section 1 of this Act include \$750,000 of funding relating to the North Dakota trade office. The department of commerce may spend sixty percent of this amount without requiring any matching funds from the trade office. Any additional amounts may be spent only to the extent that the North Dakota trade office provides one dollar of matching funds from private or other public sources for each one dollar provided by the department for the biennium beginning July 1, 2021 and ending June 30, 2023. Matching funds may include money spent by businesses or organizations to pay salaries to export assistants, provide training to export assistants, or buy computer equipment as part of the North Dakota trade office's export assistance program.

SECTION 14. ENTREPRENEURSHIP GRANTS AND VOUCHER PROGRAM. Section 1 of this Act includes the sum of \$948,467, of which \$740,956 is from the general fund and \$207,511 from special funds, for an entrepreneurship grants and voucher program to be developed and administered by the department of commerce, for the biennium beginning July 1, 2021 and ending June 30, 2023. The department shall establish guidelines to provide grants to entrepreneurial centers certified by the department. The department shall 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. The amount appropriated for entrepreneurship grants in section 1 of this Act is not subject to section 54-44.1-11 and any unexpended funds from this line item are available during the biennium beginning July 1, 2023 and ending June 30, 2025.

SECTION 15. AMENDMENT. Section 54-60-16 of the North Dakota Century Code is amended and reenacted as follows:

54-60-16. International business and trade office - Advisory board.

1. The commissioner shall administer the international business and trade office. The purpose of the office is to assist North Dakota businesses expand exports to international markets and to attract investment opportunities to the state by:
 - a. Advocating for exporters and foreign direct investment opportunities;
 - b. Offering export educational opportunities to North Dakota businesses;
 - c. Researching and raising awareness of export and international business opportunities, issues, and challenges impacting North Dakota businesses;
 - d. Assisting North Dakota businesses in identifying, developing, and cultivating international markets for products; ~~and~~
 - e. Organizing and carrying out trade and reverse trade missions that seek to facilitate contact and communication between North Dakota businesses and international markets.; and
 - f. Assisting and fostering the diplomatic mission of North Dakota.
2. The international business and trade office shall not assist businesses with expansion efforts or investment opportunities in any of the following markets: farming, forestry, ranching, food quality, or nutrition.
3. The commissioner may designate a nonprofit corporation incorporated in this state that has the primary purpose of assisting North Dakota exporters or contract with a third party for the provision of services for the international business and trade office. If the commissioner designates a nonprofit corporation or contracts with a third party under this subsection, all data and databases collected and created by the third party in performing services for the office are the property of the department and the third party.
4. The department may seek and accept any gift, grant, or donation of funds, property, services, or other assistance from public or private sources for the purpose of furthering the objectives of the international business and trade office.
5. The commissioner may establish an international business and trade office advisory board with which the director may consult in administering the international business and trade office. The commissioner or the commissioner's designee shall serve as the chair of the international business and trade office advisory board. Each member of the advisory board created under this subsection is entitled to receive per diem compensation at a rate established by the director not exceeding sixty-two dollars and fifty cents and reimbursement of expenses as provided by law for state officers, while attending meetings or performing duties directly related to board

membership, except that per diem compensation under this section may not be paid to any member who receives compensation or salary as a regular state employee or official.

SECTION 16. AMENDMENT. Section 54-60-29 of the North Dakota Century Code is amended and reenacted as follows:

54-60-29. Unmanned aircraft systems program fund - Continuing appropriation.

1. There is created in the state treasury a special fund known as the unmanned aircraft systems fund, which ~~must~~ be used for the following purposes:
 - a. To defray the expenses of the operations of an unmanned aircraft systems test site officially designated by the federal aviation administration.
 - b. To defray the expenses of the beyond visual line of sight unmanned aircraft system program.
 - c. To defray the expense of the enhanced used lease grant program.
2. The fund consists of fees collected for the administration of the test site and other funds as appropriated. All moneys in the fund are appropriated to the department of commerce on a continuing basis for the purpose of defraying the expenses of the unmanned aircraft systems program. Interest earned on moneys in the fund must be credited to the fund.