



**REVISED EXECUTIVE BUDGET RECOMMENDATION
 2025-27 BIENNIUM**

Budget Summary

	FTE Positions	General Fund	Other Funds	Total
Burgum budget recommendation	64.80	\$75,915,577	\$179,820,226	\$255,735,803
Revisions - Increase (decrease)	0.00	(31,770,326)	24,819,208	(6,951,118)
Armstrong budget recommendation	64.80	\$44,145,251	\$204,639,434	\$248,784,685
Base level	62.80	33,546,083	53,344,371	86,890,454
Increase (decrease)	2.00	\$10,599,168	\$151,295,063	\$161,894,231
Percentage increase (decrease)	3.2%	31.6%	283.6%	186.3%

NOTE:

More detailed information on the revised executive budget recommendation is attached as an appendix.

Selected Highlights

- Adds **\$676,680**, of which **\$538,835** is from the general fund and **\$137,845** is from other funds, for salary increases of up to **3 percent** effective July 1, 2025, and 3 percent effective July 1, 2026
- Adds \$384,338, of which \$300,624 is from the general fund and \$83,714 is from other funds, for a health insurance premium increase of \$250 per month (15.2 percent), from \$1,643 to \$1,893, per employee
- Adds \$1,069,307, of which \$966,736 is from the general fund and \$102,571 is from other funds, to replace the 2023-25 biennium new FTE pool (\$405,880) and 2023-25 biennium vacant FTE pool (\$663,427)
- Adds \$257,408 from the economic development fund for 1 FTE North Dakota Development Fund position and \$216,954 from the general fund for 1 FTE procurement officer position
- Adds **\$2 million** from the general fund for Office of Legal Immigration operating expenses (**\$500,000**) and grants (**\$1.5 million**), of which **\$250,000** is ongoing funding and **\$1.75 million** is one-time funding. Total ongoing funding for the Office of Legal Immigration would increase to **\$735,000** from the general fund.
- Adds \$5 million of one-time funding from the **strategic investment and improvements fund (SIIF)** for tourism marketing awareness
- Adds **\$15 million** of one-time funding from SIIF for tourism destination development grants
- Adds \$2,000,000 of one-time funding from the general fund for the operation intern program to provide a total of \$3,006,896 from the general fund
- Adds \$26 million of one-time funding from SIIF for a state radar data pathfinder program (\$11 million) and an uncrewed aerial vehicle replacement grant program (\$15 million)
- **Adds \$50 million of one-time funding from SIIF for a housing for opportunity, mobility, and empowerment program**
- Adds **\$5 million** of one-time funding from SIIF for the community property improvement grant program, also known as the rural workforce housing grant program
- Adds \$26 million of one-time funding for uncrewed aircraft system (UAS) programs, including \$1 million from the general fund for UAS program grants, \$20 million from SIIF for beyond visual line of sight UAS program grants, and \$5 million from SIIF for the enhance use lease grant program
- Adds \$10 million of one-time funding from SIIF for autonomous agriculture grants
- Adds \$1,259,044 of one-time funding from the general fund for the entrepreneurship grants and vouchers program to provide a total of \$2,207,511, of which \$2,000,000 is from the general fund and \$207,511 is from the economic development fund
- Adds **\$17 million** of one-time funding for workforce programs, **including \$15 million from SIIF** for the find the good life initiative (**\$5 million**) and regional workforce impact grants, also known as workforce investment program grants (**\$10 million**), and \$2 million from the general fund for technical skills training grants

Deficiency Appropriations

There are no deficiency appropriations recommended in the revised executive budget for this agency.

Significant Audit Findings

The operational audit of the Department of Commerce conducted by the State Auditor's office for the period ending June 30, 2023, revealed the following audit findings:

- **Motion picture grant procedures** - The State Auditor reviewed the Department of Commerce's grant award procedures and determined a \$600,000 motion picture production and recruitment grant was awarded through a competitive process but only allowed 10 days for interested parties to apply, which does not align with the timeframes used by the agency for other grants programs. The State Auditor recommended the Department of Commerce evaluate allowable time frames for announcing and awarding competitive grants to ensure enough time is allocated to attract the best candidates.

The Department of Commerce disagreed with the audit finding. The department stated the auditing methodology used was flawed and failed to consider the inherent differences between grant programs. The department stated a one-time, highly time-sensitive grant with strict seasonal requirements cannot be fairly compared to ongoing programs with applications windows spread throughout the biennium.

- **Improper purchase card transactions** - The State Auditor reviewed 34 state-issued purchase cards ("p-cards") expenditures and determined 2 transactions did not have itemized receipts to support the purchase, 2 transactions involved alcohol purchases for staff and board members, 5 transactions were for meals that exceeded state per diem rates, and 6 transactions were not reconciled to the individual purchase card statements. The transactions related to the North Dakota Development Fund. The State Auditor recommended the Department of Commerce ensure itemized receipts are submitted for all purchase card transactions, cardholders only use state-issued purchase cards on allowable transactions, per diem meal rates be followed, supervisors and reviewers do not approve improper purchases, and receipts are reconciled to individual purchase card statements.

The Department of Commerce agreed with the audit finding, indicated the department has been reimbursed by the North Dakota Development Fund for all purchase card transactions included in the finding, and stated the department will be implementing additional staff training requirements for purchase cards.

The financial statement audit of the North Dakota Development Fund conducted by Eide Bailly, LLP for the period ending June 30, 2023, revealed the following audit findings:

- **Preparation of financial statements** (Prior period finding) - The North Dakota Development Fund does not have adequate staff to provide for the preparation of the organization's financial statements. While this is not uncommon for similar sized organizations, it is recommended that management and the North Dakota Development Fund Board of Directors be aware of the financial reporting of the organization.
- **Material audit adjustments** (Prior period finding) - The audit procedures identified misstatements in the North Dakota Development Fund's accounting records, resulting in the auditor proposing material audit adjustments to correct the misstatements. In addition, journal entries proposed by the auditors in previous years were not posted by the North Dakota Development Fund, resulting in issues with the corporation's beginning balance.

The auditor recommended the North Dakota Development Fund develop a document that details various transactions made by the corporation and include supporting documentation to enable staff the ability to easily understand how to properly account for those transactions. The North Dakota Development Fund agreed with the recommendation, will review internal processes, and will record the audit adjustments proposed by the auditor.

Segregation of Duties (Prior period finding) - Due to limited staff, the North Dakota Development Fund has a lack of segregation of duties in certain areas, including not having a formal approval process for writing off loans, as there is no review or approval process over manual journal entries. The auditor recommended all accounting functions be reviewed to determine if additional segregation is feasible to improve efficiency and effectiveness of the corporation and that management implement a level of oversight and approval over all accounting functions. The North Dakota Development Fund management response was that duties of the corporation are segregated as efficiently as possible with the current staff and involves the North Dakota Development Fund board in the financial management of the corporation.

- **Loan interest income accounting and reconciliation** - Loans greater than 90 days past due should not have interest income be calculated on the past due balance. Loan interest receivable and interest income should be reconciled monthly from the loan system to the accounting system and reviewed and approved.

The North Dakota Development Fund is not utilizing their accounting system or performing a reconciliation of interest income and interest receivable, which resulted in a material audit adjustment.

The auditor recommended the North Dakota Development Fund obtain training and develop a document that details the accounting for nonaccrual loans within the accounting system and reconcile loan interest income and interest receivable to enable staff the ability to easily understand how to properly account for those transactions. The North Dakota Development Fund agreed with the finding and plans to obtain training for accounting staff.

Agency Fees

As reported to the Legislative Management, pursuant to North Dakota Century Code Section 54-35-27, this agency has six fees. The agency did not recommend any changes to the fees.

Major Related Legislation

House Bill No. 1038 - This bill appropriates \$26 million of one-time funding from SIF for a state radar data pathfinder program (\$11 million) and an uncrewed aerial vehicle replacement grant program (\$15 million).

House Bill No. 1191 - This bill creates an Office of Entrepreneurship within the Department of Commerce and appropriates \$485,000 from the general fund for salaries and benefits of 2 FTE positions for the office.

House Bill No. 1448 - This bill creates an advanced technology review committee, an advanced technology grant program, an advanced technology grant fund, provides for a transfer of \$5 million from SIF to the advanced technology grant fund, and appropriates one-time funding of \$5 million from the advanced technology grant fund to the Department of Commerce for the advanced technology grant program.

House Bill No. 1493 - This bill repeals the Office of Legal Immigration. The 2025-27 biennium base budget for the Office of Legal Immigration in the Department of Commerce is \$485,000 from the general fund for salaries and wages of 2 FTE positions.

House Bill No. 1524 - This bill appropriates \$8 million of ongoing funding from the general fund to the Department of Commerce for providing funding to regional planning councils.

House Bill No. 1581 - This bill appropriates \$500,000 of ongoing funding from the general fund to the Department of Commerce for providing tribal tourism grants. The bill provides a tribal government in the state may apply to the department for a grant up to \$100,000 to promote and enhance tribal nation tourism opportunities.

Senate Bill No. 2097 - This bill creates a rural community endowment committee to award grants from a newly created rural community endowment fund to support, create, or improve local housing , workforce, business recruitment and commerce, infrastructure, or other community needs. The bill includes a \$50 million appropriation and transfer from the general fund to the rural community endowment fund and a \$5 million appropriation from the rural community endowment fund to the Department of Commerce to award rural community endowment grants.

Senate Bill No. 2225 - This bill appropriates \$50 million of one-time funding from SIF to the Department of Commerce for providing housing for opportunity, mobility, and empowerment program grants to political subdivisions to build infrastructure necessary to support affordable, market rate housing. The bill requires matching funds on a \$1-to-\$1 basis.

Senate Bill No. 2228 - This bill appropriates \$1 million of one-time funding from the general fund to the Department of Commerce for providing grants for the preservation of rural grocery stores and increasing the availability of food access in the state. The Legislative Assembly appropriated one-time funding of \$1 million from the general fund to the department for the program during the 2023-25 biennium.

Senate Bill No. 2331 - This bill appropriates \$50,000 of ongoing funding from the general fund to the Department of Commerce for administering a newly created Theodore Roosevelt National Park working group.

Senate Concurrent Resolution No. 4001 - This resolution 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's appropriation bill contains directions regarding the use of community services block grant program money for the period ending September 30, 2027.

NOTE:

Please see the Fiscal Impact Report for additional information regarding bills under consideration which contain either a state revenue impact, an appropriation, or a state fiscal impact.



Department of Commerce - Budget No. 601
Agency Worksheet - Senate Bill No. 2018

	Armstrong Budget			
	FTE Positions	General Fund	Other Funds	Total
2025-27 Biennium Base Level	62.80	\$33,546,083	\$53,344,371	\$86,890,454
2025-27 Ongoing Funding Changes				
Base payroll changes		\$67,653	\$82,578	\$150,231
Adds funding for the cost to continue salary increases		238,480	45,544	284,024
Salary increase		538,835	137,845	676,680
Health insurance increase		300,624	83,714	384,338
Adds funding to replace the 2023-25 new FTE pool		405,880		405,880
Adds funding to replace the 2023-25 vacant FTE pool		560,856	102,571	663,427
Adds funding for a FTE North Dakota Development Fund position	1.00		257,408	257,408
Adds funding for a FTE procurement officer position	1.00	216,954		216,954
Adds funding for temporary salaries for temporary staff and an office intern		100,000	3,590	103,590
Adds funding for North Dakota Development Fund temporary salaries			200,000	200,000
Adds federal funding for temporary salaries and operating expenses to maintain building codes			98,583	98,583
Adds funding for the cost to continue IT increases		14,036	54,666	68,702
Adjusts base level funding for operating expenses		(21,481)	10,654	(10,827)
Adds funding for operating expenses of the Office of Legal Immigration		250,000		250,000
Adds federal funding for AmeriCorps program operating expenses			290,000	290,000
Removes funding for the continuum of care program and state apprenticeship program		(81,713)	(1,097,157)	(1,178,870)
Adds federal funding for AmeriCorps and weatherization grant programs			3,132,157	3,132,157
Reduces federal funding for community development and community services block grants			(2,086,940)	(2,086,940)
Removes funding from the uncrewed aircraft systems (UAS) fund for UAS program grants			(1,020,150)	(1,020,150)
Total ongoing funding changes	2.00	\$2,590,124	\$295,063	\$2,885,187
One-Time Funding Items				
Adds funding for tourism marketing awareness			\$5,000,000	\$5,000,000
Adds funding for operating expenses of the operation intern program		\$2,000,000		2,000,000
Adds funding for a state radar data pathfinder			11,000,000	11,000,000
Adds funding for an uncrewed aerial vehicle replacement grant program			15,000,000	15,000,000
Adds one-time funding for the Office of Legal Immigration		1,750,000		1,750,000
Adds funding for a housing for opportunity, mobility, and empowerment program			50,000,000	50,000,000
Adds funding for the community property improvements grant program			5,000,000	5,000,000
Adds funding for tourism destination development grants			15,000,000	15,000,000
Adds funding for UAS program grants		1,000,000		1,000,000
Adds funding for the beyond visual line of sight UAS program grants			20,000,000	20,000,000

Adds funding for the enhanced use lease grant program			5,000,000	5,000,000
Adds funding for autonomous agriculture grants			10,000,000	10,000,000
Adds funding for the entrepreneurship grants and vouchers program		1,259,044		1,259,044
Adds funding for regional workforce impact program grants			10,000,000	10,000,000
Adds funding for operating expenses of the find the good life initiative			5,000,000	5,000,000
Adds funding for technical skills training grants		2,000,000		2,000,000
Total one-time funding changes	0.00	\$8,009,044	\$151,000,000	\$159,009,044
Total Changes to Base Level Funding	2.00	\$10,599,168	\$151,295,063	\$161,894,231
2025-27 Total Funding	64.80	\$44,145,251	\$204,639,434	\$248,784,685

Federal funds included in other funds

\$44,452,491

Total ongoing changes - Percentage of base level

3.2%

7.7%

0.6%

3.3%

Total changes - Percentage of base level

3.2%

31.6%

283.6%

186.3%