

Sixty-sixth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1018

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the department of
2 commerce; to create and enact two new sections to chapter 54-60, a new section to chapter
3 57-38, and a new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota Century
4 Code, relating to a beyond visual line of sight unmanned aircraft system program, fund, and
5 income tax credit; to provide exemptions; to provide for a legislative management study ~~of the~~
6 ~~unmanned aircraft systems industry~~; to provide for a transfer; to provide for a report; and to
7 declare an emergency.

8 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

9 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds
10 as may be necessary, are appropriated out of any moneys in the general fund in the state
11 treasury, not otherwise appropriated, and from special funds derived from federal funds and
12 other income, to the department of commerce for the purpose of defraying the expenses of the
13 department of commerce, for the biennium beginning July 1, 2019, and ending June 30, 2021,
14 as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
17 Salaries and wages	\$12,995,788	\$169,782	\$13,165,570
18 Operating expenses	15,477,622	1,244,297	16,721,919
19 Grants	48,910,416	4,679,395	53,589,811
20 Discretionary funds	2,200,000	(2,200,000)	0
21 Agricultural products utilization	3,152,915	(2,478,950)	673,965
22 —commission			
23 North Dakota trade office	2,000,000	(400,000)	1,600,000
24 Partner programs	1,939,845	(377,314)	1,562,531

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1	Entrepreneurship grants and vouchers	1,950,000	(1,001,533)	948,467
2	Total all funds	\$88,626,586	(\$364,323)	\$88,262,263
3	Less estimated income	58,283,906	(3,499,311)	54,784,595
4	Total general fund	\$30,342,680	\$3,134,988	\$33,477,668
5	Full-time equivalent positions	66.40	(4.60)	61.80
6	Salaries and wages	\$12,995,788	\$221,498	\$13,217,286
7	Operating expenses	15,477,622	3,620,581	19,098,203
8	Grants	48,910,416	9,328,111	58,238,527
9	Discretionary funds	2,200,000	1,000,000	3,200,000
10	Agricultural products utilization	3,152,915	(3,152,915)	0
11	commission			
12	North Dakota trade office	2,000,000	(400,000)	1,600,000
13	Partner programs	1,939,845	(377,314)	1,562,531
14	Entrepreneurship grants and vouchers	1,950,000	1,498,467	3,448,467
15	Intermodal container shipping fees	0	1,300,000	1,300,000
16	Total all funds	\$88,626,586	\$13,038,428	\$101,665,014
17	Less estimated income	58,283,906	(360,613)	57,923,293
18	Total general fund	\$30,342,680	\$13,399,041	\$43,741,721
19	Full-time equivalent positions	66.40	(4.60)	61.80

SECTION 2. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO

SIXTY-SEVENTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-fifth legislative assembly for the 2017-19 biennium and the one-time funding items included in the appropriation in section 1 of this Act:

24	<u>One-Time Funding Description</u>	<u>2017-19</u>	<u>2019-21</u>
25	Flood impact grants/loans	\$5,201,752	\$0
26	Unmanned aircraft system	2,000,000	2,000,000
27	Base retention grants	600,000	0
28	Enhanced use lease grant	3,000,000	1,000,000
29	Workforce grants to tribally controlled community colleges	500,000	500,000
30	Census 2020 program	0	1,000,000
31	Workforce safety grant	0	1,000,000

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1	Total all funds	\$11,301,752	\$5,500,000
2	Less estimated income	10,301,752	0
3	Total general fund	\$1,000,000	\$5,500,000
4	Flood impact grants/loans	\$5,201,752	\$0
5	Unmanned aircraft system	2,000,000	2,225,000
6	Base retention grants	600,000	250,000
7	Enhanced use lease grant	3,000,000	3,000,000
8	Workforce grants to tribally controlled community colleges	500,000	500,000
9	Census 2020 program	0	1,000,000
10	Workforce safety grant	0	1,000,000
11	Entrepreneurship grants and vouchers	0	2,500,000
12	Sculpture maintenance grants	0	250,000
13	Nonresident nurse employment recruitment	0	800,000
14	Intermodal container transportation shipping fees	0	1,300,000
15	Total all funds	\$11,301,752	\$12,825,000
16	Less estimated income	10,301,752	3,800,000
17	Total general fund	\$1,000,000	\$9,025,000

18 The 2019-21 biennium one-time funding amounts are not a part of the entity's base budget
 19 for the 2021-23 biennium. The department of commerce shall report to the appropriations
 20 committees of the sixty-seventh legislative assembly on the use of this one-time funding for the
 21 biennium beginning July 1, 2019, and ending June 30, 2021.

22 ~~SECTION 3. EXEMPTION. The amount appropriated for the agricultural products utilization~~
 23 ~~commission in section 1 of chapter 43 of the 2017 Session Laws is not subject to section~~
 24 ~~54-44.1-11 and any unexpended funds from this line item for grants are available for grants~~
 25 ~~during the biennium beginning July 1, 2019, and ending June 30, 2021.~~

26 **SECTION 3. EXEMPTION.** The amount of \$2,200,000 appropriated in the discretionary
 27 funds line item in section 1 of chapter 43 of the 2017 Session Laws, of which \$1,200,000 was
 28 from the general fund and \$1,000,000 was from the research North Dakota fund, is not subject
 29 to section 54-44.1-11 and any unexpended funds from this appropriation are available for
 30 discretionary uses during the biennium beginning July 1, 2019, and ending June 30, 2021.

1 **SECTION 4. EXEMPTION.** The amount of \$2,000,000 appropriated from the strategic
2 investment and improvements fund for the unmanned aircraft systems program in section 1 of
3 chapter 43 of the 2017 Session Laws is not subject to section 54-44.1-11 and any unexpended
4 funds from this program are available for the program during the biennium beginning July 1,
5 2019, and ending June 30, 2021.

6 **SECTION 5. EXEMPTION.** The amount of \$1,500,000 appropriated from the general fund
7 for the early childhood education grant program in section 1 of chapter 43 of the 2017 Session
8 Laws is not subject to section 54-44.1-11 and any unexpended funds from this program are
9 available for the program during the biennium beginning July 1, 2019, and ending June 30,
10 2021.

11 **SECTION 6. TRANSFER - INTERNSHIP FUND.** The office of management and budget
12 shall transfer \$855,000 of the amount appropriated in the operating expenses line item in
13 section 1 of this Act to the internship fund for the purpose of administering the operation intern
14 program, for the biennium beginning July 1, 2019, and ending June 30, 2021.

15 **SECTION 7. EXEMPTION.** The amount of \$950,000 appropriated from the general fund in
16 the operating expenses line item for the operation intern program in section 1 of chapter 43 of
17 the 2017 Session Laws and transferred to the internship fund in section 7 of chapter 43 of the
18 2017 Session Laws is not subject to section 54-44.1-11 and any unexpended funds from this
19 program are available for the program during the biennium beginning July 1, 2019, and ending
20 June 30, 2021.

21 **SECTION 8. TRADE OFFICE - MATCHING FUND REQUIREMENT.** The North Dakota
22 trade office line item and the general fund appropriation in section 1 of this Act include
23 \$1,600,000 of funding relating to the North Dakota trade office. The department of commerce
24 may spend sixty percent of this amount without requiring any matching funds from the trade
25 office. Any additional amounts may be spent only to the extent the North Dakota trade office
26 provides one dollar of matching funds from private or other public sources for each one dollar
27 provided by the department for the biennium beginning July 1, 2019, and ending June 30, 2021.
28 Matching funds may include money spent by businesses or organizations to pay salaries to
29 export assistants, provide training to export assistants, or buy computer equipment as part of
30 the North Dakota trade office's export assistance program.

1 **SECTION 9. ENTREPRENEURSHIP GRANTS AND VOUCHER PROGRAM - ONE-TIME**
2 **FUNDING - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - EXEMPTION.** Section
3 1 of this Act includes the sum of ~~\$948,467~~\$3,448,467, of which \$740,956 is from the general
4 fund, \$2,500,000 is from the strategic investment and improvements fund, and \$207,511 is from
5 ~~special funds~~the economic development fund, for an entrepreneurship grants and voucher
6 program to be developed and administered by the department of commerce, for the biennium
7 beginning July 1, 2019, and ending June 30, 2021. The \$2,500,000 from the strategic
8 investment and improvements fund is considered a one-time funding item. The department shall
9 establish guidelines to provide grants to entrepreneurial centers certified by the department.
10 The department also shall establish guidelines to award vouchers to entrepreneurs to procure
11 business development assistance from certified entrepreneurial centers or to provide grants to
12 entrepreneurs working with an entrepreneurial center. The amount appropriated for
13 entrepreneurship grants in section 1 of this Act is not subject to section 54-44.1-11 and any
14 unexpended funds from this line item are available during the biennium beginning July 1, 2021,
15 and ending June 30, 2023.

16 **SECTION 10. BASE RETENTION GRANT PROGRAM - ONE-TIME FUNDING.** The grants
17 line item in section 1 of this Act includes \$250,000 from the general fund for the base retention
18 grant program. The department of commerce shall develop guidelines for awarding grants
19 under this section. Grants awarded under this program may be provided to one or more
20 communities with an air force base or air national guard facilities. The grant program must
21 award cost reimbursement grants and may not award direct grants. The department shall
22 consult with the North Dakota commission on military promotion and strategic sustainment
23 regarding approval of grant awards. This funding is considered a one-time funding item.

24 **SECTION 11. BIOTECHNOLOGY GRANT PROGRAM.** ~~Section~~The grants line item in
25 section 1 of this Act includes \$300,000 from the general fund for the purpose of providing
26 biotechnology grants to a local association with bioscience experience to promote bioscience
27 and biotechnology research and business development in North Dakota agriculture and life and
28 energy science industries.

29 **SECTION 12. APPROPRIATION - 2017-19 BIENNIUM - BEYOND VISUAL LINE OF**
30 **SIGHT UNMANNED AIRCRAFT ~~SYSTEMS~~SYSTEM PROGRAM - EXEMPTION.** There is
31 appropriated out of any moneys in the general fund in the state treasury, not otherwise

1 appropriated, the sum of ~~\$27,000,000~~\$28,000,000, or so much as the sum as may be
2 necessary, to the department of commerce for the purpose of defraying the expenses relating to
3 the beyond visual line of sight unmanned aircraft ~~systems~~system program, for the period
4 beginning with the effective date of this Act, and ending June 30, 2019. The funding provided
5 under this section is not subject to section 54-44.1-11 and any unexpended funds may be
6 continued and are available for the program during the biennium beginning July 1, 2019, and
7 ending June 30, 2021.

8 ~~—SECTION 10. BEYOND VISUAL LINE OF SIGHT UNMANNED AIRCRAFT SYSTEMS-~~
9 ~~PROGRAM - REQUIREMENTS - LEGISLATIVE MANAGEMENT REPORT.~~ Section 9 of this
10 Act includes a \$27,000,000 general fund appropriation to the department of commerce for
11 operating expenses of the beyond visual line of sight unmanned aircraft systems program. The
12 department of commerce shall require any entity receiving funding from this appropriation to
13 provide the department a copy of the entity's annual audited financial statements associated
14 with the beyond visual line of sight unmanned aircraft systems. Any entity receiving funding
15 from this appropriation shall provide quarterly payments to the state treasurer equal to
16 ~~15 percent of the entity's annual net income associated with beyond visual line of sight~~
17 ~~unmanned aircraft systems as reported in its prior year audited financial statements, until the~~
18 ~~state treasurer has received a total of \$27,000,000. Thereafter, the entity shall provide quarterly~~
19 ~~payments to the state treasurer equal to 10 percent of the entity's annual net income associated~~
20 ~~with beyond visual line of sight unmanned aircraft systems as reported in its prior year audited~~
21 ~~financial statements. The state treasurer shall deposit any funds received under this section in~~
22 ~~the state general fund. The department of commerce shall provide periodic reports to the~~
23 ~~legislative management during the 2019-20 interim regarding the development of the beyond~~
24 ~~visual line of sight unmanned aircraft systems program and the total amount deposited by the~~
25 ~~state treasurer in the state general fund related to this section.~~

26 **SECTION 13.** A new section to chapter 54-60 of the North Dakota Century Code is created
27 and enacted as follows:

28 **Beyond visual line of sight unmanned aircraft system program - Requirements -**
29 **Report to legislative management.**

30 The department may establish and administer a beyond visual line of sight unmanned
31 aircraft system program for the design, purchase, implementation, and operating costs of a

1 beyond visual line of sight unmanned aircraft system. The department shall require any entity
2 receiving funding for this program to provide quarterly payments to the state treasurer equal to
3 three percent of the entity's gross income associated with the beyond visual line of sight
4 unmanned aircraft system as reported in the entity's prior year financial statements. The state
5 treasurer shall deposit fifty percent of any payments received in the state general fund and fifty
6 percent in the beyond visual line of sight unmanned aircraft system fund. The department shall
7 provide a semi-annual reports to the legislative management regarding the development of the
8 beyond visual line of sight unmanned aircraft systems program and the total amount deposited
9 by the state treasurer in the state general fund and the beyond visual line of sight unmanned
10 aircraft system fund.

11 **SECTION 14.** A new section to chapter 54-60 of the North Dakota Century Code is created
12 and enacted as follows:

13 **Beyond visual line of sight unmanned aircraft system fund.**

14 There is created in the state treasury a special fund known as the beyond visual line of sight
15 unmanned aircraft system fund. The fund consists of moneys deposited by the state treasurer
16 from entities receiving funding from the department of commerce for the beyond visual line of
17 sight unmanned aircraft system program. Interest earned on moneys in the fund must be
18 credited to the fund. Moneys in the fund may be used, subject to legislative appropriations, to
19 defray the expenses of the beyond visual line of sight unmanned aircraft system program.

20 **SECTION 15.** A new section to chapter 57-38 of the North Dakota Century Code is created
21 and enacted as follows:

22 **Income tax credit for beyond visual line of sight unmanned aircraft system payments.**

23 A taxpayer that received funding under section 12 of this Act is entitled to a credit against
24 tax liability determined under section 57-38-30 or 57-38-30.3 equal to the amount the taxpayer
25 remitted to the state treasurer under section 13 of this Act during the taxable year. The credit
26 under this section may not exceed the taxpayer's liability as determined under this chapter for
27 the taxable year. A passthrough entity entitled to the credit under this section must be
28 considered to be the taxpayer for purposes of this section, and the amount of the credit allowed
29 must be determined at the passthrough entity level. The amount of the credit determined at the
30 passthrough entity level must be passed through to the partners, shareholders, or members in
31 proportion to their respective interests in the passthrough entity.

1 | **SECTION 16.** A new subdivision to subsection 7 of section 57-38-30.3 of the North Dakota
2 | Century Code is created and enacted as follows:

3 | Beyond visual line of sight unmanned aircraft system payment credit under
4 | section 15 of this Act.

5 | **SECTION 17. LEGISLATIVE MANAGEMENT STUDY - BEYOND VISUAL LINE OF**
6 | **SIGHT UNMANNED AIRCRAFT SYSTEMS SYSTEM PROGRAM.** During the 2019-20 interim,
7 | the legislative management shall consider studying the future administration and regulation of
8 | the unmanned aircraft systems industry in North Dakota, including beyond visual line of sight
9 | unmanned aircraft ~~systems~~system. The study must include a determination of the appropriate
10 | state agency or private entity to be assigned responsibility of regulating unmanned aircraft
11 | ~~systems~~system programs, including licensing, registration, appropriate fees, and other
12 | responsibilities. The study may include a review of the audited financial statements associated
13 | with the beyond visual line of sight unmanned aircraft ~~systems~~system of an entity receiving
14 | funding from the appropriation for the beyond visual line of sight unmanned aircraft
15 | ~~systems~~system program in section 9 of this Act. The legislative management shall report its
16 | findings and recommendations, together with any legislation necessary to implement the
17 | recommendations, to the sixty-seventh legislative assembly.

18 | **SECTION 18. LEGISLATIVE MANAGEMENT STUDY - MOTION PICTURE INCENTIVES.**
19 | During the 2019-20 interim, the legislative management shall consider studying motion picture
20 | incentives. The study must include a review of upper Midwest and neighboring states' statutes
21 | on motion picture incentives to assess their successes and challenges; an analysis of the
22 | economic impact that would benefit communities through food, lodging, supplies, and
23 | transportation; an assessment of existing industry infrastructure in the state and opportunities
24 | for growth; and an identification of unique geographic, seasonal, regulatory, and topographical
25 | assets the state has for the motion picture industry. The legislative management shall report its
26 | findings and recommendations, together with any legislation necessary to implement the
27 | recommendations, to the sixty-seventh legislative assembly.

28 | **SECTION 19. SCULPTURE MAINTENANCE GRANTS - ONE-TIME FUNDING.** The grants
29 | line item in section 1 of this Act includes \$250,000 from the general fund for the purpose of
30 | providing grants, on a reimbursement basis, to maintain the structure and appearance of metal
31 | sculptures located adjacent to highways in North Dakota. Grant funds may be awarded only for

1 sculptures with current land leases. Grant funds may be awarded only to the extent that
2 matching funds on a dollar-for-dollar basis are provided from private or other nonstate sources.
3 Matching funds may include in-kind payments for labor and materials. The department of
4 commerce shall establish guidelines to require a privately funded maintenance plan to be
5 established for future maintenance cost of metal sculptures adjacent to highways in North
6 Dakota. This funding is considered a one-time funding item.

7 **SECTION 20. NONRESIDENT NURSE EMPLOYMENT RECRUITMENT PROGRAM -**
8 **ONE-TIME FUNDING.** The grants line item in section 1 of this Act includes \$800,000 from the
9 general fund for the purpose of establishing a nonresident nurse employment recruitment
10 program. The department of commerce shall provide up to \$4,000 in incentives for each non-
11 resident licensed nurse who signs a written agreement to work at least four years in a North
12 Dakota licensed health care facility. Any licensed health care facility receiving funds from this
13 program must provide two dollars of incentive matching funds for each one dollar provided by
14 the department. This funding is considered a one-time funding item.

15 **SECTION 21. TRANSFER - ESTIMATED INCOME- BEGINNING FARMER REVOLVING**
16 **LOAN FUND - ONE-TIME FUNDING.** As requested by the commissioner of the department of
17 commerce, the Bank of North Dakota shall transfer from the beginning farmer revolving loan
18 fund to the department of commerce the sum of \$1,300,000, or so much of the sum as may be
19 necessary, included in the estimated income line item in section 1 of this Act for paying
20 intermodal container transportation shipping fees in the event intermodal containers are unable
21 to be shipped, resulting in fees for the transport of containers to new locations for the biennium
22 beginning July 1, 2019, and ending June 30, 2021. This funding is considered a one-time
23 funding item.

24 **SECTION 22. APPROPRIATION - 2017-19 BIENNIUM - NORTH DAKOTA GORGE**
25 **GRANT - EXEMPTION.** There is appropriated out of any moneys in the general fund in the
26 state treasury, not otherwise appropriated, the sum of \$750,000, or so much of the sum as may
27 be necessary, to the department of commerce for the purpose of providing grants, on a
28 reimbursement basis, to an organization dedicated to preserving a North Dakota gorge for the
29 period beginning with the effective date of this Act, and ending June 30, 2019. Grant funds may
30 be awarded only for expenditures related to the purchase and maintenance of outdoor
31 recreation equipment, the improvement and maintenance of real property, enhancing public

1 access to natural resources, and addressing public safety hazards in a North Dakota gorge.
2 Grant funds may be awarded only to the extent that matching funds on a dollar-for-dollar basis
3 are provided from private or other non-state sources. Matching funds may include in-kind
4 payments for labor and materials. The funding provided in this section is considered a one-time
5 funding item. The funding provided under this section is not subject to section 54-44.1-11 and
6 any unexpended funds may be continued and are available for the program during the biennium
7 beginning July 1, 2019, and ending June 30, 2021.

8 **SECTION 23. EFFECTIVE DATE.** Sections 15 and 16 of this Act are effective for taxable
9 years beginning after December 31, 2018.

10 **SECTION 24. EMERGENCY.** Sections ~~9 and 10~~ 12, 13, 14, 15, 16, and 22 of this Act are
11 declared to be an emergency measure.