

**Department of Commerce  
Budget 601  
House Bill Nos. 1018, 1014, 1019; Senate Bill Nos. 2001, 2187**

	<b>FTE Positions</b>	<b>General Fund</b>	<b>Other Funds</b>	<b>Total</b>
2007-09 legislative appropriation	66.00	\$28,581,965 <sup>1</sup>	\$55,758,516	\$84,340,481
2005-07 legislative appropriation	<u>62.00</u>	<u>19,180,781</u>	<u>57,434,283</u>	<u>76,615,064</u>
2007-09 appropriation increase (decrease) to 2005-07 appropriation	4.00	\$9,401,184	(\$1,675,767)	\$7,725,417

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

**Item Description**

**One-time funding** - The Legislative Assembly identified a total of \$3.1 million from the general fund, of which \$3 million is a transfer to the Development Fund and \$100,000 is for tax expenditure and business incentive expenditure reports as one-time funding for the 2007-09 biennium. This amount is not to be considered part of the agency's base budget for preparing the 2009-11 executive budget, and the Department of Commerce is to report to the Appropriations Committees during the 2009 legislative session on the use of this funding.

**Centers of excellence** - The Legislative Assembly appropriated \$15 million from the permanent oil tax trust fund to the Office of Management and Budget for centers of excellence grants and authorized the Office of Management and Budget, as directed by the Centers of Excellence Commission and with Emergency Commission and Budget Section approval, to borrow up to \$5 million from the Bank of North Dakota for providing additional funding for centers of excellence, if the \$15 million appropriated from the permanent oil tax trust fund is committed. Of the \$15 million appropriation, up to \$10 million is available for Budget Section approval at its first meeting after September 1, 2007, and up to \$5 million and any unawarded funds remaining from the first year \$10 million allocation is available for Budget Section approval at its first meeting after September 1, 2008.

**Status/Result**

The Department of Commerce has used the \$3 million transfer from the general fund to the Development Fund to continue to operate the fund in the 2007-09 biennium. From July 1, 2007, through March 31, 2008, the Development Fund has invested in 22 projects for a total investment amount of \$5,720,926. The Legislative Assembly also authorized the Industrial Commission, upon the request of the Department of Commerce, to transfer up to \$1 million from the partnership in assisting community expansion (PACE) fund to the Development Fund; however, the department does not anticipate requesting the transfer.

Pursuant to Sections 24 and 25 of House Bill No. 1018, the commissioner has selected the Development Fund as the business incentive for a state business incentive expenditure pilot report and selected the seed capital investment tax credit, agricultural commodity processing facility investment tax credit, and the sales tax exemption for manufacturing equipment for the three tax expenditure pilot reports. The department awarded a contract to Covenant Consulting in the amount of \$24,790 for assistance with the reports. The reports must include an analysis of the selected business incentive or tax expenditure, a description of the annual state revenue losses and benefits, and a cyclical analysis of the losses and benefits. The reports will be submitted to the 2009 Legislative Assembly.

Through April 2008 the Centers of Excellence Commission, as approved by the Emergency Commission and Budget Section, has awarded \$10 million of the \$15 million appropriated for the program for the following projects:

North Dakota State University	Agbiotechnology - Oilseed Development II	\$1,500,000
	Surface Protection	2,000,000
University of North Dakota	Biomedical Device Research, Development, and Commercialization	2,500,000
	Unmanned Aircraft System	1,500,000
Lake Region State College	Dakota Center for Technology-Optimized Agriculture	400,000
Minot State University	Great Plains Knowledge and Data Center	2,100,000
<b>Total</b>		<b>\$10,000,000</b>

Applications for the second round of funding are due on June 9, 2008.

**Office of Faith-Based and Community Initiatives** - The Legislative Assembly transferred the Office of Faith-Based and Community Initiatives from the Governor's office to the Department of Commerce and provided a \$25,000 general fund appropriation to the department for costs associated with the office for the 2007-09 biennium.

**State energy plan** - The Legislative Assembly provided a \$50,000 appropriation, of which \$25,000 is from the general fund and \$25,000 is from other funds, to the Department of Commerce for costs associated with the provisions of House Bill No. 1462, including the development of a state energy plan.

Section 6 of House Bill No. 1462 provides that the Department of Commerce convene an energy policy commission during the 2007-08 interim for the purpose of developing a comprehensive energy policy for the state. The energy policy commission is to report to the Legislative Council (Energy Development and Transmission Committee) during the 2007-08 interim on the progress of and results from the North Dakota Energy Independence Initiative.

**Beginning Again North Dakota pilot program** - The Legislative Assembly provided funding of \$30,000 from the general fund to the Department of Commerce to contract for services relating to the Beginning Again North Dakota pilot program.

Section 38 of House Bill No. 1018, codified as North Dakota Century Code Section 54-60-20, provides that the Department of Commerce implement and administer a Beginning Again North Dakota pilot project. The purpose of the program is to develop a database of skills and other assets of communities and residents to be used to advance the internal and external attitude and image of the state and the communities in the state.

The department may contract with a public or private third party to provide any or all of the services necessary to implement and administer the program. The department may solicit support and contributions from public and private sources for the purpose of furthering the program. The department may charge a fee for the services provided to the community. Any funds collected are to be deposited in a special account and are appropriated on a continuing basis for the purpose of furthering the program.

**Division of Workforce Development** - The Legislative Assembly added funding of \$300,000 from the general fund and 2 new FTE positions for additional responsibilities relating to the Department of Commerce Division of Workforce Development, including talent initiative, workforce intelligence coordination, and planning.

The Faith-Based and Community Initiatives Advisory Committee has become a standing committee of the State Commission on National and Community Service. The State Commission on National and Community Service, which was established under an executive order signed by Governor John Hoeven in July 2002, is to foster a bipartisan, state-level commitment to advancing service initiatives in the state.

The Department of Commerce has convened an energy policy commission--EmPower North Dakota Commission--for the purpose of developing a comprehensive energy policy for the state. The commission has held several meetings across the state and is in the process of drafting a state energy policy document. The commission will present its report and recommendations to the Legislative Council's Energy Development and Transmission Committee on June 26, 2008.

The Department of Commerce has selected Langdon and Tower City as the participants in the Beginning Again North Dakota pilot program and has selected the North Dakota State University Extension Center for Community Vitality the vendor to assist with the program.

The department is not collecting fees for the services provided to the communities; however, the two communities selected will be contributing to the pilot program through in-kind services and paying for certain expenses directly, such as postage.

The department is reporting to the Legislative Council's Workforce Committee during the 2007-08 interim regarding the implementation of the program, successes and failures of the program, and whether the program should be continued or be continued and expanded to additional communities.

The Division of Workforce Development has hired two new employees. One of the employees is working with the talent initiative and the other is working with the State Commission on National and Community Service and other initiatives.

The division is in the process of developing a comprehensive, consolidated biennial statewide strategic plan for workforce development, workforce training, and talent attraction. The division has selected the Corporation for a Skilled Workforce as consultants to facilitate the development of the strategic plan. The plan is to be completed in October 2008.

The division has also selected the Corporation for a Skilled Workforce to facilitate the establishment of a Workforce Intelligence Council for the state.

The Department of Commerce has hired a career promotion and internship coordinator. The individual is becoming familiar with career opportunities and career promotion activities currently in place and will be identifying gaps and a future vision for the program.

As of May 2, 2008, the Department of Commerce has 48 businesses and 116 available internship and work experience positions under its Operation Intern program. The program provides matching grants providing 50 percent of the intern wage or stipend up to a maximum of \$3,000 per intern.

As of May 16, 2008, the Department of Commerce has awarded one workforce enhancement grant in the amount of \$496,826 to Bismarck State College for expanding the power plant technology, process plant technology, and mechanical maintenance programs and establishing a new instrumentation and control technology program.

The Department of Commerce has selected 21 communities to participate in community labor availability studies for 2008. Data collection began in January 2008 and concluded in March 2008. Final reports for each community will be released by July 1, 2008.

The department is negotiating with the Information Technology Council of North Dakota to conduct an industry workforce needs assessment for the information technology industry.

Through April 2008 the Office of Renewable Energy and Energy Efficiency has provided the following ethanol production incentives:

Blue Flint (Underwood)	\$240,964
Red Trail (Richardton)	227,339
<b>Total</b>	<b>\$468,303</b>

**Career opportunities and career promotion** - The Legislative Assembly:

- Removed the executive budget initiative, including funding of \$1,226,244 from the general fund and 10 new FTE positions to provide students and their parents information about North Dakota career opportunities.
- Added funding of \$160,000 from the general fund and 1 new FTE position to administer the career promotion in workforce deficient industries program and the internship program.

**Internships** - The Legislative Assembly provided a \$600,000 general fund appropriation to the Department of Commerce for internships for postsecondary students.

**Workforce enhancement fund** - The Legislative Assembly created a Workforce Enhancement Council, transferred \$2 million from the general fund to the workforce enhancement fund, and provided a continuing appropriation to the Department of Commerce for providing grants to higher education institutions assigned primary responsibility for workforce training in the state. The grants are to be used to create or enhance training programs that address workforce needs of private sector companies. A grant may be used for curriculum development, equipment, recruitment of participants, and training and certification for instructors but may not be used to supplant funding for current operations. The higher education institution must provide detailed documentation of private sector participation, including the availability of \$1 of matching funds for each dollar of state funds.

**Community labor availability and industry workforce needs assessments** - The 2007-09 legislative appropriation for the Department of Commerce includes funding of \$150,000 from the general fund for community labor availability and industry workforce needs assessments.

**Ethanol production incentives** - North Dakota Century Code Section 17-02-03 provides that the Department of Commerce Office of Renewable Energy and Energy Efficiency provide quarterly production incentives to eligible facilities based on the average North Dakota price per bushel of corn and the average North Dakota rack price per gallon of ethanol during the quarter. The incentives are paid from the ethanol production incentive fund which receives revenue from the registration of farm vehicles.

The Archer Daniels Midland Company plant in Walhalla and the Alchem, Ltd., LLP, plant in Grafton have not received incentive payments in the 2007-09 biennium.

**Innovate ND program** - The Legislative Assembly provided funding of \$300,000, of which \$150,000 is from the general fund, to the Department of Commerce for the Innovate ND program.

The Innovate ND program is an economic development initiative designed to help entrepreneurs turn business ideas into functional businesses. Under the program, participants receive access to a venture-building process that includes online entrepreneur education, business planning tools, and coaching and mentoring from proven business owners. A panel of private investors reviews each business idea, provides feedback, and selects winners to receive a wide variety of business services and potential seed capital investments to launch their business. Winners for the first round of the program for the 2007-09 biennium were announced in May 2008. A second round is to begin in the fall of 2008. The department anticipates receiving approximately \$150,000 in cash contributions from the private sector for support of the program.