

AGENCY OVERVIEW

601 DEPT OF COMMERCE

Date: 12/13/2006

Time: 07:58:16

STATUTORY AUTHORITY

North Dakota Century Code Chapters 54-60, 54-44.5, 54-34..3, 54-34.4, and 10-30.5.

AGENCY DESCRIPTION

The North Dakota Department of Commerce was created to combine four agencies including Community Services, Economic Development & Finance, Tourism, and Workforce Development into a cohesive force to expand the economy of North Dakota. By leveraging both human and financial capital, the Department of Commerce is able to provide more coordination to programs, along with world-class customer service to clients.

Our challenge is to make North Dakota a better place to live, work, do business, and play, for all of the people that choose to make North Dakota their home.

AGENCY MISSION

The Department of Commerce was created in order to strengthen, streamline and improve development of the state by combining Economic Development and Finance, Tourism, Division of Community Services, and Workforce Development. This will increase the standard of living for all North Dakotans by providing strategic direction, quality products and quality services which stimulate and support local economic growth and diversity.

AGENCY PERFORMANCE MEASURES

North Dakota Economic Development Foundation Strategic Plan
Benchmark Update - June 13, 2006

Top	Target		2000	2001	2002	2003	2004	2005	2006 YTD
Bottom	Latest Available								
GOAL 1: Develop a Unified Front for Economic Development Based on Collaboration and Accountability									
% of local Economic Development organizations participating in state marketing strategy (<i>biennium totals</i>)					--	30%	40%	50%	54%
<i>Site Selection Magazine</i> ranking on ND's Department of Commerce						85%		78%	29% (btd)
						N/A	N/A	N/A	
GOAL 2: Strengthen Linkages Between the State's Higher Education System and Economic Development Organizations & Private Businesses									
Academic R&D Expenditures as a percent of Gross State Product					0.4%	0.4%	0.4%	0.4%	0.4%
			0.38%	0.46%	0.53%	0.62%			

Industry R&D Expenditures as a percent of Gross State Product			0.2%	0.4%	0.5%	0.7%	0.9%
	0.4%	1.87%	0.77%	1.00%			
GOAL 3: Create Quality Jobs that Retain North Dakota's Current Workforce and Attract New Skilled Labor							
Net Job Growth			1,800	1,400	1,700	2,700	4,300
	3,900	1,950	150	2,800	5,250	7,100	
New Private Sector Businesses			174	77	105	162	257
	204	46	57	526	459		
Average Annual Wage			\$26,252	\$27,389	\$28,688	\$30,167	\$31,847
	\$24,683	\$25,707	\$26,550	\$27,629	\$28,987		
Per Capita Personal Income	\$25,106	\$25,879	\$26,427	\$28,828	\$29,494	\$31,395	
Net Migration			2,088	662	1,302	2,768	4,410
		-6,456	-3,916	-1,334	-696	-2,205	
Population Change		-4,814	-2,527	-399	966	369	
GOAL 4: Create a Strong Marketing Image on the State's Numerous Strengths, Including Workforce, Education and Quality of Place							
Positive National/Out of State Media Exposure (favorable mentions)			--	10	20	30	40
	2	7	5	12	33	26	8
Number of ND DOC Web Site Hits Per Month			10,920	11,466	12,039	12,641	13,273
	N/A	16,539	18,470	24,974	30,027	8,826	12,667
Number of Leads Generated by the ND DOC (<i>biennium totals</i>)			140	160	175	190	205
		40		99		96	20 (btd)
GOAL 5: Accelerate Job Growth in Sustainable, Diversified Industry Clusters to Provide Opportunities for the State's Economy							
Net Job Growth in Manufacturing			300	200	200	300	600
	1,100	150	-350	-150	1,050	1,250	
Net Job Growth in Business Services			400	200	300	500	900
	550	-250	1,150	800	650	950	
Net Job Growth in Leisure and Hospitality	300	50	450	100	800	500	
Net Job Growth in Healthcare Svcs	450	550	650	950	550	800	
New Private Sector Businesses in Manufacturing			5	3	3	5	10
	25	-6	-7	7	22		
New Private Sector Businesses in Business Services			19	9	14	24	42
	61	62	97	83	109		
Number of Utility Patents per 100,000			17.9	19.5	21.2	22.9	24.5
	13.2	15.1	11.4	8.6	8.3		
GOAL 6: Strengthen ND's Business Climate to Increase Global Competitiveness							
Gross State Product (Annual Growth Rate)			2.3%	3.6%	3.5%	3.4%	3.3%
	5.3%	4.0%	6.4%	7.9%	4.6%	6.5%	
Venture Capital Investments (thousands)			\$700	\$2,734	\$5,658	\$8,773	\$12,078
	\$6,054	\$1,017	\$0	\$14,500	\$2,000	\$0	
Merchandise Export Value (per capita - based on 2000 census = 642,200)			\$1,306	\$1,329	\$1,368	\$1,440	\$1,528
	\$975	\$1,255	\$1,338	\$1,330	\$1,569	\$1,846	

MAJOR ACCOMPLISHMENTS

Provided approximately \$39,000,000 of activities that benefit low and moderate income individuals, families and households.

Assisted, in partnership with local communities, in the recruitment and expansion of 15 companies.

Brought \$88 million new dollars from visitor expenditures into North Dakota in 2005 through the Division of Tourism's media advertising at a cost \$1.08 million, resulting in an 81:1 return on investment.

Trained a total of 1,971 nurses comprised of 1,425 CNA's, 154 CMA's, 214 LPN's, and 178 RN's through the Division of Workforce Development.

FUTURE CRITICAL ISSUES

The Department of Commerce had \$25,000 in equipment over \$5,000 during the 2005-2007 biennium to purchase a thermal imaging camera. A reduction of \$25,000 of federal funds for this item is reflected in the cost to continue column.

REQUEST SUMMARY

601 DEPT OF COMMERCE

Biennium: 2007-2009

Bill#: HB 1018

Date: 12/13/2006

Time: 07:58:16

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
BY MAJOR PROGRAM					
COMMERCE ADMINISTRATION	4,436,785	5,279,457	-397,000	4,882,457	0
NORTH DAKOTA TOURISM	7,394,378	8,027,878	33,028	8,060,906	875,000
ND WORKFORCE DEVELOPMENT	1,878,317	2,892,206	-772,864	2,119,342	10,000
ECONOMIC DEVELOPMENT AND FINANCE	7,661,717	10,091,132	-2,486,271	7,604,861	6,109,409
DIVISION OF COMMUNITY SERVICES	44,239,076	52,068,996	-289,735	51,779,261	3,000,000
INNOVATION AND TECHNOLOGY	19,664	0	606,803	606,803	350,000
TOTAL MAJOR PROGRAMS	65,629,937	78,359,669	-3,306,039	75,053,630	10,344,409
BY LINE ITEM					
SALARIES AND WAGES	6,464,284	7,761,428	142,744	7,904,172	238,510
OPERATING EXPENSES	8,180,915	8,831,968	4,349,769	13,181,737	770,899
CAPITAL ASSETS	0	25,000	0	25,000	0
GRANTS	41,876,689	50,102,870	-1,728,122	48,374,748	3,675,000
ND DEVELOPMENT FUND	1,550,000	0	0	0	5,000,000
DISCRETIONARY FUNDS	1,645,025	2,102,229	-652,102	1,450,127	0
ECONOMIC DEVELOP INITIATIVES	0	644,568	-107,722	536,846	0
AGRIC. PRODUCTS UTIL. COMM. (APUC)	2,537,173	4,108,503	-1,317,503	2,791,000	0
LEWIS & CLARK BICENTENNIAL	3,375,851	3,933,103	-3,933,103	0	0
ECONOMIC DEVELOPMENT GRANTS	0	150,000	-100,000	50,000	0
ND TRADE OFFICE	0	700,000	40,000	740,000	660,000
TOTAL LINE ITEMS	65,629,937	78,359,669	-3,306,039	75,053,630	10,344,409
BY FUNDING SOURCE					
GENERAL FUND	18,749,599	20,206,900	-937,902	19,268,998	7,329,203
FEDERAL FUNDS	40,405,276	47,687,580	-2,344,697	45,342,883	-134,794
SPECIAL FUNDS	6,475,062	10,465,189	-23,440	10,441,749	3,150,000
TOTAL FUNDING SOURCE	65,629,937	78,359,669	-3,306,039	75,053,630	10,344,409
TOTAL FTE	57.00	62.00	.00	62.00	2.00

REQUEST DETAIL

Date: 12/13/2006

601 DEPT OF COMMERCE

Bill#: HB 1018

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Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
SALARIES AND WAGES					
SALARIES - PERMANENT	4,839,388	5,709,088	114,940	5,824,028	180,552
SALARIES - OTHER	195,002	208,661	-208,661	0	0
TEMPORARY SALARIES	0	0	255,672	255,672	0
FRINGE BENEFITS	1,429,894	1,843,679	-19,207	1,824,472	57,958
SALARY INCREASE	0	0	0	0	0
BENEFIT INCREASE	0	0	0	0	0
TOTAL	6,464,284	7,761,428	142,744	7,904,172	238,510
SALARIES AND WAGES					
GENERAL FUND	4,316,531	5,252,963	360,265	5,613,228	373,304
FEDERAL FUNDS	1,627,120	1,873,076	-190,852	1,682,224	-134,794
SPECIAL FUNDS	520,633	635,389	-26,669	608,720	0
TOTAL	6,464,284	7,761,428	142,744	7,904,172	238,510
OPERATING EXPENSES					
TRAVEL	741,556	940,674	113,544	1,054,218	100,650
SUPPLIES - IT SOFTWARE	41,355	46,650	12,850	59,500	750
SUPPLY/MATERIAL-PROFESSIONAL	74,241	305,566	-6,721	298,845	0
FOOD AND CLOTHING	1,954	2,000	3,500	5,500	0
BLDG, GROUND, MAINTENANCE	72	0	200	200	0
MISCELLANEOUS SUPPLIES	256,752	220,897	-139,447	81,450	500
OFFICE SUPPLIES	99,174	70,050	11,590	81,640	1,000
POSTAGE	296,897	268,760	124,640	393,400	750
PRINTING	377,225	303,987	270,813	574,800	10,000
IT EQUIP UNDER \$5,000	72,764	61,040	9,940	70,980	2,280
OTHER EQUIP UNDER \$5,000	16,274	19,000	-12,000	7,000	0
OFFICE EQUIP & FURN SUPPLIES	48,740	37,000	36,685	73,685	0
UTILITIES	332	0	0	0	0
INSURANCE	12,041	24,772	-1,572	23,200	200
RENTALS/LEASES-EQUIP & OTHER	25,853	74,100	-21,574	52,526	0
RENTALS/LEASES - BLDG/LAND	422,271	578,349	-939	577,410	4,160
REPAIRS	16,812	5,300	7,200	12,500	0
IT - DATA PROCESSING	138,166	214,672	-6,725	207,947	2,350
IT-COMMUNICATIONS	103,564	126,292	19,033	145,325	2,400
IT CONTRACTUAL SERVICES AND RE	41,009	81,520	95,062	176,582	0
PROFESSIONAL DEVELOPMENT	460,314	675,606	121,690	797,296	38,960

REQUEST DETAIL

601 DEPT OF COMMERCE
Biennium: 2007-2009

Bill#: HB 1018

Date: 12/13/2006

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Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
OPERATING FEES AND SERVICES	2,800,222	2,210,942	2,863,150	5,074,092	383,000
FEES - PROFESSIONAL SERVICES	2,133,327	2,564,791	848,850	3,413,641	223,899
TOTAL	8,180,915	8,831,968	4,349,769	13,181,737	770,899
OPERATING EXPENSES					
GENERAL FUND	6,480,554	6,373,519	3,818,777	10,192,296	620,899
FEDERAL FUNDS	862,375	1,622,213	69,277	1,691,490	0
SPECIAL FUNDS	837,986	836,236	461,715	1,297,951	150,000
TOTAL	8,180,915	8,831,968	4,349,769	13,181,737	770,899
CAPITAL ASSETS					
EQUIPMENT OVER \$5000	0	25,000	0	25,000	0
TOTAL	0	25,000	0	25,000	0
CAPITAL ASSETS					
GENERAL FUND	0	0	0	0	0
FEDERAL FUNDS	0	25,000	0	25,000	0
SPECIAL FUNDS	0	0	0	0	0
TOTAL	0	25,000	0	25,000	0
GRANTS					
GRANTS, BENEFITS & CLAIMS	41,092,752	49,688,870	-1,728,122	47,960,748	3,675,000
TRANSFERS OUT	783,937	414,000	0	414,000	0
TOTAL	41,876,689	50,102,870	-1,728,122	48,374,748	3,675,000
GRANTS					
GENERAL FUND	40,000	181,579	50,000	231,579	675,000
FEDERAL FUNDS	37,453,478	43,517,291	-2,073,122	41,444,169	0
SPECIAL FUNDS	4,383,211	6,404,000	295,000	6,699,000	3,000,000
TOTAL	41,876,689	50,102,870	-1,728,122	48,374,748	3,675,000
ND DEVELOPMENT FUND					
GRANTS, BENEFITS & CLAIMS	1,550,000	0	0	0	5,000,000
TOTAL	1,550,000	0	0	0	5,000,000

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Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
ND DEVELOPMENT FUND					
GENERAL FUND	1,550,000	0	0	0	5,000,000
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	0	0	0	0
TOTAL	1,550,000	0	0	0	5,000,000
DISCRETIONARY FUNDS					
TRAVEL	9,591	0	0	0	0
SUPPLIES - IT SOFTWARE	127	0	0	0	0
MISCELLANEOUS SUPPLIES	167	0	0	0	0
OFFICE SUPPLIES	9	0	0	0	0
RENTALS/LEASES - BLDG/LAND	0	0	0	0	0
PROFESSIONAL DEVELOPMENT	7,320	0	0	0	0
OPERATING FEES AND SERVICES	68,278	50,000	-50,000	0	0
FEES - PROFESSIONAL SERVICES	9,982	10,000	-10,000	0	0
GRANTS, BENEFITS & CLAIMS	1,549,551	2,042,229	-592,102	1,450,127	0
TOTAL	1,645,025	2,102,229	-652,102	1,450,127	0
DISCRETIONARY FUNDS					
GENERAL FUND	1,645,025	2,102,229	-652,102	1,450,127	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	0	0	0	0
TOTAL	1,645,025	2,102,229	-652,102	1,450,127	0
ECONOMIC DEVELOP INITIATIVES					
SALARIES - PERMANENT	0	0	0	0	0
OVERTIME	0	0	0	0	0
FRINGE BENEFITS	0	0	0	0	0
TRAVEL	0	500	-500	0	0
IT CONTRACTUAL SERVICES AND RE	0	10,000	-10,000	0	0
PROFESSIONAL DEVELOPMENT	0	2,000	-2,000	0	0
OPERATING FEES AND SERVICES	0	632,068	-95,222	536,846	0
SPECIAL LINE OTHER	0	0	0	0	0
GRANTS, BENEFITS & CLAIMS	0	0	0	0	0
TOTAL	0	644,568	-107,722	536,846	0

REQUEST DETAIL

Date: 12/13/2006

601 DEPT OF COMMERCE

Bill#: HB 1018

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Biennium: 2007-2009

Description	Expenditures 2003-2005 Biennium	Present Budget 2005-2007	Budget Request Change	Requested Budget 2007-2009 Biennium	Optional Budget Request
ECONOMIC DEVELOP INITIATIVES					
GENERAL FUND	0	394,568	-107,722	286,846	0
FEDERAL FUNDS	0	0	0	0	0
SPECIAL FUNDS	0	250,000	0	250,000	0
TOTAL	0	644,568	-107,722	536,846	0
SPECIAL LINES					
AGRIC. PRODUCTS UTIL. COMM. (APUC)	2,537,173	4,108,503	-1,317,503	2,791,000	0
LEWIS & CLARK BICENTENNIAL	3,375,851	3,933,103	-3,933,103	0	0
ECONOMIC DEVELOPMENT GRANTS	0	150,000	-100,000	50,000	0
ND TRADE OFFICE	0	700,000	40,000	740,000	660,000
TOTAL	5,913,024	8,891,606	-1,978,010	3,581,000	660,000
SPECIAL LINES					
GENERAL FUND	4,717,489	5,902,042	-4,407,120	1,494,922	660,000
FEDERAL FUNDS	462,303	650,000	-150,000	500,000	0
SPECIAL FUNDS	733,232	2,339,564	-753,486	1,586,078	0
TOTAL	5,913,024	8,891,606	-5,310,606	3,581,000	660,000
FUNDING SOURCES					
GENERAL FUND	18,749,599	20,206,900	-937,902	19,268,998	7,329,203
FEDERAL FUNDS	40,405,276	47,687,580	-2,344,697	45,342,883	-134,794
SPECIAL FUNDS	6,475,062	10,465,189	-23,440	10,441,749	3,150,000
TOTAL FUNDING SOURCES	65,629,937	78,359,669	-3,306,039	75,053,630	10,344,409

CHANGE PACKAGE SUMMARY

601 DEPT OF COMMERCE

Biennium: 2007-2009

Bill#: HB 1018

Date: 12/13/2006

Time: 07:58:16

Description	FTE	General Fund	Federal Funds	Special Funds	Total Funds
AGENCY BUDGET CHANGES					
Cost To Continue	.00	266,320	-215,852	-26,669	23,799
1 Miscellaneous Changes	.00	-157,067	80,390	8,640	-68,037
2 Operation Changes	.00	-2,400,435	-90,800	-316,725	-2,807,960
3 Program Changes	.00	2,319,400	-2,118,435	1,029,800	1,230,765
4 Carryover & One-Time Appropriation Adjustment	.00	-966,120	0	-718,486	-1,684,606
Agency Total	.00	-937,902	-2,344,697	-23,440	-3,306,039
OPTIONAL REQUEST					
1 Research Analyst	1.00	103,408	0	0	103,408
2 Business Development Specialist	1.00	135,102	0	0	135,102
3 Centers of Excellence Admin	.00	50,000	0	0	50,000
4 Dakota MEP	.00	210,899	0	0	210,899
5 Workforce Development Division	.00	144,794	-134,794	0	10,000
7 Development Fund	.00	5,000,000	0	0	5,000,000
8 Visitor Information Center	.00	525,000	0	0	525,000
11 Tourism Development Infrastructure	.00	350,000	0	0	350,000
12 ND Trade Office	.00	660,000	0	0	660,000
13 InnovateND	.00	150,000	0	150,000	300,000
14 Resources Trust Fund	.00	0	0	3,000,000	3,000,000
Optional Total	2.00	7,329,203	-134,794	3,150,000	10,344,409

BUDGET CHANGES NARRATIVE

601 DEPT OF COMMERCE

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Change Group: A	Change Type: A	Change No: 1	Priority: 3
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Miscellaneous Changes -

Miscellaneous budget changes relate to internal changes within a program. The amounts of the monetary changes are based on an analysis of historical budget data.

Change Group: A	Change Type: A	Change No: 2	Priority: 1
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Operation Changes -

Operation budget changes relate to internal shifts of direction in day-to-day functions of the agency. Monetary line item increases will usually be offset by decreases within other line items.

Change Group: A	Change Type: A	Change No: 3	Priority: 2
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Program Changes -

Program budget changes relate to the enhancement or reduction of services within specific program areas of the agency. Monetary increases in one program will usually be offset by decreases in another program.

Change Group: A	Change Type: A	Change No: 4	Priority: 4
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Carryover & One-Time Appropriation Adjustment -

Adjustments made to current appropriations to reduce the appropriation by any one-time appropriation or carryover amounts.

Change Group: A	Change Type: A	Change No: 100	Priority:
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OMB Business Developer (OA2) - \$135,102

Executive Recommendation to add a business development specialist to meet increased activity and projects in energy, value-added agriculture, and cluster based activity at colleges.

Change Group: A	Change Type: A	Change No: 101	Priority:
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OMB Development Fund (OA7) - \$5,000,000

Executive Recommendation for a one-time transfer of \$5 million of general fund dollars to the Development Fund.

Change Group: A	Change Type: A	Change No: 102	Priority:
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OMB Mfg.Ext.Partnership (OA4) - \$210,899

Executive Recommendation to increase funding for the Manufacturing Extension Partnership (MEP) program by \$210,899 of general fund dollars. The additional funds will leverage more federal dollars to maximize the program.

Change Group: A	Change Type: A	Change No: 103	Priority:
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OMB Trade Office (OA12) - \$1.4 million general. fund increase

Executive Recommendation to expand capabilities of the Trade Office by replacing \$740,000 of special funds with general fund dollars and increasing general fund support by an additional \$660,000.

Change Group: A	Change Type: A	Change No: 104	Priority:
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OMB Innovate ND (OA13) - \$250,000

Executive Recommendation of \$250,000 for a collaborative effort between the Governor's Office, Commerce and UND Center for Innovation to provide entrepreneurs with education, mentoring and planning tools to help launch businesses.

Change Group: A	Change Type: A	Change No: 105	Priority:
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OMB Workforce Developers - \$1.2 million

Executive Recommendation of \$1.2 million general fund dollars to provide employees in each of the nine Joint Powers Agreement areas to provide students and parents with a greater degree of awareness about career opportunities in target industries in North Dakota

Change Group: A	Change Type: A	Change No: 106	Priority:
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OMB Internship Program - \$400,000

Executive Recommendation of \$400,000 to expand the use of both credit and non-credit internships for post secondary students as a way to allow students to make connections with ND businesses and provide an incentive to remain in the State.

Change Group: O	Change Type: A	Change No: 1	Priority: 2
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Research Analyst -

The Department of Commerce is seeking a research analyst position due to additional research and reporting needs. Commerce needs additional staffing to run economic and fiscal impact analysis as a measure of anticipated and actual project impacts. This analysis will also be extended to Centers of Excellence accountability and reporting. This position would help identify and analyze economic development opportunities as well as prepare benchmark reports pertaining to established metrics for various industries, economic development projects, and Centers of Excellence projects.

Change Group: O	Change Type: A	Change No: 2	Priority: 1
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Business Development Specialist -

Commerce is seeking an additional business development specialist to meet increased activity and projects in the areas of energy, valued-added agriculture (bio fuels and by-products), cluster-based economic development opportunities at NDSU, UND and other college/universities, and an overall increased in demand for business development services as a result of overall growth in economic activity in the state. This additional position also reflects the need to restructure business development efforts to provide concentrated focus on specific industries or clusters of industries, and provide special attention and leadership pertaining to technology-lead economic development occurring within the University System.

Change Group: O	Change Type: A	Change No: 3	Priority: 3
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Centers of Excellence Admin -

Commerce is requesting \$50,000 out of the \$30 million to be appropriated for the Centers of Excellence program. This funding will be used for operational expenses of the Centers of Excellence program as well as the monitoring and oversight of funded Centers. Potential expenses could include hiring technical experts to aid the Centers of Excellence Commission in evaluating proposals, travel for on-sight visits to funded Centers, and other miscellaneous expenses (i.e. printing, phone, etc.).

During the 2005-07 biennium, 11 Centers were funded with \$20 million of Centers of Excellence funding. With the anticipated \$30 million in additional funding, Centers of Excellence will become a \$50 million program with potentially more than 20 Centers. It is essential that this large of investment is managed properly and is held accountable to the legislature and the citizens of North Dakota. Commerce has acted to provide the necessary staff and resources to do so during the 2005-07 biennium, but with a growing program additional resources are necessary. There have also been other ideas suggested for improvements to the program which would require additional resources; for example it has been suggested the Commission utilize technical expertise in the evaluation of proposals.

Change Group: O	Change Type: A	Change No: 4	Priority: 5
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Dakota MEP -

The director of the MEP became an employee of the MEP board, a 501 (c)(3) in February of 2006. The transition was made to move MEP to a more independent model of operation, this transition was accomplished in the 2005-2007 biennium. However the salary to support the director did not follow the transition and was retained by DOC, the result of which was a cut in state funding for this program of \$138,393. Because manufacturing is one of the five targeted industries and ND is only one of only three states in the nation to increase manufacturing it is critical to the economy to continue the level of support for this program that will maximize their federal fund match. Therefore we are requesting an increase in general fund operating dollars of \$210,899 to bring their funding level to \$950,000 which will maximize their federal match.

Dakota Manufacturing Extension Partnership (Dakota MEP) is the preferred manufacturing partner. They are part of a unique, national public / private partnership with local offices in North Dakota. This local access gives their partner clients quick, cost-effective solutions to their manufacturing challenges. There have been about 200 manufacturers served by the North Dakota MEP program.

Companies partner with Dakota MEP to maximize their performance. Those that partner with the MEP realize net revenue per employee of \$2,334 versus \$508 for those companies not partnering with MEP. The average benefits and impacts reported by companies partnering with the Dakota MEP in improvements are; (1) Sales (new and/or retained) of \$766,000, (2) Cost savings of \$511,000, (3) Investment in Modernization of \$383,000 and (4) Jobs (new and/or retained) of 9.5.

Change Group: O	Change Type: A	Change No: 5	Priority: 9
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Workforce Development Division -

North Dakota Workforce Development Council

Prior to the 2003-2005 biennium, support for the North Dakota Workforce Development Council was funded with 50% federal and 50% State General funds. The funding (at the request of the Department of Commerce) for the 2003- 2005 biennium was changed to fund the North Dakota Workforce Development Council with 100% of the Council operating budget coming from federal funds and the Director's salary and fringe funded with 50% federal funds and 50% state funds.

Federal funding for the Workforce Investment Act (the federal funding source for the Council) has seen some reductions. \$10,000 in travel is requested to continue the support for the Council and the Division to continue involvement in gaining input and formulating recommendations for the Statewide Talent Strategy. This would allow the continuation of the work of the Division and the Council and free up federal dollars for direct service to clients.

State Commission on National and Community Service.

The North Dakota State Commission on National and Community Service was created by Executive Order 2002-02 signed March 22, 2002. The creation of the State Commission provided North Dakota with access to AmeriCorps State formula funding and to State formula Learn and Serve America funding. Without a designated State Commission funding under these two programs was not available in the State. Currently there are 7 AmeriCorps State formula funded projects with over 123 AmeriCorps member slots. Learn and Serve America has two projects funded, one in Valley City and one in Fargo.

The decision to create a State Commission was made during the 2001-2003 biennium. The challenge in creating a State Commission was to first find a source of matching funds to meet the federal match requirement in order to access the State Commission Administrative funding which provides the administrative support to the State Commission and manage the AmeriCorps projects and secondly to find a way to meet the membership requirements for the State Commission without creating an entirely new advisory body. The North Dakota Department of Commerce was selected as the fiscal agent and grant recipient for the funding. A State Commission was formed by providing dual appointments to members of the North Dakota Workforce Development Council and the North Dakota Youth Development Council to the State Commission (this helps reduce travel and administrative costs for both the council and commission).

The match requirements for the State Commission Administration funding started at 5% for the first year and escalated to 50% (dollar for dollar) by year five. The total amount of federal funding available under the State Commission Administration is \$125,000 per year. In order to access the full \$125,000 per year, we have to come up with non-federal match of \$125,000 per year. The match currently is derived from using 50% of the Director's salary and fringe benefit and 50% of the Administrative Officer's salary and fringe benefits. The current match sources do not provide the resources necessary to support the State Commission and to provide the required staff resources and travel to support

administration of a quality AmeriCorps Program. Without the additional match, the administrative requirements that pertain to the support for the State Commission will not be met.

Change Group: O	Change Type: A	Change No: 7	Priority: 4
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Development Fund -

The North Dakota Development Fund is requesting \$5 million in general fund dollars for the 2007-2009 biennium.

The request is based on the following reasons:

1. Renewable energy project requests have been considerably larger than the former investment cap of \$300,000 used by the Development Fund. The funding requests have been in the \$500,000 to \$1,000,000 range.
2. The Development Fund has supported the activities of the Centers for Excellence, which the Fund expended dollars from its own funds in the amount of \$500,000 the last biennium and the North Dakota Trade Office in the amount of \$500,000 during this biennium. This totals \$1,000,000.
3. Since 2001 the North Dakota Development Fund has not received general fund dollars for operating costs and for investment purposes. The operating costs since 2001, which were funded by investment earnings received by the Development Fund, totaled \$1,405,612.
4. The Development Fund has received more requests this past year to be an equity partner in projects rather than as a lender. The increase in equity investments made by the Fund, reduces cash flow back to the Fund due to fact that equity investments are longer-term investments than loans. The average payback on equity investments usually take 5 years and with a loan the payback starts to come back to the Fund within 30 to 60 days. Without the injection of capital made by the Development Fund a majority of the projects may not have occurred as the senior lenders require a certain equity position in order for them to be involved.
5. The Development Fund is projecting to end the year (June 30, 2006) with a record year of investment funding. The projected amount will be over \$9.6 million for the year. This will be the largest investment year for the Fund since its inception in 1991.

With the average investment requests becoming larger, the Fund becoming self-funding in 2001, the dollars funded to the Centers of Excellence and the North Dakota Trade Office and with increased funding activity, the Development Fund will need additional funding to continue to be an active participant in future investment requests made by "Primary Sector" businesses. The amount expended by the Fund for these costs (Operating, Center of Excellence & ND Trade Office) as mentioned above totaled \$2,405,612. This payout of funds has affected the cash reserves of the Development Fund, and needs to be replenished. The request for an additional \$5 million in funding will allow the Development Fund to continue as an active funding participant in future investment requests.

Change Group: O	Change Type: A	Change No: 8	Priority: 10
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Visitor Information Center -

Visitor Information Center (VICs)

The ND tourism Department used to fund several visitor centers throughout the state beginning in the late 70's through the early 90's. In the early 90's the department eliminated its program for hiring and training VIC staff and instead subsidized some of the new centers that were built and staffed by local Convention and Visitors Bureaus (CVB). A few years later the department eliminated all funding for VIC's much to the dismay of the CVBs that were counting on the state to help fund their VIC operations. Many cities/towns have been lobbying for the state to help with VICs again. Currently 34 states operate VICs most often with the tourism office providing staffing and exhibit materials and the

state's DOT providing operation funding. This budget request includes dollars to fund 5 primary centers (\$45,000) located near the entry points to the state and 10 secondary centers (\$20,000). The dollars would be granted to assist with staffing costs associated with extending the hours of the centers to allow visitors to access information later in the evening and on weekends. Additionally, State Tourism would provide a training program for the VIC staff that all grant recipients would be required to enroll their staff in. The training would include a familiarization trip to take staffers to other parts of the state to increase their product knowledge, training on accessing information on ndtourism.com and reference materials. Although a stretch for our staff to add another program, if we retain the cultural and heritage position and can keep our other FTE's I feel we can administer the program with our existing staff.

Background information: Tourism Alliance Partnership Legislative Positions:

- 1) Goal
 - a) Allocate \$525,000 state funding for the implementation of an organized system of Visitor Information Centers (VICs).
- 2) Background
 - a) Current status
 - i) North Dakota currently is one of only 16 states that do not have a state-funded VIC program. This has been identified by industry stakeholders as a gap in North Dakota's tourism marketing.
 - ii) To date, North Dakota is doing little to extend the stays of visitors, especially those who only intend to pass through the state on their way to a destination in a different state. There is great potential to target this audience through a VIC program.
 - b) History of North Dakota VICs
 - i) North Dakota had a state-funded VIC program in the 80s' and 90s', which included VICs in five North Dakota cities. The state provided funding for staff at the centers, and the DOT maintained the VICs.
 - c) Need for action
 - i) In addition to visitors who have seen and responded to tourism marketing messages, tens of thousands of other visitors pass through the state annually who have not received the marketing materials. Each individual, couple or family that crosses the border into North Dakota is a marketing opportunity.
 - ii) State-funded VICs exist in nearly 70 percent of the 50 states. These states are using VICs as a marketing opportunity, while North Dakota is not.
 - iii) Establishing a VIC program, an organized system of VICs funded by a combination of state and local dollars, will encourage longer stays and have a positive impact on North Dakota's economy.
 - iv) Once informed on North Dakota's numerous tourism opportunities by personnel at VICs, we can increase visitor stays either now or when they return.

Change Group: O	Change Type: A	Change No: 11	Priority: 8
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Tourism Development Infrastructure -

The Tourism Development Infrastructure budget includes \$100,000 for doing community assessment in 10 cities/towns over the biennium. These could be in addition to the matching funds contained within the Commerce budget. The remaining \$250,000 is for infrastructure grants to be used to build visitor attractions that would greatly improve what a community or area has to offer visitors.

Tourism Enhancements/Product Development - Background information:

- 1) Goal
 - a) Create a tourism enhancement/product development fund for the 2007- 2009 biennium.

2) Background

a) Issue

- i) The state needs to help the tourism industry with the intangible service of providing “experiences” to paying customers, such as hunting lodges/guides, ranch experiences or birding. Infrastructure, such as hotels, bed and breakfasts, themed restaurants, North Dakota based retailers, marinas, tickets sales, souvenir outlets, and interpretive centers can be created around an attraction or natural resource that provides the “experience” sought by customers.
- ii) Countless tourism attractions such as the International Peace Garden, zoos across the state and resort developers on North Dakota lakes are in need of development funds.

b) What has been done

- i) The North Dakota Tourism Division has worked with the North Dakota Development Fund to outline criteria to enable the development fund to provide funds to tourism businesses but the eligible entities remain limited.

c) Why we need to take action

- i) Since tourism is the second largest industry in the state, a need has been created for aid, such as financial packages, to assist new or expanding tourism businesses.
- ii) Other state’s, such as South Dakota, have tourism development initiatives and designate millions toward development projects because of the great return on the investment.

Change Group: O	Change Type: A	Change No: 12	Priority: 6
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ND Trade Office -

The North Dakota Trade Office (NDTO) currently has \$740,000 in the base budget. This is a slight increase from the previous biennium. This is necessary to continue NDTO current level of activity. The NDTO desires to expand its activities and an enhanced funding of \$660,000 will allow for that expansion.

NDTO is proposing a \$2.6 million budget. \$1,400,000 of it will come for the Department of Commerce. Other state funds are contemplated from the State Board of Higher Education as well as a proposed “BPUC” (a granting authority similar to APUC) that will grant to exporters. (“BPUC” is under consideration by the Economic Development Committee.) The overall objective is 70% state and 30% private as a funding model. NDTO is also anticipating an EDA grant of approximately \$40,000-\$50,000.

Expanded activity would occur in the following 7 primary areas:

- 1) Export Assistants Program that trains second year graduate students in international management and uses best efforts to place them in an export business for the 2nd year. The Trade Office has a strong track record for permanent placement of these students in export businesses thus creating capacity and jobs. The plan calls for 12 export assistants over the next biennium. This training and placement program enable universities to recruit and charge higher tuition for foreign students.
- 2) Export Management is extended by 2 staff in Grand Forks and Dickinson enabling aid exporters to follow through on export execution.
- 3) Market Research Director to enable delivery of more export market opportunities. This is the key to export success. When we deliver opportunities to exporters we find that they deliver export sales.
- 4) “APUC” for Manufacturing (termed “BPUC”) is a crucial expansion area enabling international expansion manufacturing exporters similar to the way APUC is delivered to agribusiness.

- 5) Expanded Trade Missions and Reverse Missions from 6 to 9. Trade Missions have proven to “move the export needle” with \$36 MM recognized from trade mission revenue in the past year.
- 6) Expanded trade talk events from 13 to 34 with one event in 3 cities every 6 weeks. These events have high satisfaction ratings and strong attendance based on good content, significant trade issues, and benefits delivered by expert speakers from around the world
- 7) Developed performance pay of 30% of salary for staff based on overachievement of goals. This is a high performance team.

Justifications for the expansion include the following points:

- 1) The NDTO is a proven model that:
 - a) retains students with interesting high paying jobs
 - b) provides significant state tax revenue
 - c) builds growth in current North Dakota business
 - d) bring new revenue into the state
- 2) The NDTO will return approximately \$2MM in state tax revenue in 2006-2007 based on the regional economic impact model statistics and exporter growth statistics. This is 2.5 times the initial investment from the state of \$800K.
- 3) The NDTO has placed 5 out of 9 export assistants in full time jobs in North Dakota retaining them in the state and providing interesting jobs.
- 4) The NDTO has a database of 400 exporters but has only been able to reach 60 with export opportunities. Capacity is key.

The expanded activities are contingent upon receipt of the enhanced funds. If enhanced funding is received the existing contract would be amended to adopt the expansion activities.

Change Group: O	Change Type: A	Change No: 13	Priority: 7
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InnovateND -

Globalization has changed all our businesses in the last decade, and global forces are also affecting the way we approach economic development. North Dakota’s future growth depends, to a large degree, on our ability to grow innovative businesses and our economy from within. Innovate ND is a means to cultivate the budding entrepreneurs among us.

InnovateND is a new economic development tool being launched by the Department of Commerce to provide direct assistance to ND entrepreneurs who have innovative business ideas. The goal of the program is to nurture business concepts into actual new business ventures in our state each year.

For a nominal entry fee, participants will gain access to a six month venture building process that includes online entrepreneur education, business planning tools, and coaching and mentoring from proven business owners. Ultimately, a panel of private investors and venture capitalists will review each business idea, provide feedback, and select winners to receive a wide variety of business services to launch their businesses. Several winners will receive cash prize investments and in-kind services for their business ventures.

InnovateND is a collaborative effort between the Governor’s Office, the Department of Commerce and the UND Center for Innovation and is supported by an impressive list of private sector partners statewide.

General fund dollars of \$150,000 is sufficient to fund this program, with matches from other sources, for the 2007-09 biennium.

Change Group: O	Change Type: A	Change No: 14	Priority: 11
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Resources Trust Fund -

The Resource Trust Fund revenue has experienced enhanced growth in FY2005 and FY2006. Some of this growth could be tapped to enhance renewable energy and energy conservation projects.

We propose that the legislature appropriate Resources Trust Fund dollars to the State Industrial Commission for energy efficiency/renewable energy programs and activities, in the amount of half of all revenues exceeding \$7 million per fiscal year, not to exceed \$3 million per biennium. (See attached chart for Resource Trust Fund revenue history from FY1994 to FY2006).

The Resources Trust Fund was created pursuant to passage of Measure No. 6 in the November 1980 general election. Measure No. 6 established a 6.5 percent oil extraction tax, 10 percent of which was distributed to the Resources Trust Fund. Measure No. 2, a constitutional amendment approved in the June 1990 primary election, establishes the Resources Trust Fund as a constitutional trust fund and provides that the principal and income of the fund may be spent pursuant to legislative appropriations for:

1. Constructing water related projects, including rural water systems.
2. Funding energy conservation programs.

NDCC Section 57-51.1-07 clarifies the purpose of the Resources Trust Fund by providing it is available for legislative appropriation to the State Water Commission for planning and constructing water-related projects and to the Industrial Commission for energy conservation and renewable energy sources; for studies for development of cogeneration systems that increase the capacity of a system to produce more than one kind of energy from the same fuel; and for waste products utilization programs and studies. The 1995 legislative assembly amended Section 57-51.1-07 to provide that 20 percent of oil extraction tax collections will be deposited in the Resources Trust Fund.

(Source: State of North Dakota 2005-07 Biennium Legislative Appropriations report, pg. 17 and NDCC Section 57-51.1-07)

According to the ND Office of Management & Budget, the Resources Trust Fund has generated approximately \$76,594,400 in the thirteen years from FY 1994 through FY 2006.

No dollars from the Resources Trust Fund have ever been used for energy conservation, renewable energy, or waste products utilization projects!

Because of the recent upsurge in energy prices and concerns about the country's increasing dependence on foreign sources of fuel, there has been a marked increase in renewable energy and energy efficiency efforts and projects in North Dakota. North Dakota is responding to the continuing energy crisis by utilizing or exploring the use of the state's abundant natural resources for ethanol and biodiesel production facilities, wind farms, biomass projects, coal-to-liquid fuel conversion facilities, combined heat and power plants, and more.

At the same time, funding for energy efficiency and renewable energy efforts, which has been provided mostly through federal program appropriations and special funds (Petroleum Violation Escrow), is dwindling. North Dakota needs to take advantage of the opportunities presented in the energy sector by utilizing a readily available source of energy efficiency/renewable energy funding from the Resources Trust Fund to leverage other private, local, state, and federal dollars.

In fiscal years 1994 through 2004, the Resources Trust Fund generated an average of \$4,711,591 per fiscal year. The highest amount of revenue during that timeframe was \$6,706,455 in FY2001. In fiscal years 2005 and 2006, there was a substantial increase in revenues to \$10,308,764 and \$14,458,131 respectively.

PROPOSED USES OF RESOURCES TRUST FUND
Amount Requested for '07 to '09 Biennium: \$3 million

- The low-hanging fruit for renewable energy development in the state is largely gone. Electric transmission constraints and raw material supply issues will likely result in industry stagnation unless technologically advanced approaches are developed and utilized. Also, today's high energy costs require the state's businesses and institutions to use energy as efficiently as possible in order to remain economically competitive. We propose, therefore, to offer through a competitive process, somewhat patterned after APUC, matching grant dollars for renewable energy and energy efficiency projects throughout the state. These would include proposals from the EERC & NDSU Ag Extension, USDA Section 9006 projects, DOE Special Projects, and others. Funding decisions would be made by the State Industrial Commission. Amount: \$2,000,000
- The difficulty in obtaining timely aid for the state's drought stricken farmers this year clearly illustrates that you can not count on funding being available when it is needed most. We propose, therefore, to establish a reserve fund for use in addressing critical energy efficiency and renewable energy needs as they arise (examples include: furnace rebates after flood events, furnace repair and replacement program funding during periods of LIHEAP shortfalls, etc). Decisions on the use of these funds will be made by Industrial Commission. Amount: \$500,000
- Public schools are the lifeblood of the state. All the recent efforts to improve school funding will be of little use if high energy costs sap their budgets. We propose, therefore, to provide matching dollars to fund school energy analyses/audits and for energy efficiency measures having payback periods of twelve years or less. Amount: \$500,000

Note: All funds would be issued through the ND State Industrial Commission and administered by the ND Dept. of Commerce – Office of Renewable Energy & Energy Efficiency or other state agencies.

Resources Trust Fund
Revenues and Expenditures
Fiscal Years 1994 Through 2006

Fiscal Year	Revenues	Expenditures
FY 1994	\$2,282,617	\$3,780,000
FY 1995	2,554,478	4,265,000
FY 1996	4,306,928	4,730,000
FY 1997	5,437,264	5,901,606
FY 1998	4,463,912	3,157,000
FY 1999	3,307,181	(300,000)
FY 2000	5,798,549	2,800,000
FY 2001	6,706,455	1,711,000
FY 2002	4,943,233	3,513,000
FY 2003	5,722,390	1,750,000
FY 2004	6,304,498	18,575,000
FY 2005	10,308,764	(18,575,000)
FY 2006	14,458,131	24,650,000