

TESTIMONY OF

**Chris Schilken, Commissioner, North Dakota Department of Commerce**

Chairman Nathe and members of the House Appropriations Education and Environment committee, my name is Chris Schilken, and I have the privilege to serve as the Commissioner for the North Dakota Department of Commerce.

From a procedural point of view, I will provide you with a high-level overview of the agency and our budget and then transition to individual division reports for in-depth analysis.

At a high level, Commerce exists to attract and retain wealth and talent for the state of North Dakota. We accomplish our mission primarily through the attraction of capital and talent through four operational divisions: Workforce Development, Economic Development and Finance, Community Services, and Tourism and Marketing.

Given our limited time, we will not cover all the details of the last biennium, but you will find them throughout the testimony.

Moving into the next action item, you will see a breakdown of our organizational chart. Commerce has a broad and critical mission to play in both the present and the future of the state that we all love. We execute that mission with an extremely lean team of people.

We are authorized for 65.8 FTEs in the 23 –25 biennium fully funded with benefits and seven temporary staff members. (3 FTEs are considered a one-time funding item. We are requesting these positions be appropriated as ongoing FTEs tied to the \$120 million in IIJA/IRA Federal Funding exemption in our budget bill).

In the 2023-2025 biennium the legislature approved the following positions:

- 2 FTEs – Global Talent Office - SB 2142. 1 position Hired 7/6/2023 - 1 position start date March 2025.
- 1 FTE – Workforce Talent Attraction Specialist - Hired 7/6/2023 \$202,940 transferred from the FTE funding pool.
- 1 FTE – Workforce Grant Administrator - Hired 4/1/2024 \$140,000 transferred from the FTE funding pool.
- 3 FTEs – Weatherization & Energy Programs [one time funding - #1 hired 3/04/2024, #2 hired 9/23/2024, #3 vacant]

Our Current Vacant Positions are the following.

Program Administrator- Temporary FTE – position closed; applicants being reviewed.

Workforce Program Manager

Additional funding from the FTE pool could not be requested until March 1, 2025.

Gov. Armstrong's 25-27 Executive Budget Recommendation included the following positions:

- 1 FTE – Procurement Officer
- 1 FTE - North Dakota Development Fund

While we also requested additional funding for the North Dakota Development Fund, we've prioritized the position listed below, which was not approved by the Senate, for inclusion in our budget.

1 FTE – Procurement Officer

Our agency requires a dedicated procurement officer. Currently, five dedicated procurement liaisons work with the Office of Management and Budget's state procurement office. However, internal procurement responsibilities consume 20-25% of our staff's time. We need these team members to focus on their core job duties, not procurement.

Our agency requests the workforce program manager position included in Gov. Armstrong's executive base budget recommendation be restored. The Senate removed this position.

Despite some staff changes, Commerce ended both 2023 and 2024 with four open positions. In 2023, five employees left and one retired. In 2024, three left, two retired, and three were discharged.

In addition to these requests, we wholeheartedly support the Total Rewards package outlined in Gov. Armstrong's executive budget proposal of 3 percent performance increases in years one and two. We are concerned with the ability to attract and retain talent in the current and anticipated future without an increase in salaries. We compete directly with the private sector, and they have caught up regarding the benefit package and we are behind in salaries.

Moving on to audits, our agency audit was conducted by the State Auditor's Office for the 21 – 23 biennia. The findings that are related to the audit are the following.

1. Motion Picture Grant Procedures – Commerce did not follow their normal process for a grant application timeframe.

Commerce disagreed with this finding due to the audit finding and recommendation does not account for the inherent differences between grant programs. Grant programs vary significantly in their time constraints. A one-time, highly sensitive grant with strict seasonal requirements cannot be compared to ongoing programs with application windows spread throughout the biennium.

2. Improper Purchase Card Transactions – Commerce used state issued purchase cards on items that were not appropriate for government funds.

Commerce will comply with the finding as presented and has been reimbursed by the North Dakota Development Fund, Inc. (NDDF) for all purchase card transactions, including the ones deemed inappropriate in this finding. Corrective actions have been taken as all NDDF purchase cards were cancelled as of May 1, 2024. Commerce will be implementing additional training requirements related to this program this spring.

Next, you will see on the screen as well as in your written materials a high-level overview of our 2025 – 2027 Base Budget Request.

As you can see in our base budget our total budget is almost \$87 million, with \$33,491,049 in general funds, \$43,931,168 in federal funds, and \$9,570,440 in special funds.

The next two slides break out our budget by division and then by funding line.

1 Object/Revenue		4 2025-27 Base Budget Request
Description	Code	
Administration	601-200	5,788,020
Tourism	601-300	13,418,300
Workforce Development	601-400	7,871,974
Economic Development & Finance	601-500	19,537,405
Division of Community Services	601-600	40,376,958
<b>TOTAL BY APPROPRIATIONS ORGS</b>		<b>86,992,657</b>
Salaries and Wages	60110	17,280,669
Operating Expenses	60130	18,503,136
Grants	60160	47,502,465
COVID-19 Response	60161	-
Discretionary Funds	60162	1,850,000
Workforce Enhancement Fund	60163	-
Economic Develop Initiatives	60164	-
Workforce Innovation Network Grant Program	60167	-

Unmanned Aircraft System	60171	-
Partner Programs	60174	907,920
Entrepreneurship Grants	60175	948,467
Legal Immigration	60176	-
CARES Act Funding – 2020	60179	-
American Rescue Plan Act	60180	-
Weatherization and Energy Program	60181	-
<b>TOTAL BY OBJECT SERIES</b>		<b>86,992,657</b>
General	GEN	33,491,049
Federal	FED	43,931,168
Special	SPEC	9,570,440
<b>TOTAL BY FUNDS</b>		<b>86,992,657</b>
<b>TOTAL AUTHORIZED EMPLOYEES</b>		<b>62.80</b>

In Gov. Armstrong’s 2025- 2027 executive budget recommendation, the one-time funded items are as follow:

2025-27 Executive Recommendation						
Request Name		General Fund	Federal Fund	Special Fund	Total	FTE
		9,827,851	388,583	150,543,568	160,760,002	1.00
FAA Data	One Time	-	-	11,000,000	11,000,000	-
Housing Package	One Time	-	-	50,000,000	50,000,000	-
Drone Replacement	One Time	-	-	15,000,000	15,000,000	-
Agency Operations	Ongoing	1,338,703	290,000	290,413	1,919,116	-
Workforce Division Global Talent Office	Ongoing/One Time	2,000,000	-	-	2,000,000	-
Regional Workforce Grant Program	One Time	-	-	10,000,000	10,000,000	-
North Dakota Development Fund	Transfer	-	-	50,000,000	50,000,000	-
Property valuation increase through improvements	One Time	-	-	5,000,000	5,000,000	-
Tourism Marketing Awareness	One Time	-	-	5,000,000	5,000,000	-
Destination Development	One Time	-	-	15,000,000	15,000,000	-
Technical Skills Training Grant	One Time	2,000,000	-	-	2,000,000	-
Beyond Visual Line of Sight Uncrewed Aircraft System Program	One Time	-	-	20,000,000	20,000,000	-
Procurement Officer	Ongoing	230,104	-	-	230,104	1.00
Find the Good Life	One Time	-	-	5,000,000	5,000,000	-
Beyond Visual Line of Sight Uncrewed Aircraft System Program – Test Site	One Time	1,000,000	-	-	1,000,000	-
Operation Intern	One Time	2,000,000	-	-	2,000,000	-
Legacy Investment for Technology Funds	Transfer	-	-	10,000,000	-	-
Entrepreneurship and Innovation Grant	One Time	1,259,044	-	-	1,259,044	-
Building Codes	Ongoing	-	98,583	-	98,583	-
Enhanced Use Lease	One Time	-	-	5,000,000	5,000,000	-
Autonomous Agriculture Grant	One Time	-	-	10,000,000	10,000,000	-

Included in the recommendations are the following transfers:

North Dakota Development Fund, Inc. - \$50 million

Legacy Investment for Technology Funds (LIFT) - \$10 million

Next, you will see an overview of our one-time funding items from the 2023-2025 biennium. These items are as follows:

Workforce Talent Attraction Initiative - \$12,000,000 (General Funds) – “Find the Good Life in North Dakota” Campaign. Half of the appropriation to the Tourism/Marketing Division and the other half to the Workforce Division.

Workforce Investment Grant Program - \$12,500,000 (General Funds) – Grant Program provides support to organizations addressing workforce challenges and barriers to employment through the North Dakota Regional Workforce Impact Program (RWIP).

Technical Skills Training Grants - \$2,000,000 (General Funds) provides grant funding which aims to offset the cost for program providers and employers in their effort to support the development of highly trained skilled workers to meet the demands of our labor market.

New Americans Workforce Training Program - \$2,000,000 (General Funds) grant is designed to support eligible employers and community-based organizations in their efforts to recruit, retain, and integrate New Americans in North Dakota.

Motion Picture Production and Recruitment Grant - \$600,000 (General Funds) provides grant funding to a North Dakota based organization which can do all filming and production in North Dakota and has a history of distributing impactful motion pictures about North Dakota’s land, history, and citizens.

Creamery Assistance Grant - \$250,000 (General Funds) provides grant funding to financially boost an existing or emerging creamery business with a plan to advance economic and agricultural objectives within North Dakota.

Base Retention Grants - \$1,000,000 (General Funds) provides grant funding to communities with an air force base or air national guard facilities.

Rural Grocery Store Grant - \$1,000,000 (General Funds) provides grant funding to support the expansion of sustainable grocery service, access to food, and/or development and expansion of food co-ops in rural areas.

Tribally Controlled College Grant - \$500,000 (General Funds) provides grant funding to a tribally controlled community college in the Turtle Mountain region.

Office of Legal Immigration Operating - \$2,000,000 (General Funds) in funds to support the operating costs of the Office of Legal Immigration.

Weatherization and Energy Assistance Program - \$120,000,000 (Federal Funds) Infrastructure Investment and Jobs Act and the Inflation Reduction Act for weatherization and energy assistance programs. Three full-time positions were included for the administration of weatherization and energy assistance programs for the 2023-25 biennium. The full-time equivalent positions are considered one-time positions.

Parks and Recreation Grants - \$1,550,000 (Federal Funds) EDA Travel, Tourism, and Outdoor recreation grant is used to support travel, tourism, and outdoor recreation sectors. The funding is used for operating expenditures for marketing and technical support.

Tourism Destination Development Initiative -\$25,000,000 (Special Funds – SIIF) matching grants to create new attractions in North Dakota communities, enable significant expansions of existing attractions and support key amenities aiding the tourism economy across the state.

Beyond Visual Line of Sight (BVLOS) uncrewed aircraft system -\$26,000,000 - (Special Funds SIIF) - a grant utilized to defray the costs of the operational activities with deploying a statewide beyond visual line of sight uncrewed aircraft system.

Enhanced Use Lease Grant - \$10,000,000 - (Special Funds SIIF) a grant utilized for operating an Enhanced Use Lease program with the United States Air Force to allow for the creation and operation of a private sector development project.

Tourism Marketing Initiative - \$5,000,000 - (Special Funds SIIF) Operating dollars to support the Tourism and Marketing division to build the positive public image of North Dakota as a dynamic place to live and work.

Small Business Credit initiative (SSBCI)- \$572,143 (Federal Funds) The SSBCI Technical assistance federal funds facilitate the growth of SEDI-owned businesses and VSBs by providing essential legal, accounting, and financial advisory services as part of a broader more comprehensive entrepreneurial training through a cohort-based model.

Workforce Community Service AmeriCorps Program - \$785,000 (Federal Funds) - grant program which engages adults in intensive community service work with the goal of "helping others and meeting critical needs in our communities."

Rural Workforce Housing Grant Program - \$2,000,000 (Special Funds) - \$500,000 in administrative funds (\$300,000 in salary and \$200,000 in operating) \$1,500,000 grant program which is used for the following:

1. Conduct a housing study in the city to identify workforce housing needs, blighted property, and vacant lots within the city.
2. Purchase blighted properties or vacant lots.
3. Remove hazards or structures from blighted properties or vacant lots.
4. Provide up to \$10,000 per business for repairs or improvements if the business is in a mixed-use property that will be used for rural workforce housing.

Energy Conservation Grant Program - \$14,081,719 (Federal Funds) – Low Income Heating Energy Assistance Program - The program helps eligible North Dakota families with home heating and weatherization costs. Funds are disbursed to the community action agencies who provide the funds to North Dakota citizens who qualify.

Heating and Cooling Grant Program - \$3,258,084 (Federal Funds) – Low Income Heating Energy Assistance Program – The program helps eligible North Dakota families with home heating and weatherization costs. Funds are disbursed to the community action agencies who provide the funds to North Dakota citizens who qualify.

Transfer of \$10,000,000 to the Legacy Investment for Technology Fund (HB 1018)

Transfer of \$65,000,000 (HB 1018) and \$30,000,000 (SB 2393) to the North Dakota Development Fund, Inc.

Below is a summary of the fees charged by Commerce. We do not anticipate any changes to these fees during the current or upcoming biennium.

<b>Name or Description of Fee</b>	<b>Amount of Fee</b>	<b>NDCC or NDAC Reference</b>	<b>Fund Where Fee Revenue is Deposited</b>
MHIP Insignia Fee	\$50 per insignia	NDCC 54-21.3-08	Community Service Fund 342
MHIP Installer & Inspector Registration Fee	\$150 per year	NDCC 54-21.3-08	Community Service Fund 342
MHIP Oversight Inspection Fee	\$250 per inspection	NDCC 54-21.3-08	Community Service Fund 342
Innovate ND	\$250	NDCC 54-34	Economic Development Fund 330
Tourism Rest Area Brochure Program	\$250 per brochure	NDCC 54-34.4	Tourism Fund 443

Tourism Marketing Opportunities	Varies per event	NDCC 54-34.4	Tourism Fund 443
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Finally, to recap the amount of federal state fiscal relief funds, all funds are obligated. Commerce did transfer \$481,389.44 as of December 2024 to the Department of Corrections per Senate Bill 2393 for unobligated funds. Commerce has until December 2026 to expend the remaining balance of obligated funds for these programs per ARPA guidelines.

Program	SB 2345	Original Appropriation Amount	Remaining Balance to Expend as of January 2025
Workforce Development Incentive Grant	Section 38	\$15,000,000.00	\$439,554
Technical Skills Training & Workforce Innovation Grant Program	Section 39	\$5,000,000.00	\$2,268,823

In closing, I would like to request this committee reinstate the Governor's budget recommendations that were amended by the Senate You will hear more details from the division directors on each of these items, but I want to provide you with a high-level overview.

Ongoing Funding

- 1 FTE Workforce Program Manager (Base Budget)
- 1 FTE Procurement Officer
- \$100,000 Temporary Salaries General Funds & \$200,000 Special Fund Salaries (NDDF)
- \$14,036 general funds for cost to continue IT Increases
- \$250,0000 in ongoing operating expenses for the Global Talent Office
- To remove the \$600,000 designation in our discretionary line for a grant to support an organization dedicated to assisting Native American small businesses in North Dakota.



## One Time Funding

- \$5 million for Tourism Marketing Awareness. We also request the removal of the obligation of \$150,000 for the grant to support the North Dakota State Magazine.
- \$5 million for the Find the Good Life Initiative.
- \$15 million for an uncrewed aerial vehicle replacement grant program.
- \$1.75 million for the Global Talent Office grant program.
- \$5 million for the Community Property Improvement grant program.
- \$15 million for the Tourism Destination Development grant program.
- \$1 million for the Test Site.
- \$20 million for Beyond Visual Line of Sight (Vantis).
- \$10 million for the Autonomous Agriculture grants.
- \$1.25 million for the Entrepreneurship Grants and Vouchers program.
- \$10 million for the Regional Workforce Impact Program grant.

## Transfer

- \$50 million to the North Dakota Development Fund, Inc.
- \$10 million for the Legacy Investment for Technology Fund (LIFT).

Mr. Chairman and members of the committee, this concludes my testimony, and I urge you to support SB 2018, I will be happy to stand for any questions that you may have before I turn the podium over to Katie.

## TESTIMONY OF

### **Katie Ralston Howe, Workforce Division Director**

Chairman Nathe and members of the committee, I'm Katie Ralston Howe, Workforce Development Director. In my role, I also serve as the executive director of the industry-led Workforce Development Council, which drives the development of the state's workforce strategy. The Council's mission is to advise the Governor and the public concerning the nature and extent of the state's workforce needs and to identify ways to address these needs while maximizing available resources and avoiding unnecessary duplication of effort. Nearly all the programs for which we are requesting funding have been recommended or endorsed by the Workforce Development Council.

Over the past five years, our division has completely transformed the way we serve the state and we've been gaining national, and even international recognition for our innovative work. New initiatives within the last three years include supporting locally led workforce solutions, leading a statewide talent attraction initiative, and helping employers navigate the complex federal immigration system to recruit, hire, and integrate foreign-born workers.

#### **Regional Workforce Impact Program**

Launched in April 2022 with \$15 million in ARPA funds and sustained with \$12.5 million in the 2023-2025 biennium, the RWIP empowers locally led solutions to regional workforce challenges. Recognizing that a one-size-fits-all approach is ineffective, the RWIP ensures equitable access by reserving funding for each of the eight planning regions based on population. Applicants provide a 25% match.

This program has seen tremendous success. To date, we have awarded over \$26.5 million to 113 projects statewide, leveraging over \$16 million in local match invested. This biennium alone, we had 129 applications for the \$12.5 million appropriated last session, and we've awarded 48 projects focused on career exploration, talent attraction, childcare and more. While data on full impact is still being collected, childcare projects alone are supporting 60 facilities, adding 2,529 new childcare slots and 208 new childcare workers. The number of workers grows to more than 6,200 when we look across all project categories, keeping in mind that many projects are still in development and have not yet launched. While the RWIP model has been effective, our goal with the \$10 million we're requesting is to make changes in the next biennium to enhance regional planning and strengthen industry partnerships around key workforce needs. The Senate cut this program to \$5M, which presents significant challenges for the structure and implementation of this program.

#### **Find the Good Life in North Dakota (FTGL)**

"Find the Good Life in North Dakota" (FTGL) is a comprehensive talent attraction initiative using a software system to collect information from job seekers and connect them with suitable communities and employers. This system tracks their progress as they explore opportunities in North Dakota, from initial inquiry to accepting a job and relocating. While many states have

marketing campaigns, North Dakota is taking a hands-on approach to supporting jobseekers in and helping them make their move.

During this biennium, we built an online marketplace to provide direct connections between employers and a national pool of jobseekers who are considering a move to North Dakota. We also expanded our Community Champion Program, a network of community leaders who support job seekers as they explore communities and apply for jobs. Additionally, we partnered with a community to host a fly-in tour, which provided a curated experience for job seekers to engage with employers, targeted industries, and experience the community's quality of life. Most recently, we launched the Relocation of Outstanding Talent (ROOT) grant program, which supports employers in helping out-of-state hires relocate to North Dakota, recognizing that high moving costs can be a barrier for many individuals and families.

Currently, we have over 5,000 job seekers in our pipeline, with more than 2,900 actively engaged in the candidate marketplace, connecting directly with employers. These job seekers represent all 50 states and 25 countries. Our confirmed movers haven't just moved to larger cities, they've also moved to smaller communities, including Bottineau, Towner, Cooperstown, Killdeer, and Beulah, and they've filled jobs in healthcare, hospitality, human resources, accounting, IT, education, retail, manufacturing, skilled trades, and much more.

To date, we're aware of 80 movers and 42 family members who have utilized the services provided by our team and have made the move to North Dakota, totaling 122 new North Dakotans. It's important to note that these figures represent a small fraction of the total number of job seekers impacted by this program as not all enter the formal pipeline, and even among those who do, not all engage enough to be tracked.

The average worker in North Dakota has an economic impact of approximately \$25,047 per year. This figure does not account for industry-specific wages, which increases the economic impact, especially considering that many of our movers have filled high paying jobs in critical areas (i.e., physicians, veterinarian in rural community, attorney, accountants, etc.). When we multiply the \$25,000 in economic impact by the 80 job seekers we're aware of, we have a biennial impact of \$4,007,520. This figure is low, considering it does not factor in industry-specific averages, working spouse income, etc., nor does it account for future movers.

The pipeline we're utilizing gives us a competitive advantage in successfully recruiting people to North Dakota, as it helps us learn about what's most important to them and their families. For those willing to give us a little information, we're able to learn about their educational or professional background and the quality of life that's important to them, which helps us connect them with community champions who can introduce them to local employers in their field. We learn about where they're coming from and their desired timeline for making a move. We also learn whether they've visited or previously lived in North Dakota. More than 80% of the job seekers in our pipeline have never been to North Dakota. Knowing this gives us the

opportunity to cater our messaging in a way that helps them learn about what we have to offer.

Investing in talent attraction is a critical component of our workforce strategy as recruiting new workers and families is just as important as retaining the ones we have. It's important to keep in mind that it takes time for talent attraction initiatives to produce results, and we need communities that are prepared to support the kind of workforce growth we need to fill our jobs and grow our economy. Some of the challenges we need to overcome are:

- Lack of awareness.
- High relocation costs.
- Limited availability of affordable housing and childcare.
- Employer perceptions and willingness to consider out-of-state candidates.

We are asking for \$5 million to sustain our talent attraction efforts, which are shared across both the Workforce and Tourism and Marketing Divisions. Our goals in the next biennium include increasing employers' utilization of the candidate marketplace to source candidates, implementing a strategy specifically for rural communities, interacting more directly with prospective residents, and working closely with the Global Talent Office to track and assist international candidates. The Senate shifted some of our requested funding to broader marketing efforts and zeroed out the programmatic side of this work which would eliminate our ability to track jobseekers and their move to North Dakota altogether. As a workforce system, it's critical to have investment in all areas: education, CTE, upskilling, job placement, and more. No longer investing in efforts to attract out-of-state workers will put pressure on the rest of the workforce system to solve a problem they are not equipped to solve, because we simply do not have enough people in North Dakota to fill our jobs which means we need to recruit. This is one piece of the state's workforce strategy that the Workforce Development Division leads, and we will not be able to continue supporting employers and communities in their recruitment efforts without this funding.

### **Global Talent Office**

With the passage of SB 2142 last session, Commerce was tasked with developing and implementing a statewide strategy to support businesses in recruiting and retaining foreign labor, including immigrants already in the United States and integration of immigrants into the state to promote economic opportunities, in addition to advising and making recommendations to the governor, legislative assembly, and state agencies regarding immigrant integration and foreign labor issues. Throughout the last 18 months, the Office of Legal Immigration (OLI) has fostered collaboration between agencies, global partners, and government bodies, facilitating the movement and integration of international talent into the state. The office has quickly become a national leader, demonstrating how states can support businesses that are considering or actively pursuing foreign-born workers to meet their workforce needs. In addition to completing the report required in SB 2142, which helped us

clarify the scope and goals of our office, we have been providing learning opportunities for employers and connecting them with organizations that facilitate the recruitment of foreign-born workers.

Since the passage of SB 2142 last session, we've spent a lot of time fielding questions related to the type of work we do. Many of these questions have centered around direct recruitment of foreign-born jobseekers, Visa applications or certification, immigration and customs enforcement, legal consultation, and certification of jobs for Visa applications. We do not perform any of these functions. For these reasons and many others, we would like to change the name of the office to Global Talent Office to better reflect the work we're doing to help employers navigate the federal immigration process to address their workforce needs. The Senate accepted this amendment and we're hopeful that the House will as well.

In terms of activity, we've moved relatively quickly. Below is a timeline of the work we've done:

- August 1, 2023: SB 2142 takes effect; we draft and post an RFP to contract a vendor to perform the statewide study required in the bill. We also reached out to other states that have similar offices and national organizations to learn best practices, and we were accepted into the competitive Skilled Immigrant Integration Program through World Education Services.
- Fall 2023: The OMB bill is taken up in the 2023 special legislative session. The \$2 million in operating dollars for the office were included in that bill, so we were advised to hold off on offering a contract to our vendor. This delay pushed the start of our work to early December 2023.
- December 2023: We enter into a contract with Dalberg Advisors and Labor and Mobility Partners (LaMP), and they started engaging with North Dakota employers, community-based organizations (CBO), non-profits that serve immigrant communities, state agencies, colleges and universities, and more to identify the best way for OLI to serve the state.
- May 2024: The final report, which shaped our strategies for activating the scope of work that was included in SB 2142 is published.
- Spring/Summer 2024: Engagement with national and international subject-matter experts to identify recruitment pipelines and programs that may be beneficial for North Dakota employers ramps up.
- August 2024: We host the inaugural Global Talent Summit, giving employers and CBOs opportunities to learn about visa programs and how to start the process, OPT pathways, recruiting work-authorized immigrants from other parts of the United States, and how to integrate foreign-born workers into their companies and communities.
- Fall 2024: We continue offering learning opportunities via webinars and online materials.
- October 2024: Many employers start to formalize recruitment strategies with the recruiters they met through our work.

- December 2024: Foreign-born workers begin arriving and working in the state using E3 Visas, secondary migration, and OPT pathways.

When it comes to immigration processes, a four-month turnaround is incredibly fast. Since December, nine employers have successfully recruited 15 employees. Some of these workers have even brought their families, which includes spouses who are also employed in North Dakota and children who are attending local schools. We have 26 more employers who are in the process of recruiting international workers, secondary migrants, or OPT students/graduates. It's worth noting that 10 of the organizations we're supporting are long-term care facilities that are recruiting nurses from Australia utilizing the E3 visa.

In addition to establishing effective international and domestic recruitment pipelines for various occupations, from entry-level to advanced degrees, we launched a grant program designed for employers pursuing or employing immigrants, and to support communities in developing immigrant integration plans and activities. Finally, we are also working to procure technology that can help employers access translation and English language learning tools for foreign-born employees.

Our goals for the next biennium include expanding our reach and establishing additional recruitment pipelines, increasing the number of recruited workers, sustaining the New American workforce grant, and hosting another Global Talent Summit to connect North Dakota businesses and communities with global talent recruitment and integration resources. We are requesting \$2 million; however, the Senate cut this budget item to \$1 million.

### **Operation Intern**

For years, our division has been known for Operation Intern, established in 2007 and continuing to grow in demand. Operation Intern provides wage matching for companies creating internships and apprenticeships. Demand is so high that the 2024 application window closed in just one day due to funding limitations. We now maintain a waitlist for unfunded applicants. Funding all businesses on the 2024 waitlist would more than double the program's reach for that year. We are requesting \$2 million in addition to the existing \$1 million base in the budget due to the high demand of the Operation Intern program.

- **Biennial Funding:** \$3 million (\$1million/base; additional \$2 million)
- **Participating Businesses:** 2023: 62; 2024: 62; Biennial Total: 124
- **Interns Served:** 2023: 218; 2024: 224; Biennial Total: 442

### **Technical Skills Training Grant**

The Technical Skills Training Grant supports new and expanding accelerated skilled workforce training programs for displaced workers. This program offsets costs for providers and employers supporting the development of skilled workers to meet labor market demands. The legislature has provided additional funding to maintain the program, including \$2 million this

biennium. We are requesting to restore the funding at \$2 million to further the number of businesses and interns served by this program.

This program has three tracks, each focused on developing or expanding a highly skilled workforce:

- **Track A:** Designed for new and expanding accelerated, non-degree training programs that prepare trainees for new jobs. Applicants are eligible for up to \$200,000.
- **Track B:** Designed for companies providing internal upskilling opportunities for existing staff to promote advancement, create comprehensive onboarding and new worker training, or provide safety training. Applicants are eligible for up to \$100,000.
- **Track C:** Supports workforce automation enhancements, including training and upskilling related to automated equipment and technology, or developing new or enhanced automation strategies (excluding the purchase of equipment). Applicants are eligible for up to \$200,000 for training and upskilling or up to \$100,000 for an automation feasibility study.

All tracks require a 1:1 match.

Since its inception, the grant has supported programs in healthcare, energy, transportation and logistics, AI, welding, UAS, automation, and more. This biennium, we've obligated \$1,402,200 for 31 training programs, upskilling and reskilling workers statewide. Overall, the grant has supported 76 training programs with a total capacity of over 1,750 trainees. Most of these sustainable programs will continue to prepare workers for years to come.

## **AmeriCorps**

Finally, our AmeriCorps program awards grants to non-profits, faith-based and community organizations, public agencies, tribes, and institutions of higher education for service-based programs throughout the state. As a federal program, AmeriCorps requires a state match.

- **Grant Year 2022-2023:**
  - 6 Projects
  - 171 AmeriCorps members
  - Over 90,000 service hours
  - \$554,707 in education assistance awarded (Segal Education Award)
- **Grant Year 2023-2024:**
  - 6 Projects
  - 157 AmeriCorps members
  - Over 90,000 service hours
  - \$483,670 in education assistance awarded (Segal Education Award)

The following AmeriCorps projects impact 68 service locations statewide:

- **Southeast Education Cooperative:**
  - Reading and Math Corps: 65 members serving communities statewide (focused on literacy and math).
  - Early Education: 20 members serving statewide (focused on early education).
- **Souris Basin Planning Council:** 24 members serving statewide (focused on capacity building).
- **Cooperstown Community Activities:** 10 members serving in Cooperstown (focused on afterschool programs and healthy futures).
- **Jamestown Parks and Recreation:** 8 members serving in Jamestown (focused on education and healthy futures).
- **Strengthen ND:** 110 members serving rural North Dakota (focused on capacity building).
- **Sanford Foundation:** 8 members serving the Fargo area (focused on youth mentorship).

We are asking for \$552,312 to meet the required state match for this program. (Note: \$444K is literacy grant; total is in our base budget).

In closing, here is a list of our requests:

- RWIP: \$10M
- FTGL: \$5M
- Global Talent: \$2M
- Operation Intern: \$2M additional (\$1M in base budget)
- TSTG: \$2M
- AmeriCorps: \$552,312 (in base budget)

Thank you for your investment in workforce development this biennium. It takes time to see results in workforce and we're proud of the progress we're seeing across all our programs. We need to continue investing in the strategies that are working while also helping our communities prepare for the necessary growth that's needed to support an increase in our workforce.

Mr. Chairman and committee members, this concludes my testimony. I'm happy to answer any questions. I am going to pass over to Rich.



## TESTIMONY OF

### **Rich Garman, Economic Development & Finance Director**

Chairman Nathe and members of the House Appropriations Education and Environment committee, my name is Rich Garman, and I am honored to serve as the Director of the Economic Development & Finance (ED&F) Division.

In that role I have worked with the ED&F team to promote and expand economic opportunities for North Dakota. Before joining Commerce, I spent over 30 years in the energy industry working on specific economic development projects. That experience has been valuable in addressing the complex challenges and opportunities currently before us, many of which have significant energy components.

#### **Natural Resources and Economic Development**

North Dakota's rich natural resources, world-class agriculture, and business-friendly policies have driven record oil and gas production, generating substantial tax revenue. However, increasing gas production is pushing our natural gas export pipelines toward capacity, creating a "natural gas wall" that could constrain oil production and impact state revenue. The best solution is to attract industries that can utilize natural gas in-state, adding value and driving economic growth. Expanding gas distribution infrastructure is critical to support this.

#### **Energy and Electrical Challenges**

Beyond the "natural gas wall," we face a regional "electrical supply cliff." North Dakota produces approximately 3,200 MW of net electricity, much of which is exported. Modern industries, like data centers and AI facilities, require immense electrical capacity—some projects exceeding 1,000 MW. This demand presents an opportunity: converting our abundant natural gas into electricity via combined cycle combustion turbines. This addresses the "natural gas wall" and provides a reliable power source for large-scale projects.

#### **Value-Added Agriculture Successes**

North Dakota has made remarkable progress in value-added agriculture. From 2022 to 2024, soybean processing capacity increased from 0% to over 50% of annual production. Facilities in Spiritwood and Casselton process over 275,000 bushels daily, producing refined soybean oil for a renewable diesel facility near Dickinson (184 million gallons annually). The ethanol industry also processes over 210 million bushels of corn annually, producing 550 million gallons of ethanol and over a million tons of DDGs, supporting livestock and creating opportunities for ventures like sustainable aviation fuel (SAF). A Richardton facility is being converted to produce SAF.

#### **Autonomous Agriculture**

Grand Farm, a North Dakota initiative, has made significant strides in advancing agricultural technology (AgTech):

- **Phase 1 of the Innovation Campus** completion allows for collaboration, research, and demonstrations aimed at driving advancements in agriculture.
- **Federal Funding for AgTech Innovation** was secured, supporting programs that expand economic opportunities by leveraging North Dakota's existing strengths in AgTech.
- **State Support and Matching Grants** have positioned North Dakota as a leader in AgTech innovation.
- **Collaborative Research and Development** with universities and the USDA has secured funding for continued AgTech research.

To continue this vital research and progress in this field, we are requesting a \$10 million appropriation for the Autonomous Agriculture grant for the 2025-2027 biennium.

### **Synergy Between Energy and Agriculture**

North Dakota's leadership in agriculture and energy creates unique synergies. By aligning these sectors, we can maximize the value of our resources. Examples include:

- Soybean and ethanol byproducts fueling renewable energy production.
- Feedstocks supporting the growing animal agriculture sector, including cattle and dairy operations.
- Collaboration between energy producers and agricultural processors to drive innovation and sustainability.

These synergies strengthen and diversify our economy, ensuring long-term resilience and growth.

### **Uncrewed Aircraft Systems**

North Dakota is a leader in Uncrewed Aircraft Systems (UAS), with the Northern Plains UAS Test Site and Grand Sky attracting major companies like Northrop Grumman and General Atomics. North Dakota is continuing to develop Vantis as a state-of-the-art operations system for UAS.

### **Northern Plains UAS Test Site:**

- Project ULTRA (collaboration with Grand Sky DoD).
- Pioneering Beyond Visual Line of Sight (BVLOS) operations.
- Administers Vantis, North Dakota's statewide UAS network for BVLOS operations.
- First participant in the FAA's Radar Data Pathfinder program, enhancing complex UAS operations. To secure this opportunity, the recently passed HB 1038 will appropriate \$11 million to the Northern Plains Test Site.

- The drone buyback program, an additional project for adversarial UAS platforms, was not passed in HB 1038, but is funded through the Commerce budget.

Northern Plains UAS Test Site is requesting a budget appropriation of \$1 million in addition to a base budget of \$3 million.

### **Enhanced Use Lease Agreement:**

- Managed by "Grand Sky".
- Pioneering BVLOS operations.
- Attracting industry leaders (Northrop Grumman, General Atomics).
  - Dedicated UAS infrastructure: runways, hangars, satellite communication, FAA airspace integration.
  - Grand Sky UAS Operations Center: real-time monitoring, training, and air traffic management development.
  - Department of Defense Projects
    - Project ULTRA - Initiative focuses on enhancing the Department of Defense's capabilities through advanced UAS technology.
  - Trade and Industry Development
    - Expansion of Facilities
 

Grand Sky has been expanding its infrastructure to support future growth. In the fall of 2021, the park celebrated the opening of an 18,000-square-foot Multi-Tenant Building 1, designed to accommodate multiple tenants and support the increasing demand for UAS operations and research facilities.
  - General Atomics Expansion
    - General Atomics, a key tenant at Grand Sky, announced plans to more than triple its presence at the park. The company's leased space is set to expand from 5.5 acres to 20 acres, indicating a significant commitment to advancing UAS technologies and operations within the park's ecosystem.
  - Sky Range Initiative
    - Grand Sky is also contributing to the Sky Range initiative, which aims to replace traditional testing methods for hypersonic weapons with modified Global Hawk UAS. This approach allows for quicker, more frequent, and cost-effective deployment of testing platforms, enhancing the development of advanced defense technologies.

- These projects underscore Grand Sky's role as a leading hub for UAS innovation, supporting both commercial and defense sectors in advancing unmanned aerial technology.
- Build out of additional infrastructure to support these initiatives with an appropriation in Governor Armstrong's executive budget of \$5 million.

## **Conclusion**

North Dakota is well-positioned to address challenges and seize opportunities in energy, and advanced industries through strategic investments and value-added development. This will create jobs, drive innovation, and secure a prosperous future.

Chairman Nathe and committee members, this concludes my testimony, and I ask for your support for Senate Bill 2018. I would be happy to answer any questions.

Mr. Chairman and members of the committee, I would like to now turn the podium over to Shayden Akason.

## TESTIMONY OF

**Shayden Akason, Economic Development & Finance Deputy Director**

## **LIFT Program**

Legacy Investment for Technology Loan Fund (LIFT) fosters technology innovation. Since inception, LIFT has awarded over \$44.77 million across 71 projects (average award: ~\$630,000) in sectors like healthcare, ag tech, and advanced computing.

- 2019-21: \$14.99 million to 21 projects.
- 2021-23: \$18.4 million to 26 projects.
- 2023-25: \$11.38 million to 24 projects (including a one-time funding round).

LIFT has significantly impacted various industries:

- Healthcare: \$13.15 million (29%) for medical technology and services.
- Advanced Computing & Data Management: \$9.82 million (22%) for digital transformation.
- Agriculture Technology: \$8.52 million (19%) for agricultural solutions.
- Uncrewed Aircraft Systems (UAS): \$5.15 million (12%) for drone technology.

LIFT emphasizes startups (58% of funds), helping them enter markets, leverage private capital, and create jobs.

## **Examples:**

- **Paving technology business in Fargo:** Web-based asphalt paving software.
  - July 2023: \$250,000 loan.
  - March 2024: \$500,000 loan.
  - Grown from 2 to 8 employees, raised \$1.3 million in private capital, 100+ customers in all 50 states.
- **A chemical injection automation solutions company in Williston:**
  - January 2023: \$750,000 loan for R&D.
  - Developed new technology, increased employees from 9 to 15, 42% annual sales growth.
- **Fargo-based immersive media company:** Workforce development via VR.
  - March 2022: \$500,000 loan.
  - Championed HB 1232, expanded to other states, increased employees from 5 to 14, 4X sales growth.
- **Medical device/ventilator manufacturer in Fargo:**
  - 2022: \$1,000,000 loan for RESPOND ventilator.
  - 2022: \$3,000,000 loan (NDDF).
  - \$296,500 for telemedicine solution.
  - 24 FTEs, 9 interns, FDA clearance for RESPOND ventilator.

We will be requesting a budget transfer in the amount \$10 million for the 2025-2027 biennium to continue the vital work of LIFT.

## **Innovate ND**

Innovate ND remains a cornerstone of North Dakota's commitment to fostering entrepreneurship and driving economic development. This voucher reimbursement program provides North Dakota entrepreneurs with resources and expert guidance to transform innovative ideas into scalable businesses.

During the 2021-23 biennium, Innovate ND supported 72 startups with over \$860,000, leading to 23 successful graduates. Last biennium, Innovate ND processed 103 applications, demonstrating strong demand. Twelve companies were accepted, with seven successfully graduating, two remaining active, and three exiting the program. These results underscore the program's focus on supporting later-stage, high-potential businesses.

Program spending includes:

- **Phase 1 Reimbursements:** \$60,000
- **Phase 2 Reimbursements:** \$104,701
- **Total Entrepreneur Support:** \$164,701
- **Administration (Entrepreneur Centers):** \$350,000

This allocation ensures efficient use of resources, providing both financial support and expert coaching through the program's two phases: Phase 1 (\$7,500 reimbursement) and Phase 2 (\$15,000 reimbursement). Participants have three months per phase to focus on customer validation, product development, and business roadmap creation.

This biennium, the program has prioritized later-stage companies with validated ideas and scalable growth potential, maximizing ROI for state resources.

Innovate ND is administered through partnerships with four Entrepreneur Centers:

- A center dedicated to supporting women entrepreneurs in North Dakota.
- An entrepreneurial hub in the Jamestown region.
- A research and technology facility in Fargo.
- An innovation center in Grand Forks.

These centers provide guidance on the lean business model canvas, customer identification, and market validation, helping entrepreneurs build scalable businesses with potential for Primary Sector Certification.

Innovate ND received base-budget level funding this biennium and we support the additional requested funding in Gov. Armstrong's budget in the amount of \$1,259,044 bringing the program total to \$2 million. This will allow us to maximize impact, supporting startups with the greatest promise. Partnering with organizations focused on providing training and development programs further strengthen North Dakota's entrepreneurial ecosystem, providing cohort-based entrepreneurship education through federal funding.

As demand grows, Innovate ND remains committed to adapting to the needs of North Dakota's entrepreneurs and contributing to economic diversification.

## **North Dakota Development Fund, Inc.**

### **Childcare Loan Program**

The North Dakota Development Fund's Childcare Loan Program addresses a critical barrier to workforce participation: access to quality, affordable childcare. Sufficient childcare capacity is crucial for economic success. Without it, parents cannot fully participate in the workforce, limiting individual opportunity and business growth. The NDDF administers a low-interest loan program supporting the establishment and expansion of childcare facilities statewide.

This biennium:

- **19 childcare loans** issued, totaling **\$5,830,923**.
- **1,098 childcare spots created** or expanded, directly benefiting families and communities.

This program is a targeted solution to a pressing economic challenge, addressing:

1. **Workforce Development:** Increased capacity enables more parents to join/remain in the workforce, alleviating labor shortages and driving productivity.
2. **Community Growth:** Reliable childcare makes communities more attractive to young families and new residents, supporting population growth and economic stability.
3. **Business Benefits:** Companies benefit from a more stable and available workforce.

These 1,098 additional childcare spots represent opportunities for parents, thriving children, and stronger communities.

### **Specific NDDF Investments (Biennium and Previous)**

**A company specializing in innovative energy solutions:** Provides mobile flare gas capture and CNG fueling in the Bakken. This solution converts and recycles flared natural gas into a valuable fuel source (CNG), offering a complete solution for eliminating flaring at well sites and ensuring downstream markets for the CNG and NGLs produced.

- NDDF Investment: \$3 million (2024)
- FTEs: 60 (drivers, logistics coordinators, facility operators, finance, administration)
- Synopsis: The NDDF investment supports the completion of four micro-units currently in production. Once completed, this company will have the capacity to capture 20 million cubic feet of gas per day, addressing more than 10% of total North Dakota flaring.

**A Fargo-based ag-tech company providing digital tools for agronomists:** This ag-tech company's platform gives agricultural advisors a comprehensive view of above- and below-ground conditions, enabling better crop and soil recommendations and more complete services for growers.

- NDDF Investments: \$750,000 (2016); \$750,000 (2021)
- Angel Match Program Investment: \$250,000 (2023)
- FTEs: 12-14

- Traction: Acreage under management has grown tenfold, from 2.7 million acres in 2021 to over 27 million acres in 2024. This growth reflects increasing customer adoption and expanding annual recurring revenue.
- Private Capital: They launched a new capital raise in 2024 and are making significant progress in securing investment.
- Synopsis: Early NDDF investments played a key role in helping this company refine its business plan, build its leadership team, and develop its product. Today, with significant traction in the market, they are well-positioned to complete a private capital round, scale its operations, grow its market share, and capture new opportunities.

**A long-established ethanol production facility near Richardton:** The facility uses corn to produce renewable fuel and valuable co-products, including dried distiller's grains, wet cake, and corn oil.

- NDDF Investments: \$750,000 (2006); \$500,000 (2006) (\*NDDF purchased BND's NVCP assets in 2019).
- FTEs: 47/\$4 million annual payroll
- Synopsis: In December 2024, facility members approved the sale of their assets to a renewable chemicals and biofuels company for \$210 million. The biofuels company will continue and potentially expand operations in Richardton. Facility members will receive distributions from the sale proceeds starting in 2025. The initial NDDF investment has been repaid, and the NDDF will realize a return on its NVCP investment.

**An organization that operates childcare facilities in several North Dakota communities:**

NDDF financing supported the expansion of its Jamestown facility.

- NDDF Investments: \$100,000 (2023); \$296,250 (2024)
- Synopsis: The NDDF provides financial assistance to new and expanding childcare providers across North Dakota. NDDF Childcare Loan Program proceeds can be used for acquiring, leasing, or remodeling facilities, purchasing equipment, or for working capital.

**A Valley City metal and machining shop:** with a 55,000 sq ft facility, specializing in laser cutting, bending, welding, and painting for major bus, agriculture, and construction manufacturers.

- Automate ND Grant: \$500,000 (2024); total project cost exceeding \$1.2 million.
- Project Description: The grant supports the purchase and installation of a robotic cell, including a fully integrated brake press.



- Anticipated Benefits: This automation will help the company offset workforce shortages, increase productivity and efficiency, improve employee safety, and provide opportunities for employee upskilling.
- Synopsis: The metal and machining shop is using a \$500,000 Automate ND grant to implement a \$1.2 million robotic cell. This new equipment is crucial for fulfilling existing contracts and has already helped secure new business. Through the Automate ND program, the NDDF has awarded over \$4.9 million in matching grants to North Dakota primary sector businesses to automate manual processes, mitigating workforce shortages and strengthening these businesses.

We support Gov. Armstrong's budget in the amount of \$50 million. This will allow us to maximize impact, supporting investments with the greatest promise. Partnering with organizations focused on providing projects that will further strengthen North Dakota's entrepreneurial ecosystem and encouraging diverse growth in business sectors.

Chairman Nathe and committee members, this concludes my testimony, and I ask for your support for SB 2018. I would be happy to answer any questions.

Mr. Chairman and members of the committee, I would like to now turn the podium over to Maria.

Thank you, Shayden.

TESTIMONY OF

**Maria Effertz, Division of Community Services Director**

Good afternoon, Mr. Chairman and members of the committee.

My name is Maria Effertz, and I am the Division of Community Services director at Commerce.

Community Services supports North Dakota residents and communities by administering state-allocated grants, as well as formula and applied funds from federal grants delivered by the U.S. Department of Housing and Urban Development (HUD), the Office of Community Services, and the Department of Energy (DOE).

Additionally, we house the Office of Community Development and Rural Prosperity (CDRP), whose team uses a “whole-of-government” approach to support community development and non-primary economic activities.

Every member of our team understands and is proud to support our mission: to provide assistance to local governments and state agencies in community and rural planning and development, policy research and development, and grant program implementation.

The DCS budget is based on continued funding for federally authorized programs we administer annually, along with new funds from the Inflation Reduction Act (IRA) and Infrastructure Investment and Jobs Act (IIJA). DCS staff manages the following programs (I would be happy to provide more detail upon request):

- Housing and Urban Development (HUD)
  - Community Development Block Grant (CDBG)
  - Manufactured Home oversight, licensing, and installation
- Office of Health and Human Services Administration for Children and Families
  - Community Services Block Grant (CSBG)
- North Dakota State Building Codes
- North Dakota Renaissance Zone (RZ)
- North Dakota Energy Conservation Grant (ECG)
- Office of Community Development and Rural Prosperity (CDRP)
- Department of Energy (DOE)
  - Weatherization and Low-Income Heating and Energy Assistance Program (LIHEAP)
  - State Energy Program (SEP) annual allocation.
  - State Energy Program Inflation and Investment Jobs Act (SEP-IIJA)
  - Home Efficiency Rebate (HER)
  - Home Electrification and Appliance Rebate (HEAR)

We are respectfully requesting the return of 3 FTE positions previously authorized for the 2023-25 biennium as one-time FTE positions because of federal funding becoming available for weatherization and energy programs from the Infrastructure Investment and Jobs Act and Inflation Reduction Act. Funding for the positions was provided with one-time funding from federal funds for the 2023-25 biennium. The funding for the positions is included in a separate section of the bill authorizing Commerce an exemption to continue unspent federal funding from the 2023-25 biennium into the 2025-27 biennium. These are fully federally funded positions, and we request them to be ongoing.

The Office of Community Development and Rural Prosperity (CDRP) was created in January to support communities across the state through smart efficient infrastructure; supporting a 21<sup>st</sup>-century workforce; resourcing vibrant healthy community programs; and connecting programs to people to diversify industry and support Main Street businesses.

Using a “whole of government” approach, the CDRP team provided resources and guidance to 110 communities, including educational webinars, summits, and programming. We also hosted the inaugural North Dakota Rural Planning Symposium in February that successfully brought together over 100 community developers, policymakers, and industry leaders from across the state to foster collaboration and share actionable solutions for building vibrant and sustainable rural communities.

This team also successfully managed two legislative-funded pilot programs: Sustainable Food and Community and Rural Workforce Housing/Rural Grocery Store Grant.

The 2023/25 Legislature authorized two separate grants to support rural communities. The Rural Sustainable Food pilot program was divided into two components to allow communities to tailor solutions to their specific needs. This \$1 million grant provided funding to communities serving 258,437 citizens. The Commerce budget does not include additional funding for this program, but SB 2228 renews this funding and has been passed by Senate.

The second pilot program administered by this team was the Rural Workforce Housing Program pilot. This program, funded at \$1.5 million for projects, combined two requests and focused on four legislative intent areas: conducting housing studies; purchasing blighted properties or vacant lots; removing hazards or structures from blighted properties; and providing up to \$10,000 per business for improvements if the business is in a mixed-use property.

This successful program quickly demonstrated the significant impact of a small amount of funding on rural housing.

Here are a few examples:

- Oakes received funding for six lots with dilapidated homes and/or buildings. The initial valuation of the four completed lots was \$127,800, with an average tax collection of \$439.00. With new homes valued at or near \$250,000, the average taxable collection will be \$3,188.41 – a more than seven-fold increase – placing six new homes and at least six new families in the community and supporting the appraisal gap.
- Sheyenne received \$41,500 to clean up two infill lots. Before completion, a four-bedroom house was donated to the city, and two families expressed interest in building on the second lot. The two properties were assessed at \$27,300 before cleaning up, with a total tax collection of \$439. With new homes and families, the anticipated tax collection is over \$7,000, and two new families will live, work, and contribute to this rural community.
- Casselton received \$10,000 for improvements to mixed-use housing, prompting a private developer to improve nine apartments in multi-use buildings (above retail spaces). This increase in living spaces also inspired the city council to review and adjust their parking requirements.

Workforce housing remains a statewide need, but rural areas face multiple development challenges, including significant appraisal gaps due to a lack of new construction, a shortage of local contractors and building professionals, a lack of infill lots, and the high cost of construction and infrastructure. The Red River Regional Council, in partnership with the local community housing development organization, built two new homes in Lakota, North Dakota. This opened two existing homes for first-time homebuyers, immediately adding workforce and families, improving baseline property tax rates, and modeling rural housing success. SB 2225, passed by the Senate, includes funds to support regions, communities, and local political subdivisions for housing development, with additional funding to support community revitalization through slum and blight cleanup. These grant dollars will improve lots, increasing workforce and families, and ultimately sustain affordable local property taxes.

As written in Gov. Armstrong's budget, we request the \$5 million for Community Revitalization to support communities be placed back into the budget to support political subdivisions to create spaces that foster workforce housing, economic development, and vibrant areas to attract and retain citizens be placed back in the Commerce budget.

Mr. Chairman and committee members, this concludes my testimony, and I ask for your support for SB 2018. I would be happy to answer any questions. I'll pass it over to Sara.

## TESTIMONY OF

### Sara Otte Coleman, Director of Tourism & Marketing

Chairman Nathe and members of the House Appropriations Education and Environment committee, I am Sara Otte Coleman and have directed the Tourism Division at the North Dakota Department of Commerce since 2003 and also manage the broader Commerce and state marketing strategy along with the *"Find the Good Life in North Dakota"* consumer-focused talent attraction marketing campaign.

Our mission is specific to improving the awareness of North Dakota and improving our image which supports the economy by inspiring visitors to explore our communities and the 3,100 businesses that depend on tourism revenue for their sustainability. Our marketing also elevates the success of all Commerce divisions and programs.

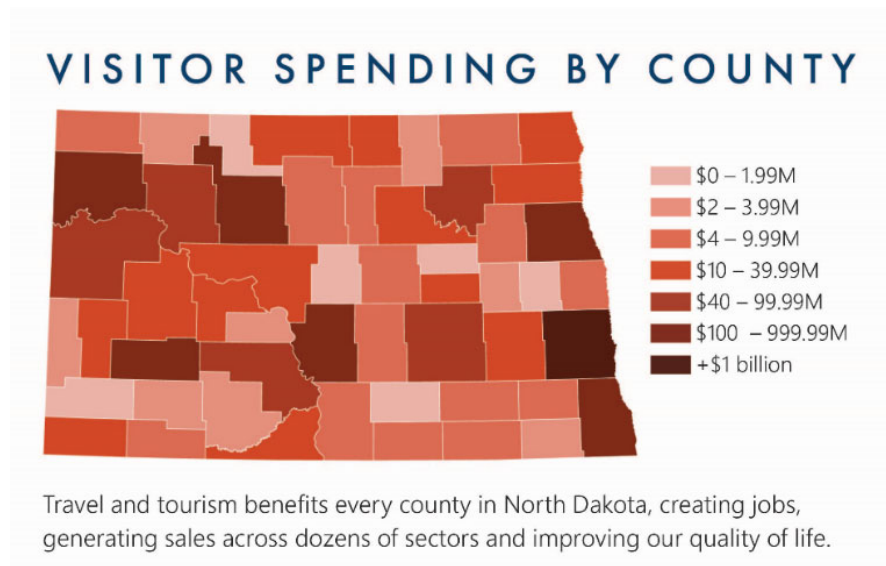
Our work is primarily focused in the following areas:

- Paid advertising (tourism and workforce)
- Proactive media and influencer recruitment (tourism, quality of life, workforce, and business/industries)
- Global tourism marketing
- Outdoor niche promotions
- Visitor support and services
- Tourism business and partner support
- Tourism business development

### **Transparency and Results**

We are focused on achieving measurable results and using data to inform decisions, maximizing the ROI for the state's marketing dollars. Our annual Tourism Satellite Account (TSA) research provides economic data on the travel and tourism industry's impact, including county-level breakdowns by sector to support local management.

In 2023, North Dakota saw a 5.3% increase in visitation, reaching 25.6 million visitors. These travelers spent \$3.3 billion statewide. While these numbers are strong, we see opportunities for growth, as 17.8 million of those visitors were day-visitors who did not spend a single night in our state.



We also provide quarterly dashboards on key travel metrics including hotel occupancy, Canadian border crossings, airline deplanements and Theodore Roosevelt National Park visitation, and we report on our marketing efforts and results. These reports can be found at <https://www.commerce.nd.gov/tourism-marketing/research-and-reports>. Our 2024 comprehensive annual report was distributed to all legislators on March 5.

### Visitation Metrics for 2024

- Airport Arrivals – 1,238,278 (+8.8%)
- National Park Visits – 763,175 (-1.6%)
- Hotel Occupancy – 57.8% YTD December (+0.3%)
- Total Hotel Revenue - \$548,225,314 (+5.8%)
- Border Crossings – 484,969 (+10.2%)
- Taxable Sales and Purchases
  - Accommodations and Food Services - \$2,210,367,345 (+1.98%)
  - Arts, Entertainment, and Recreation - \$180,980,266 (+7.93%)

We did see the growth percentage decline in Q4 and we expect that softening to continue as January arrivals were down. This is due to several factors including strong marketing budgets in our region, the economy and concerns from Canadian travelers.

### Marketing

Our 2023-2025 budget enabled a \$6 million dollar media advertising budget that targeted the regional states of Minnesota, Wisconsin, Illinois, South Dakota, Montana and provinces of Manitoba and Saskatchewan. We have expanded advertising into the Denver DMA, Arizona, and Nevada based on targeted messaging and longer stays identified through our geolocation data.

### Marketing Results

The 2024 tourism marketing campaign reached more than 439 million total impressions, with digital advertising garnering 132 million impressions, 521,562 ad clicks, and 17 million video completions.

NDtourism.com is North Dakota's front door and had more than 3.6 million sessions in 2024. This represents a 30% increase in traffic compared to 2023 and a new high for website traffic.

Our strong creative designs and placements have resulted in bonus advertising opportunities. For example, trains wrapped in Chicago displayed our advertising from May through July in both 2023 and 2024. Both North Dakota-branded trains continue to operate, generating an estimated 50 million bonus impressions.

Geolocation data verified more than 7.4 million domestic road trips last year with a slight increase in overnight stays. Additionally, geolocation tracking monitored advertising exposure on mobile devices and showed a 23.5% lift (increase) in ad-exposed devices compared to those devices that did not receive ad impressions.



### **Earned Media**

Our proactive outreach to national and global media resulted in a significant increase in earned media coverage. We secured 5,690 national earned media mentions, up 41% over 2023. Dedicated national PR firms and targeted efforts created additional media opportunities, resulting in a total reach of 9.8 billion for North Dakota stories. Additionally, global media stories on North Dakota reached 231 million. This media coverage improves the awareness of our state and elevates our image across all Commerce focus areas.

- Tourism: 3,429 earned media mentions reaching 6.14 billion
- Workforce: 1,359 earned media mentions reaching 1.86 billion
- Business: 902 earned media mentions reaching 1.8 billion
- Global: 113 media articles reaching 231 million

One notable success of these efforts was hosting a freelance journalist whose visit resulted in eight positive feature stories published on MSN.com. These stories highlighted travel experiences across Western North Dakota, reaching a massive audience of 1.06 billion and generated an estimated ad equivalency value of \$9.8 million.

### **Niche Promotions**

The number of global tour operators selling North Dakota experiences has increased by 18% from 2023, to 167. Eighty new itineraries were added the past two years, and total rooms sold through these operators rose to 16,096 - a 4% increase.

Group sales and outdoor promotions also have resulted in new bookings for North Dakota companies.

Tribal tourism collaboration and a commitment to sustainable and transformative tourism have resulted in new unique travel experiences. This work garnered significant national attention with an article in Forbes, reaching 94.9 million readers.

### **Current Budget**

Our 2023-2025 biennial marketing budget was \$10.98 million, of which \$5 million came from special funds. Gov. Armstrong's budget also included the \$5 million as onetime funding. The senate increased this to \$7 million which is to include all marketing. This would be \$4 million less than our combined marketing line for 2023-2024 and \$3 million less than Gov. Armstrong proposed.

Currently, our marketing budget is 17% of South Dakota Tourism's marketing budget and 22% of what Wyoming and Montana invest. Marketing our state needs to be a priority.

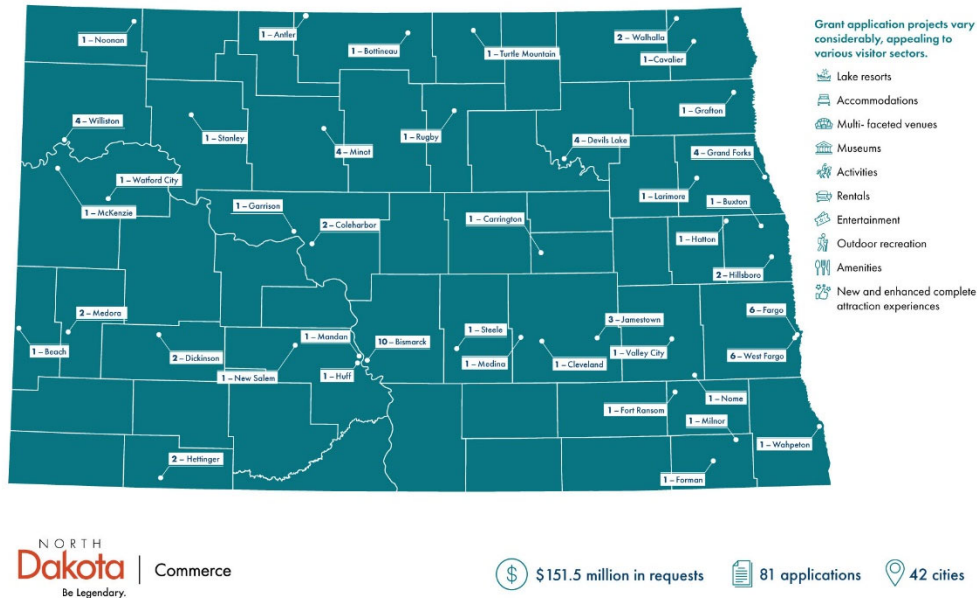
Our division strategically operates based on research, data, and results. Studies on the public perception, or image, of North Dakota have shown that the "halo effect" of seeing tourism advertising improves the state's image an average of 12.5%. This research confirms that tourism advertising goes beyond motivating trips; it plays a lead role in elevating our state's image across various economic development benchmarks. For example, people who have seen our advertising rated North Dakota 14% higher as "a good place to start a career" compared to those who haven't. This lift is further boosted by 27% if they also visited North Dakota.



## Tourism Development

### 2023 Destination Development Grant Applications Received

The applications varied considerably in scope and appeal to unique visitor segments. New and expanded destination experiences will not only attract visitors but also improve our quality of life and workforce recruitment efforts.



During the last legislative session, we were appropriated \$25 million for destination development grants. We received 81 applications from 41 communities, totaling \$151.5 million in requests. Of those, 14 projects received funds and are in various stages of completion:

- Bison World - Jamestown
- Bottineau Winter Park
- Brews, Chews and Views – Minot
- Dakota Prairie Wings Lodge - Medina
- Dickinson Museum Center Expansion Project
- Frost Fire Park - Walhalla
- Good Bear Lodge at Indian Hills Resort - Garrison
- Huff Hills Ski Area
- Riverfront Festival Grounds - Bismarck
- Theodore Roosevelt Presidential Library - Medora
- Thrill Hills - Ft. Ransom
- Turtle Mountain Comprehensive Tourism Plan – Dunseith and Belcourt
- Western Heritage - Medora
- The Shores Event Center at Woodland Resort - Devils Lake

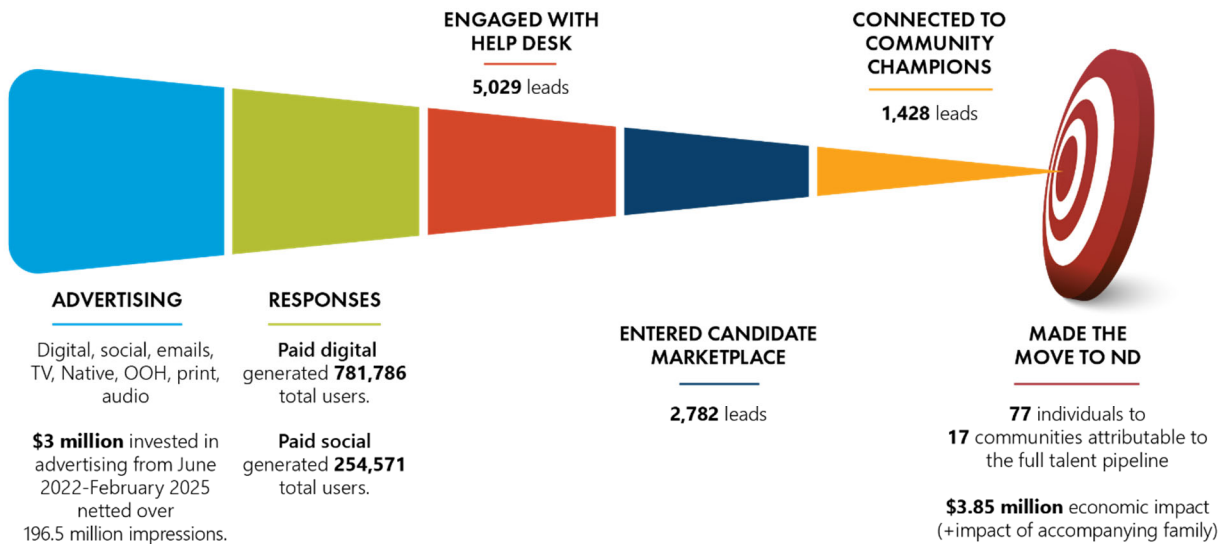
Gov. Armstrong's budget includes \$15 million for the next biennium to support additional tourism development work. We learned a great deal in our first round of these grants and are excited to refine the program by clarifying application criteria, project categories, match options, and multiple project administration guidance. These new destinations not only attract new visitors and revenue to our communities but also improve our resident's quality of life and help talent attraction efforts. The Senate included \$20 million for these grants.

### **Talent Attraction**

The "Find the Good Life in North Dakota" **marketing campaign** received \$6 million in funding for the 2023-2025 biennium, enabling us to enhance the workforce attraction efforts as part of a comprehensive workforce initiative. The marketing campaign features new creative content, including newly produced photo and video assets. The targeted media plan focused on young families, "boomerangs" (former North Dakotans), recent graduates, and military personnel.

Each campaign drives interested relocators into a pipeline that connects job seekers with community champions. This effort has formed strong synergies between tourism experiences, economic development, and showcasing communities that inspire and motivate new talent to move to North Dakota.

- The \$3 million invested in paid marketing from June of 2022 through February of 2025, has generated over 196.5 million impressions and driven more than 781,000 visitors to the website, resulting in 5,029 engagements with the help desk and 1,428 leads connected to community champions.
- Synergistic promotions with the current "Hello" tourism campaign resulted in web traffic increases of more than 20% from both the Denver and Phoenix markets. This collaborative marketing is highly effective, as we know that 76% of new residents visited the state prior to moving.
- One example showcasing the strength of synergistic marketing is taken from our June 2024 event activation in Denver. Over Father's Day weekend, our team hosted a custom, four-hole mini-golf course outside Coors Field. There, they had nearly 8,000 direct engagements with participants reporting the event made them 63% more interested in visiting North Dakota and 29% more interested in exploring careers in the state.

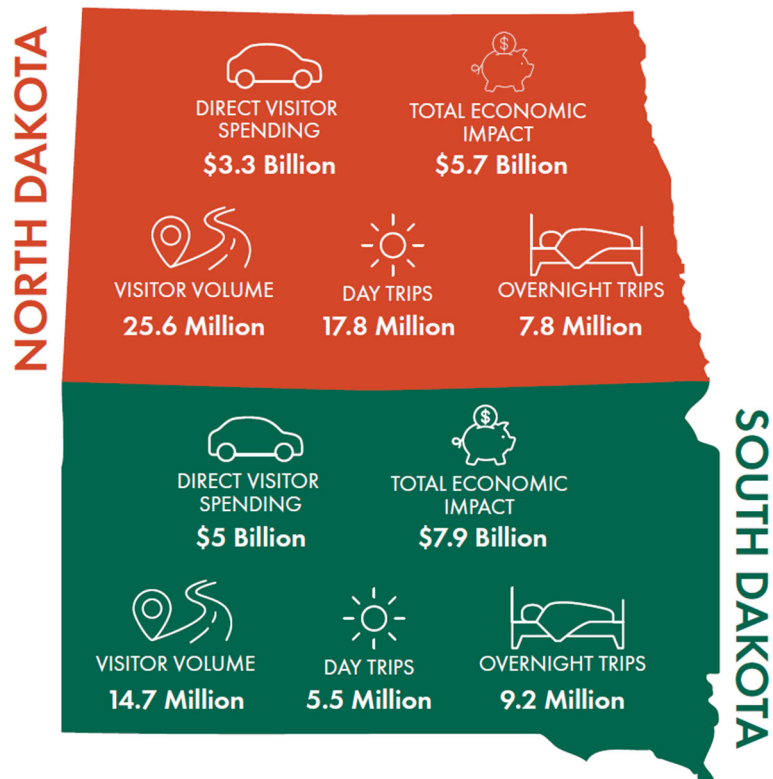


I ask for your support of the Gov. Armstrong's budget, which includes \$5 million for the "Find the Good Life" talent initiative. The Senate removed funding for the FTGL talent attraction program including the \$6 million appropriated last biennium for marketing. Instead, they added \$2 million to marketing to be allocated across all marketing initiatives. The dedicated talent attraction marketing is increasing awareness of our state's lifestyle and attracting needed workforce talent but requires continued investment to reach its full impact.

## Conclusion

Tourism development and marketing our state can grow North Dakota's economy and improve the quality of life for its citizens. To achieve this, we must proactively work to both build supply by supporting destination development and create demand by effectively marketing our offerings.

While North Dakota attracts more visitors than South Dakota, we need to encourage longer stays and increased spending. Investing in these tourism efforts is key to achieving that goal.



Chairman Nathe and members of the committee, thank you for your time and attention and I am happy to answer any questions. Commissioner Schilken will come up to close.

Chairman Nathe and members of the committee, I would like to share some new items introduced in Gov. Armstrong's budget.

### **Housing for Opportunity, Mobility and Empowerment Program (HOME Fund)**

The single biggest challenge to workforce recruitment and retention in North Dakota is the availability of market rate housing that is affordable for employees. As part of a comprehensive public-private partnership, the HOME fund is intended to provide a solution, not a program to address community housing needs. Governor Armstrong requested \$50 million in his budget for this program. The philosophy of the program is centered on the following concepts:

1. A one-size fits all program does not work. Each community is unique in the housing required to address their economic need.
2. Communities should not build houses but instead provide infrastructure to facilitate the appropriate housing needed in their community.
3. The Hope fund embraces a key concept in North Dakota which is the strength of public- private partnerships. The fund requires equal buy in from the local community and developers which then provides access to grant funds from the state.
4. The Hope fund provides flexibility to local communities in meeting their matching fund requirements.
5. Most of all, the program is simple to implement and use and should provide speed to market for market rate housing that is affordable.

### **The Rural Workforce Housing Grant Program**

The Rural Workforce Housing program supports local governments and/or non-profit organizations in addressing dilapidated and blighted properties and/or facilities in rural areas. This fund was first established in the 2023 Legislative Session and received overwhelming response. We are requesting \$5 million to continue this work in conjunction with the HOME fund with a goal of increasing the availability of development-ready-properties in rural North Dakota.

Thank you for your time.