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Testimony In OPPOSITION To House Bill 1265

**Senate Education Committee
North Dakota 69th Legislative Assembly**

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Overview

HB 1265 seeks to establish a new "State Information Technology Research Center" at the University of North Dakota, coupled with an advanced technology grant program. While seemingly beneficial, careful analysis reveals several fundamental flaws and risks, including fiscal uncertainty, duplication of efforts, potential conflicts of interest, negative impacts on innovation, exclusion of broader economic interests, and the inherent risk of investing heavily in rapidly changing technology.

Key Points of Opposition

1. Fiscal Uncertainty and Sustainability:

- HB 1265 allocates a one-time \$5 million appropriation from the Strategic Investment and Improvements Fund (SIIF). The SIIF currently holds approximately \$1.07 billion. However, this initial funding covers only the 2025-2027 biennium.
- Crucially, the bill does not outline a clear long-term funding mechanism. What happens when this initial funding runs out? How will the state sustain the center indefinitely?
- Without clear sustainability plans, the legislature risks committing North Dakota to ongoing expenses, potentially requiring further appropriations and creating fiscal liabilities for future assemblies.

2. Duplication of Existing Efforts:

- North Dakota already has robust technology research infrastructure at its major universities (UND, NDSU). Both institutions actively engage in research and maintain extensive public-private partnerships.
- **“Currently, about 65 research groups at NDSU focus on AI related projects, including agricultural analytics, business, disaster management, healthcare, genomics, materials design, and smart infrastructure.” Marc Wallman, VP IT and CIO NDSU**

- Creating another state-funded research center risks unnecessary duplication and administrative overhead. Instead, strengthening existing university programs and infrastructure would be more efficient and fiscally responsible.

3. Committee-Driven Conflicts and Innovation Risks:

- HB 1265 relies heavily on an Advanced Technology Review Committee composed of public officials and private-sector representatives. This structure risks creating inherent conflicts of interest.
- Committee members tied to specific industries or technologies will likely favor established technologies over emerging innovations, effectively picking winners and losers in the technology marketplace.
- This approach risks North Dakota missing out on new, unforeseen technological breakthroughs, placing the state at a significant competitive disadvantage nationally.

4. Risks of Investing in Rapidly Changing Technology:

- Investing heavily in specific, established technologies—often termed "hard tech"—is inherently risky given the rapid pace of technological change.
- Recent developments in fields such as artificial intelligence highlight the unpredictable nature of technology breakthroughs, with new advances quickly rendering existing investments obsolete.
- A static investment approach assuming stability or predictability in technology trends risks locking North Dakota into outdated technologies, wasting resources, and missing opportunities presented by rapidly evolving tech innovations.

5. Negative Impact on Broader Economic Interests:

- HB 1265, as structured, primarily benefits businesses aligned with university systems and state politics. Companies employing existing technologies to deliver products or enhance services—critical to North Dakota's broader economic health—are less likely to receive direct benefits.
- This creates an economic imbalance by favoring politically connected entities and neglecting the majority of technology businesses contributing significantly to the state's economy.

Recommended Alternative Approach

- Implement policies encouraging broad-based technology growth without selecting specific technologies or companies for state-favored treatment.
- Foster university-industry partnerships that directly shape research aligned with industry needs.
- Regularly review and optimize North Dakota's regulatory and business environments to remain nationally competitive, a proven model for technological growth as demonstrated by successful tech regions like Silicon Valley.

Conclusion

HB 1265's intentions are commendable, but its structure, funding uncertainty, potential conflicts, negative impact on broader economic interests, and risk of stagnation outweigh potential benefits. North Dakota should instead adopt an open, flexible framework for fostering innovation, relying on existing institutions and market-driven growth, thereby securing long-term competitive advantages in technology and innovation.

Fact-Check: Claims About North Dakota HB 1265 (Advanced Technology Grants)

Bill Structure and Committee Composition

Claim: *HB 1265 creates an insider-dominated committee (Advanced Technology Review Committee) with authority over grants.*

Findings: The bill **does establish an “Advanced Technology Review Committee”** and defines its makeup. By statute, the committee includes the state Chief Information Officer (CIO) of the Information Technology Department, the North Dakota University System (NDUS) Vice Chancellor for IT, **and three private-sector members** with tech expertise appointed by the Governor, the House majority leader, and the Senate majority leader ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The state Commerce Commissioner (or designee) sits on the committee as a **non-voting advisor** on grant awards ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). This means **two permanent public-sector members (CIO and NDUS IT head)**, plus **three voting members from the private sector chosen by political leaders**, constitute the decision-making core ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The

committee's **authority is to review and approve grant applications** under the new program ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The bill explicitly calls for the committee to “meet at the call of the chairman to review and approve grant applications” for advanced tech R&D projects ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). In short, the **committee is indeed powerful** (choosing who gets grants) and **its composition is as described** – a mix of state IT officials and politically appointed private experts.

However, the appointments are not entirely unchecked: **by July 1 of each odd-numbered year, the CIO and NDUS IT Vice Chancellor must compile a list of qualified private-sector tech experts in the state for consideration** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The Governor and legislative leaders “*must consider*” these candidates when making their appointments ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). This provides a pool of experts, but ultimately the selections are made by those three officials. The **private members serve four-year terms (initial appointments staggered at 2–4 years) and at the pleasure of the appointing authority** (meaning they can be replaced by those who appointed them) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). **Conclusion:** The claim about the committee's structure is **mostly accurate** – it's a small committee led by state IT and NDUS officials with politically appointed industry experts. It will indeed have significant authority to approve grants.

Administrative Roles of UND, NDUS, and IT Department

Claim: *The program will be run by UND/NDUS insiders, limiting access to politically connected or university-tied businesses.*

Findings: **UND (University of North Dakota)** is given a key role in HB 1265 – the bill **establishes a “State Information Technology Research Center” at UND** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). This center is tasked with conducting innovative research in data science, software engineering, and other advanced IT fields ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). UND would host this center and potentially coordinate research projects (and it can partner with other ND colleges, the IT Department, private entities, etc. as allowed by the bill ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#))). **NDUS (the university system)** is involved primarily through the vice chancellor for IT sitting on the review committee as a permanent member ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). NDUS's IT leader helps screen applicants for committee appointment (as noted above) and participates in grant decision-making. **The state Information Technology Department (ITD)** is assigned the administrative side of the grant program: the bill says “the department shall administer the compute credits grant program,” handling application forms, intake, and compliance checks ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). ITD's CIO also sits on the committee and essentially co-leads it. In summary, **UND hosts the research center, NDUS has**

representation on the committee, and ITD runs the grant program's day-to-day operations – these roles are explicitly laid out in the bill.

Does this structure limit eligibility to insiders? Not according to the text. **Eligibility for grants is defined by business characteristics (startups in early-stage R&D lacking prototype funding), not by affiliation.** The committee is to consider applications from “entrepreneurs, startup companies, and small businesses” in the *initial* phases of advanced tech product R&D **who lack access to prototype development funds** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). There is **no requirement in the bill that an applicant be tied to a university or to state government.** In fact, the intent is to reach companies that *don't* have other resources. The **claim that access is limited to university or political circles is not supported by the bill's language.** Any North Dakota early-stage tech business meeting the criteria could apply. That said, because UND and NDUS are involved in the governance, they may naturally publicize and network the program within academic circles – but **no formal preference for university-affiliated ventures exists in HB 1265's text.**

Technology Focus and Possible Favoritism

Claim: *The bill favors certain technologies or business categories (picking winners) and could exclude “general” tech businesses.*

Findings: HB 1265 does emphasize **specific advanced technology areas.** When evaluating grant applications, the committee **“shall consider”** how a proposal supports development of advanced tech solutions, **including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). This list is introduced with “including,” which means it's not an exhaustive mandate, but it signals the **priority tech domains** envisioned. The bill also directs that **priority be given to applications likely to attract other IT businesses to North Dakota** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). There's no outright ban on other types of IT projects, but a startup doing something outside these highlighted fields (for example, a standard e-commerce software startup or non-“high tech” app) might not score well if it's not considered “advanced technology.” **In effect, the program steers funds toward the trending tech fields** (AI, cybersecurity, etc.). This is **explicit in the bill's criteria** and supports the claim that certain categories are favored ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). So, a **“general” tech business not working in those areas could indeed find itself at a disadvantage**, even if not formally disqualified.

As for favoritism or conflicts of interest: The **selection process for committee members** does involve political appointments, which could introduce bias. The **three private-sector experts are appointed directly by elected officials** (Governor, House and Senate majority leaders) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). Those

appointees might be industry figures who are known to the appointing authorities. While they are required to have “significant information and advanced technology knowledge,” there’s no further restriction preventing them from having ties to companies that might seek grants. **No specific conflict-of-interest provisions (like recusal requirements) are written into HB 1265** for committee members. This means the **potential for conflicts exists** – e.g. an appointee could conceivably have a stake in a tech firm or favor a particular sector. The **Commerce Commissioner’s role is non-voting**, perhaps to avoid direct conflict since that department is involved in business recruitment ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). But for voting members, **their impartiality is largely left to general ethics**. It’s worth noting North Dakota’s Legislature recently grappled with conflict-of-interest rules broadly (the Senate resisted stricter rules in Dec 2024) ([North Dakota Senate rejects conflict of interest rules while House adopts modified version • North Dakota Monitor](#)) ([North Dakota Senate rejects conflict of interest rules while House adopts modified version • North Dakota Monitor](#)), so this is a known concern. In committee hearings on HB 1265, university and state IT officials spoke in favor, whereas some legislators voiced caution. **Critics worried that a small, hand-picked committee could end up “picking winners and losers” among tech startups** – a classic concern whenever government funds are targeted to select industries. While we did not find a verbatim academic testimony raising this issue (the academic voices were largely supportive ([Wallman-NDSU-Testimony-HB1265-2025-01-27d](#)) ([Wallman-NDSU-Testimony-HB1265-2025-01-27d](#))), the **risk of favoritism has been raised in legislative debate and commentary**. For example, North Dakota’s earlier **Bioscience Innovation Grant program became controversial, with lawmakers noting issues in how grants were awarded**, prompting an attempt to overhaul that program this session ([SB 2328: Senate Defeats Bioscience Re-Brand And Expansion Bill](#)). This context supports the idea that without careful safeguards, **insiders or established players might benefit disproportionately**. In summary, **HB 1265 does explicitly favor certain “advanced” tech sectors**, and the structure **relies on appointed experts’ judgment without clear conflict-of-interest rules**, validating concerns about potential favoritism to some extent. However, it does **not explicitly exclude companies outside the university or political sphere** – any eligible startup can apply, though those in the bill’s priority fields are more likely to be approved.

Conflict-of-Interest and Oversight Considerations

Claim: *The bill creates conflict-of-interest risks by involving private-sector appointees who might steer funds to themselves or their associates.*

Findings: As discussed, the **committee’s private members could potentially face conflicts**. They are meant to be tech experts, likely drawn from industry, and **appointed by political leaders** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The bill itself **does not spell out any recusal process** if a committee member’s company (or a partner) applies for a grant. Typically, one would expect ethical guidelines to prevent a committee member from voting on a grant where they have a direct interest, but HB 1265 is silent on this. This omission was **flagged as a concern by opponents in the Senate** – the idea that **an appointed industry member might**

have undue influence or even a vested interest in certain applications. The risk is not just hypothetical: **North Dakota has experience with advisory boards for grant programs where industry influence became contentious.** For instance, the **Bioscience Innovation Grant program** (focused on biotech startups) relied on an industry-linked committee and faced scrutiny for conflicts. In fact, in 2025 the Senate defeated a proposal to expand and re-brand that program, partly due to these concerns – the bill to create a new Life Science council and fund (SB 2328) failed by a 21–24 vote ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)) ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)), with senators calling the existing bioscience grant setup “controversial.” This precedent shows lawmakers are wary when **private appointees or associated groups might benefit from public funds.**

In HB 1265’s case, **the committee makeup tries to balance public and private input**, but it does consolidate decision power in a small group. The **Information Technology Department (ITD)** is given an administrative (non-discretionary) role – it processes applications and ensures they meet guidelines ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)), but **final approval lies with the committee** of five (with four voting members). Three of those four votes are from the politically appointed private-sector members. **This could tilt influence toward the private appointees’ perspectives or networks.** The **claim of conflict-of-interest risk is therefore valid**: the structure inherently trusts these members to act impartially, and any bias or self-interest would be hard to detect without transparency. It’s worth noting the bill requires an **annual report of research activities to legislative committees** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)), and the IT Department must conduct **post-award reviews to evaluate results** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). These oversight measures focus on outcomes (did the grants produce tech solutions, jobs, etc.) but **not on monitoring the selection process itself for conflicts.** So, while there is oversight of performance, there’s little spelled out to prevent or manage conflicts in awarding grants. **Bottom line:** The opposition’s warning about conflict-of-interest is **credible** – the committee structure does pose such risks, and similar programs have encountered those issues. This is an area where the bill’s text doesn’t provide safeguards, so it would rely on general ethics and the integrity of appointees.

Risk of Narrow Tech Focus and Obsolescence

Claim: *Public investments defined too narrowly (e.g. focusing only on certain tech trends) can become rapidly obsolete or leave the state behind new tech developments.*

Findings: Technology evolves quickly, and policy experts often caution against chasing the hype of the moment at the expense of broader innovation. In the context of HB 1265, the **targeted fields (AI, quantum computing, etc.) are indeed cutting-edge in 2025** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)), but the concern is whether locking funds into today’s “hot” topics might cause North Dakota to miss tomorrow’s wave. **Expert commentary supports this concern:** Analysts of tech investment warn that **getting caught up in**

hype cycles can “blind” policymakers to other emerging technologies ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)). In other words, if a state channels all its support to a predefined set of trendy technologies, it may fail to recognize or invest in the next innovation that doesn’t fit the pre-approved list. A recent analysis of global tech trends noted that not all over-hyped technologies eventually succeed; some simply fade away ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)). The *danger*, one expert wrote, is focusing so much on a much-publicized tech (like generative AI, as an example) that it “**massively overstates its potential, blinding [one] to other approaches and technologies.**” ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)) This warning applies to governments as well: a state could pour resources into, say, quantum computing, but neglect another sector that later turns out to be more impactful. We can also look at **precedents in North Dakota and other states**. North Dakota’s own **bioscience grant initiative** from a few years ago could serve as a cautionary tale. It was designed to boost one sector (biosciences) with state funds. Over time, it struggled to meet expectations and was viewed as too narrow and perhaps influenced by a small group. In 2023–2024, as the industry and state needs shifted, lawmakers felt the program wasn’t delivering as hoped. The attempt to revamp it in 2025 (by broadening it into a “Life Science” council and fund) implicitly acknowledged that the original narrow focus had limitations ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)). Ultimately, the Senate chose not to continue that approach ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)), effectively sunsetting the targeted program. This suggests that **if a state’s targeted tech investments don’t keep pace with changing science or market conditions, they risk becoming obsolete or ineffectual**. Another example outside North Dakota: Utah’s USTAR initiative (Utah Science Technology and Research) in the late 2000s aimed to jump-start specific high-tech research and commercialization. Years later, audits found it **overstated its results and had oversight issues**, leading to reforms ([Audit: USTAR revenue, jobs reports were overstated and inaccurate ...](#)). Such cases show that **narrow programs can underperform or quickly become outdated if not well-managed and adaptable**. In the case of HB 1265, the **fields listed (AI, ML, cybersecurity, etc.) are broad but do reflect the tech zeitgeist**. It’s possible that in a few years, new innovations (for example, in biotechnology, clean tech, or something unforeseen) might rise in importance. If the program’s mindset remains fixed on the initial list, North Dakota could indeed be “left behind” in those new areas. On the other hand, the bill does use inclusive language (“including” those fields), which gives the committee latitude to support other advanced tech as they see fit ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The research center at UND also has flexibility in choosing research topics ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)), so it could pivot to new technologies if needed. The **key will be implementation** – whether the committee remains open-minded or sticks rigidly to a few favored tech buzzwords. **Conclusion:** The claim that narrow tech investments risk obsolescence is **well-founded in principle**. History and expert analysis show that tech hype comes in waves, and a public investment program must be agile to avoid being stuck with yesterday’s “next big thing.” There is **supporting evidence** that blindly chasing a tech trend can cause missed opportunities in other areas ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)). HB 1265’s design tries to focus on where the cutting edge is now, but it will need prudent management to ensure it adapts as the tech landscape evolves.

Conclusion

In summary, our fact-check finds that the **structural elements of HB 1265 are accurately described** by the opposition: it does set up a small committee of state IT officials and politically appointed tech experts with significant authority over a grant fund ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). **UND, NDUS, and ITD each have formal roles** administering or guiding the program, but **there is no explicit restriction in the bill that only companies tied to those entities or to state insiders can benefit** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). The program is open to **North Dakota startups** in the defined stage, although by **prioritizing certain advanced tech fields, it inherently favors those sectors** ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)). Concerns about **conflicts of interest or favoritism** are not directly addressed in the bill's text – the oversight relies on ethical conduct rather than clear rules, so the risk exists and is similar to issues seen in other state tech funding efforts. Finally, the caution that a **narrowly focused tech investment could become obsolete** is supported by expert observations on tech hype cycles ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)) and by real examples where targeted programs had to be retooled or scrapped when they didn't keep up with changing trends ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)) ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)).

Sources: Key provisions of HB 1265 (bill text) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)) ([House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000](#)); Legislative testimony and analyses ([Wallman-NDSU-Testimony-HB1265-2025-01-27d](#)) ([SB 2328: Senate Defeats Bioscience Re-Brand And Expansion Bill](#)); Expert commentary on technology policy ([Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business](#)); and relevant state program precedents for context ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)) ([Bill tracking in North Dakota - SB 2328 \(69 legislative session\) - FastDemocracy](#)).