

TESTIMONY OF

Josh Teigen, Commissioner, ND Department of Commerce

Chairman Nathe and members of the Education and Environment Division of the House Appropriations, my name is Josh Teigen, and I have the privilege to serve as the Commissioner for the ND Department of Commerce.

For those of you who may not know me, I came to Commerce about three and a half years ago. Prior, I had been an entrepreneur my entire life. When the opportunity presented itself to join state government, it was never something I had considered. When I stepped back and looked at the scale of the impact that I could make working in the public sector instead of the private, I became enamored with all the opportunities that would present. I love this state, and I show up every day with nearly 800,000 shareholders to answer to, which is not something I take lightly. I share this with you today because I am proud of the people in this agency, and proud of what we have accomplished. In addition, I don't take lightly the taxpayer dollars we administer daily. The requests in front of you from our office have been carefully thought through and designed for the highest return on investment for taxpayer dollars.

I stand here today honored and proud of what Commerce has accomplished over the past two years. I truly believe that there has never been a biennium where Commerce has accomplished more or delivered on our mission more than this past one. The economic development wins get the headlines, and I am sure that most of you are familiar with them, but we have had incredible success in all areas of what we do.

From a procedural point of view, I would love to provide you with a high-level overview of the agency and our budget, and then after lunch we will go into individual division reports and do a deeper dive into each of the areas. I know there are some new faces this year, and you guys will see plenty of people standing at the podium over the next four months, so we figured we would break it up a little and show you this short video that overviews what we do at Commerce. <https://www.youtube.com/watch?v=MupKaEUq1L8>

In the organizer that you provided, you asked for the ND Century Code associated with our agency. Rather than go through all of that, we have included it in the written testimony that you have received. If there are questions, please don't hesitate to ask them.

At a high level, Commerce exists to attract and retain wealth for the state of ND. We do this primarily through the attraction of capital and talent. We accomplish that mission through four operational divisions: Tourism and Marketing, Workforce Development, Economic Development and Finance, and Community Services. In addition, we also have two offices that reside within our agency. One is the newly created Economic and Energy Coordination Office, which we may refer to as the EECO. The other is the Global Engagement Office. As you may recall from the 2019 session when the ND Trade Office moved to the Department of Agriculture, Commerce retained the foreign direct investment strategy, which we have now branded the Global Engagement Office. The most recent outcome that you have likely heard about from that office is the Governor-led trade mission to Japan late last year. There will be more to come and a deeper dive and report out on that office this afternoon. Beyond those operational elements of our agency, we also have our Administrative Services Division which makes everything possible and keeps the rest of us out of trouble.

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 have 58.8 FTEs – fully funded with benefits, four temporary staff members, and one intern. In addition, we have five requested FTEs for this upcoming biennium which you will hear more about later.

Moving on to audits, our agency audit conducted by the State Auditor's Office is still ongoing, but to date we have one audit finding which relates to the LIHEAP program. The finding was that we did not conduct sub-recipient risk assessments in the field. Our response to this finding is, yes, it is correct that we did not conduct these risk assessments for Community Action Agencies. The reason for not completing these risk assessments during the audit period was due to the fact that we were unable to go on-site to assess the risk at each Community Action Agency due to the global pandemic and COVID-19 restrictions. We have written documentation from the Community Action Agencies stating that they were not on-site during that time frame, and therefore, there was no ability for us to be there to conduct our risk assessments, nor did they want us to. This is a direct result of following guidance from both federal and state governments at the time.

Commerce has implemented and completed the risk assessments as of Dec. 31, 2022; as we are now able to perform onsite monitoring to assess the risk at each Community Action Agency due to COVID-19 restrictions having subsequently been lifted.

Moving on to item number five, relating to FTE requests for the next biennium, as I mentioned earlier, we are currently 58.8 FTEs, with four temp staff and one intern. We have five FTE requests in front of you today as outlined in the executive budget proposal. As I mentioned at the beginning of my testimony, Commerce has delivered successes across the board, in every division at record levels this last biennium. I truly don't believe we have ever been able to stand in front of you with a more compelling story to tell than we have now. A large part of our

ability to deliver those results is the trust that each of you has put in our agency and the resources that you have allocated.

I stand here today as a fiscal conservative who never thought he would end up in state government. I have started and ran businesses my entire career prior to joining Team ND. I believe that government should operate as lean as possible and I will be the first one to admit when there are areas that can be improved or trimmed, but I promise you that these FTE requests are paramount for our ability to deliver on our mission moving forward. I would be the last person up here advocating for additional spending and resources unless there is a direct tie back to taxpayer return on investment. Whether it is private sector business or government, there is lean, and there is too lean. Right now, Commerce is too lean. Given what we have accomplished over the past two years, one could think we would be up here asking for a pile of FTEs to keep this momentum going. That is not how my brain operates. These five requests have been carefully thought out and brought forth with only the highest ROI in mind.

The FTE requests break down as follows:

- Workforce Division (2 FTEs)
- Office of Automation (1 FTE)
- Community Development (1 FTE)
- Global Engagement (1 FTE)

In addition to these requests, we wholeheartedly support the Total Rewards package outlined in the executive budget proposal. We are very concerned with our ability to attract and retain talent in the current and anticipated future without significant increases in salaries, 6% in year one and 4% in year two. Our applicant pool per position listed has dropped from an average of approximately 40 applications two years ago to five. We have had multiple instances where we received no applications and others where the person didn't accept the position because the salary was too low. We compete directly with the private sector, and they have caught up regarding the benefit package and we are behind in salaries.

Next, you will see on the screen as well as your written materials a high-level overview of our budget. As you can see, we are just over a \$260 million budget each biennium, with \$119 million dollars being general funds, \$47 million of federal funds, and \$96 million of special funds.

You will see on the screens, and in the written materials provided to you, a high-level overview of our budget. As mentioned, we will do a deeper dive into each division after lunch.

Object/Revenue	2023-25 Total Budget Recommended
Description	
Administration	5,725,555
Tourism & Marketing	67,951,539
Workforce Development	69,136,507
Economic Development & Finance	65,968,256
Community Services	53,591,145
TOTAL BY APPROPRIATIONS ORGS	\$ 262,373,002
Salaries and Wages	17,229,540
Operating Expenses	50,275,941
Grants	188,120,689
COVID-19 Response	2,085,834
Discretionary Funds	2,150,000
Unmanned Aircraft System	-
ND Trade Office	-
Partner Programs	1,562,531
Entrepreneurship Grants	948,467
CARES Act Funding – 2020	-
TOTAL BY OBJECT SERIES	\$ 262,373,002
General	119,274,111
Federal	46,555,556
Special	96,543,335
TOTAL BY FUNDS	\$ 262,373,002
 TOTAL AUTHORIZED EMPLOYEES	 63.80

We have also provided a comparison of last biennium's funding and the funding proposed for this biennium for your reference.

Object/Revenue	2021-23 Biennium Appropriations	2023-25 Total Budget Recommended
Description		
Administration	6,112,340	5,725,555
Tourism & Marketing	24,222,308	67,951,539
Workforce Development	8,351,003	69,136,507
Economic Development & Finance	104,946,354	65,968,256
Community Services	42,814,122	53,591,145
TOTAL BY APPROPRIATIONS ORGS	\$ 186,446,127	\$ 262,373,002
Salaries and Wages	12,835,431	17,229,540
Operating Expenses	23,883,192	50,275,941
Grants	87,832,330	188,120,689
COVID-19 Response	56,234,176	2,085,834
Discretionary Funds	3,150,000	2,150,000
Unmanned Aircraft System	-	-
ND Trade Office	-	-
Partner Programs	1,562,531	1,562,531
Entrepreneurship Grants	948,467	948,467
CARES Act Funding – 2020	-	-
TOTAL BY OBJECT SERIES	\$ 186,446,127	\$ 262,373,002
General	34,667,572	119,274,111
Federal	112,320,270	46,555,556
Special	39,458,285	96,543,335
TOTAL BY FUNDS	\$ 186,446,127	\$ 262,373,002
TOTAL AUTHORIZED EMPLOYEES	58.80	63.80

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

1. Beyond Visual Line of Sight Unmanned Aircraft System Enhanced Use Lease Grant - \$19 million was appropriated from the Strategic Investment and Improvements funds for beyond visual line of sight unmanned aircraft system grants.
2. COVID-19 Response – State Small Business Credit Initiative - \$56 million of federal funding authority was appropriated in HB 1395 for purposes of funding state small business investment programs.
3. Discretionary Funds – Tourism Planning Grants - \$1 million supported five Tourism Planning Grants to support tourism development.
4. Job Development and Economic Growth Grant – \$1.5 million of specialized investment funds to the Cavalier County Job Development Authority, \$900,000 to the Frost Fire Park, and \$600,000 for the redevelopment of the Stanley Mickelson Safeguard Complex (SRMSC) at Nekoma (purchased by

Bitzero). At the SRMSC site they removed asbestos \$386,336.30, performed electrical upgrades \$52,738.29, and did ice blasting \$48,717.76, detailed plat prepared \$28,455.25 and created a concept building design & hazardous material specifications \$71,140.42.

5. Motion Picture Production and Recruitment Grant - \$100,000 has been expended
6. Technical Skills Training Grant - \$1 million to support the launch and expansion of accelerated skilled workforce training programs. This program requires a 1:1 match.
7. Tourism Marketing - \$6,565,432 of Cares Act dollars utilized to support tourism marketing (expanded campaign to shoulder season, new test markets, new partnerships with media, improved website)
8. Tourism Transportation Improvement Grant - \$1 million grant made up of \$565,432 of general funds and \$434,568 of Coronavirus Relief Funds to an organization dedicated to preserving and promoting a historic tourism destination in a ND city for the purpose of offsetting the costs for tourism transportation improvement related costs. The Theodore Roosevelt Medora Foundation (TRMF) was only response to the RFP. The TRMF used the funds to build a high-capacity elevator and improve existing escalators. See slide for additional funding.
9. Travel Agency and Tour Operator Emergency Resiliency Grants - \$1.4 million of \$2 million awarded to 24 applicants.
10. Event Center Emergency Resiliency Grants - \$2 million awarded to 28 applicants.
11. Unmanned Aircraft System Grant - \$1 million grant was awarded to TrainND NW for the purpose of expanding workforce opportunities, training and education related to the beyond the visual line of sight aircraft system industry.
12. Workforce Grants to Tribally Controlled Community Colleges - \$500,000 allows for the development and enhancement of programs in high demand occupations. This was awarded to Turtle Mountain Community College.
13. Workforce Safety Grant - This \$1.5 million grant was provided to the ND Safety Council The grant was used to prevent injuries and save lives by supporting community and workplace safety training and advocacy throughout North Dakota primarily through four focus areas: 1. Workforce Safety 2. Community Safety 3. Driver Safety 4. First Aid/Emergency Response.

In our budget request, we also have numerous one-time funding requests. These are on the screens as well as your written materials. These items will be covered more in depth in our divisional reports, but at a high level you will see \$52 million across four different workforce programs. These are programs that we stood up largely using one-time federal funds or discretionary dollars to test the waters and refine our thesis on how we make progress towards attracting workforce. These programs are working, and we are asking you to consider bold

investments to continue the momentum that we have built thus far. You will also see bold investments for tourism and marketing, including \$5 million for destination marketing, and a \$50 million Destination Development Fund. This is a new and innovative idea, and much needed for our state. We have so many beautiful attractions in the state, but we need to bring additional investment forward in order to bring new and unique tourism attractions to the state. In addition, we can bring ancillary businesses to come alongside our existing attractions and make them more desirable and drive spending and visitors, such as lodging, dining, service providers and more to help solidify these attractions and drive more visitors. Visitors not only drive spending, but they also drive workforce as people are far more likely to move to our state if they visit first. We can leverage quality of life as a competitive advantage and these investments are a great place to start. Next, you will see needed investments for our community development efforts. We must have healthy, vibrant communities for people to live in if we want to not only retain our current talent, but also attract new talent. Finally, we have investments for UAS and automation, which you will hear more about in the economic development and finance report.

SECTION 2. ONE-TIME FUNDING – EFFECT ON BASE BUDGET – REPORT TO SIXTY-NINTH LEGISLATIVE ASSEMBLY. The following amounts reflect the one-time funding items approved by the sixty-seventh legislative assembly for the 2021-23 biennium and the 2023-25 one-time funding items included in the appropriation in section 1 of this Act:

<u>One-Time Funding Description</u>	<u>2021-23</u>	<u>2023-25</u>
Unmanned Aircraft System	\$1,000,000	\$0
Beyond Visual Line of Sight Unmanned Aircraft System	20,000,000	30,000,000
Enhanced Use Lease Grant	7,000,000	7,000,000
Workforce Grants to Tribally Controlled Community Colleges	500,000	0
Workforce Safety Grant	1,500,000	0
Job Development and Economic Growth Grant	1,500,000	0
Tourism Marketing	7,000,000	0
Technical Skills Training Grant	1,000,000	0
Motion Picture Production and Recruitment Grant	100,000	0
Travel Agency and Tour Operator emergency Resiliency Grants	2,000,000	0
Event Center Emergency Resiliency Grants	2,000,000	0
Tourism Transportation Improvement Grants	565,432	0

Discretionary Funds	1,000,000	
COVID 19 Response	56,234,176	
Destination Development Grant Program	0	50,000,000
Volunteer Generation Fund Program	0	878,571
Automation Grant	0	10,000,000
Rural Revitalization and Redevelopment Grant	0	10,000,000
Talent Attraction	0	24,797,060
Rural Renewal Workforce Housing	0	5,500,000
Destination Awareness Marketing	0	5,000,000
Workforce Investment Initiative	0	20,000,000
Community Development Grant	0	800,000
Automation Workforce Transition Training Program	0	5,000,000
Workforce Enhancement Grant	0	2,000,000
Total All Funds	\$101,399,608	\$170,975,631
Total Special Funds	<u>98,234,176</u>	<u>87,600,000</u>
Total General Fund	\$3,165,432	\$83,375,631

Transfers	
Workforce	
Internship Fund	\$ 1,000,000.00
Economic Development and Finance	
North Dakota Development Fund	\$ 30,000,000.00
Innovation Loan Fund	\$ 20,000,000.00

Moving on to section 14 in the organizer that you provided, you will see an overview of the funds that were provided to us during the special session and where those funds stand today.

	SB 2345 (60180)	Amount	Nov-22
ND Development Fund Autonomous Agriculture Matching Grants	Section 35	\$5,000,000.00	Transfer is pending
Workforce Development Incentive Grant Program Technical Skills Training Grant Program	Section 37 Section 38 Section 39	\$10,000,000.00 \$15,000,000.00 \$5,000,000.00	\$279,697.25 \$20,413.31 \$191,406.95
	HB 1506		
Workforce Community Services Program Community Development Planning Grant Program Workforce Innovation Network Grant Program	Section 19 (60163) Section 20 (60164) Section 21 (60167)	\$1,074,888.00 \$1,000,000.00 \$100,000.00	\$116,089.26 \$41,257.49

Lastly, please see an overview of the federal funds that we anticipate receiving in this biennium.

Program Name/Description	Estimated Federal Funds to be Received
Community Development Block Grant/State's Program	8,200,000
Emergency Shelter Grants Program	1,000,000
Shelter Plus Care (Special Needs Assistance)	500,000
State Energy Program	881,360
Weatherization Assistance for Low-Income Persons LIHEAP	6,000,000 10,000,000
Community Services Block Grant SHOPP	7,000,000 5,000
State Commission	269,135

AmeriCorps	2,000,000
Commission Investment Fund (CIF)	250,000
Apprenticeship Grants	347,160
National Aeronautics and Space Administration	10,000,000
Total	\$ 54,018,402.50

Mr. Chairman Nathe and committee members, this concludes my testimony. I ask your support for House Bill 1018. I would be happy to answer any questions.

I would like to now turn the podium over to Katie Ralston Howe, director of Workforce to talk more about workforce development.

Workforce Development

Thank you, Commissioner Teigen.

Chairman Nathe and members of the committee, I’m Katie Ralston Howe and I have served as the Workforce Division Director for the ND Department of Commerce for three years. In my role, I also have the pleasure of serving 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. In October 2022, the Council released 10 comprehensive recommendations, seven of which are included in the Executive Budget. The new programs for which we are requesting funds have all been included in the Council’s latest Report of Recommendations.

Our division has evolved a lot since the beginning of this biennium. We left the last legislative session with a couple small grants for skilled workforce training programs, and now, thanks to an appropriation of \$20 million of American Rescue Plan Act (ARPA) funds by this legislative body during the special session in 2021, and the wise investment of discretionary dollars, we are operating two large grant programs that are impacting every part of the state, with a third grant launching soon, and a new comprehensive talent attraction initiative that is successfully helping people around the country discover ND and make the move to their new home in our state. Our larger requests are designed to build on the programs we launched this biennium, so I will provide a brief overview and explain the impact of each program before covering our new requests.

Last spring, we launched the Regional Workforce Impact Program (RWIP) using \$15 million in ARPA funds. The goal of the RWIP is to empower locally led solutions to workforce challenges that were caused or exacerbated by the pandemic. Workforce needs vary by region, so a one-size-fits-all approach is unrealistic and would not adequately address challenges in all parts of the state.

To ensure equitable access to these grant dollars, a portion of funding was reserved for each of the eight planning regions, based on population as provided by the 2020 decennial U.S. Census. Applicants are required to provide a 25% match of the overall project budget. Due to this unique structure, partners representing rural and urban communities in each region worked together to prioritize projects that would have the greatest impact throughout the region and submitted one application that encompassed multiple projects.

Although the RWIP has had some challenges primarily related to limitations within the federal funding source, we've seen tremendous success with this program. To date, we have awarded \$13,438,471 to 57 projects with a few awards still pending, which will soon put us over 60 projects being funded by this grant. Projects range from skilled workforce training, career exploration, expansion of career and technical education offerings, affordable housing, talent attraction, child care, and more. Each project is in a different stage, so data related to the impact of these dollars continues to come in. Within child care alone, we're supporting 33 facilities that are using their grants to expand capacity by adding a total of 1,590 new child care slots statewide.

This model has been effective, so our goal for this program in the next biennium is to create more flexibility in how grant funds can be used to foster more creativity and innovation in the projects communities develop.

The second program we're facilitating using \$3 million in ARPA funds is the Technical Skills Training grant, which also received \$1 million in Coronavirus Relief Funds (CRF) that we utilized until that funding source expired on Dec. 30, 2021. This program is designed to support eligible training providers and employers in their efforts to design and launch rapid, non-degree re-skilling and upskilling programs, expand capacity in existing programs that began after May 17, 2021, and/or move training to virtual platforms to train workers. All training programs must mitigate a workforce issue that was created or exacerbated by the COVID-19 pandemic.

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

- Track A reflects the initial intent of this grant program when we first launched it in 2020 and is designed for new and expanding accelerated, non-degree training programs that prepare trainees for new jobs. Applicants in this track are eligible for up to \$100,000 with a 1:1 match.
- Track B is designed for companies wishing to provide internal upskilling opportunities for their existing staff to promote movement and advancement throughout the organization, create more comprehensive onboarding and new worker training programs, or to provide safety training for employees. Applicants in this track may be eligible for up to \$50,000 with a 1:1 match.

Since its inception, the Technical Skills Training Grant has supported the launch and expansion of programs in health care, energy, transportation and logistics, IT, welding, UAS, and more. This biennium alone, we've invested \$1,299,927 in 20 training programs that are upskilling and reskilling workers across the state. All of the training programs we've supported using federal dollars are sustainable and will continue to prepare citizens for entrance and movement within the workforce for years to come, thus creating more pathways to employment in our state.

The final grant program for which we will use \$2 million in ARPA dollars is the Workforce Innovation Grant. Due to challenges and delays we encountered with the RWIP, we have not launched this program yet. Now that the RWIP is well-underway with payments to grantees being processed daily, we are in a better position to launch this third program. The goal of the Workforce Innovation Grant is to empower business and industry-led workforce solutions and inject innovation into the way we address our workforce challenges. Innovation may be demonstrated by collaborations that broadly support workforce in one or more industries, initiatives that support in-migration of workers, and hiring fairs in areas of low unemployment in North Dakota and throughout North America.

SB 2345 included an end date of June 30, 2023, and with all of three of our grants in different stages, we are asking for carryover authority to allow grantees to continue using their funds beyond the end of the 2021-2023 biennium. We are also asking for \$20 million to sustain the Regional Workforce Impact Program as it has proven to be an effective mechanism for fueling sustainable locally-led workforce solutions and 1 FTE, and \$2 million for the Technical Skills Training Grant.

- Regional Workforce Impact Program
 - Carryover: \$15 million (ARPA)
 - Ask: \$20 million
 - 1 FTE
- Technical Skills Training Grant
 - Carryover: \$2 million (ARPA)
 - Ask: \$2 million
- Workforce Innovation Grant
 - Carryover: \$3 million (ARPA)

Another new program for which we are seeking investment is the Automation Enhancement Workforce Training Grant. ND employers across industry are investing in automation to address workforce shortages and to create better paying jobs for workers. Adapting to new technology in the workplace necessitates training and the development of new skill sets, which requires an investment in a company's own workforce. The Automation Tax Credit has been a resource for primary sector businesses by providing a partial credit for machinery and equipment, but it does not allow for workforce upskilling which is a critical component in successfully implementing automation into a company. This grant program is designed to complement the Automation Tax Credit but will expand its support for workforce training beyond primary sector companies.

We are asking for \$5 million to facilitate this program. With a maximum award of \$80,000 per company, we could support a minimum of 62 companies seeking to automate processes and create advancement for their workers through upskilling.

Before moving on from our grant programs, I'd like to briefly touch on two of our long-standing programs that continue to grow in demand and impact.

- Operation Intern was first established in 2015 and it continues to provide wage match dollars to companies that are creating valuable work-based learning experiences through internships. This program is in such high demand that we had to close our 2022 application window in three days as our remaining funds for the biennium had been spoken for.
 - Biennial funding: \$755,000
 - Number of businesses participating
 - 2021 PY: 90
 - 2022 PY: 58
 - Biennial total: 148
 - Number of interns served
 - 2021 PY: 272
 - 2022 PY: 198
 - Biennial total: 470
 - 2023-2025 Ask: \$1 million

- Our AmeriCorps program awards grants to non-profits, faith and community organizations, public agencies, tribes, and institutions of higher education for service-based programs throughout the state. AmeriCorps is a federal program that requires a state match.
 - Current funding (state + federal): \$220,000 in required general fund match dollars and our federal allocation is around \$3.3 million per biennium.
 - Number of projects:
 - 2021-2022: 5
 - 2022-2023: 6
 - Number of members:
 - 2021-2022: 123 members
 - 2022-2023: 168 members
 - Communities served, project titles and areas of focus
 - Southeast Education Cooperative Reading and Math Corps had 85 members serving communities across the state The project focused on literacy and math.
 - Souris Basin Planning Council had 15 members serving across the state. The project focused on capacity building.
 - Cooperstown Community Activities had six members serving in Cooperstown. The project focused on afterschool and healthy futures.
 - Jamestown Parks and Recreation had 10 members serving in Jamestown. The project focused on education and healthy futures

- Strengthen ND had 40 members in rural ND. The project focused on capacity building.
- United Way of Cass-Clay had 12 members in the Fargo area. The project focused on education and workforce.

The last program I'll discuss today is Find the Good Life in ND (FTGL), a comprehensive talent attraction initiative that utilizes a software system that allows us to collect information from job seekers, connect them with communities that offer the quality of life they're looking for, and employers in their field. Through this system, we are able to track their progress as they explore opportunities in ND until the point at which they accept a job here and call ND home. Although many states have marketing campaigns to attract people, ND is the first state to take this hands-on, innovative approach to help individuals and families actually make the move.

We're achieving this through collaboration with a contractor, our Tourism and Marketing team, Job Service ND, and 60 community champions, who are volunteers from around the state who are engaging with job seekers, connecting them with employers, and sharing information about their communities based on the interests the jobseeker has shared with us through our relocation help desk.

Our success to date includes:

- Job seekers in the pipeline
 - Total: 1,106 leads (Jan. 3, 2023)
 - Number of states: 49
 - Top five states: Florida, California, Texas, Ohio, and Georgia
 - Number of countries: 24
 - Number of resumes: 308
 - Top industries: health care, skilled trades, sales/marketing, manufacturing, social services
 - Community champion contacts: 316
- New North Dakotans
 - Total: 9 (excludes partners/children)
 - States they came from: WA, TX, NJ, CA, TN, SD, NY, and LA
 - Cities they moved to: Minot, Wahpeton, Bismarck, West Fargo, and Fargo
 - Jobs they filled: hospitality, IT, education, retail, and manufacturing

More important than these numbers are the names behind them.

- Travis H. moved to Minot from Washington in July 2022 before he had a job and was hired within a week of arriving. He's now working for Pro IT LLC.
- Frank M. had been to ND for work and after visiting the eastern side of the state in October with his wife and son, they moved to West Fargo from Syracuse, NY in December 2022. Frank is establishing a local office for Thales (Digital Aviation Solutions for the Americas). His wife, Paula, works remotely supporting student travel abroad programs and his son is enrolled at Sheyenne High School.

- Juan moved to Wahpeton from Texas last fall and is working for a manufacturing company. His wife and children will join him after this school year, and we'll get to help her find a dream job, too.

Our relocation help desk existed before we revived FTGL in June, but we couldn't have shared this type of information. What we know is that from May 2021 to May 2022, 106 people submitted forms through our relocation help desk and based on self-reporting, which can be spotty, we believe 15 people made the move in that year. Now, in just six months, we've grown the number of job seekers interested in ND by 10 times.

The list of success stories will continue to grow, especially with the horsepower we plan to put behind this initiative with increased funding. Sara will share the marketing side of this investment, but the workforce portion includes:

- Growing the services provided by our contractor to better leverage the system we're using for tracking leads and building out an employer portal to provide a more direct connection between candidates and jobs.
- Partnering with industry and communities to help get job seekers here to explore a community and engage with employers prior to making the move as individuals are more likely to move to a place they've visited and the vast majority of job seekers in our pipeline have never been to ND.
- Providing a grant program for employers wishing to help incentivize or support an out-of-state job seeker's move. Based on the volume of contacts in our pipeline and their engagement with community champions, we know that interest in moving to ND is high, but the financial means to do so can be limited. Employers are already working to offer sign-on bonuses, reimburse relocation expenses, and offset rent or child care costs temporarily to help individuals get here and get settled, but this comes at a great expense and it's one that many companies are taking on. Through a matching program, we can support their efforts to get workers to ND.
 - 2021-2023: \$410,000 two-year contract, discretionary funding
 - 2023-2025 Ask: \$12.5 million (\$25 million total for workforce)

In addition to being the hub of the state's workforce system, we've realized that the most direct impact we can have on addressing ND's workforce needs is by attracting and retaining workers through FTGL, by empowering locally-led solutions, and by expanding opportunities to retrain workers through grant programs. We've been doing these things really well with the resources we've had available, and we're excited to grow these programs and their impact with increased state investment.

Summary of Requests

- Carryover Authority
 - Regional Workforce Impact Program: \$15 million
 - Technical Skills Training Grant: \$2 million
 - Workforce Innovation Grant: \$3 million

- One-time Requests
 - Talent Attraction: \$24,797,060
 - 1 FTE
 - Regional Workforce Investment: \$20 million
 - 1 FTE
 - Automation Workforce Transition Training Program: \$5 million
 - Technical Skills Training Grant: \$2 million
 - Operation Intern: \$1 million
 - AmeriCorps: \$878,571

I would like to now turn the podium over to Sara Otte Coleman, director of Tourism and Marketing.

Tourism and Marketing

Thank you, Katie,

Good afternoon, Chairman Nathe and members of the committee, I am Sara Otte Coleman, Director of the Tourism and Marketing Division at Commerce. Twenty years ago, I wouldn't have dreamed I would still be in this position. I thought the bureaucracy and slow pace of government would kill my need to achieve results. But that has not been the case, while we have made progress, we still have tremendous potential to increase awareness and appreciation for our state, grow tourism experiences, attract workforce, and diversify our economy.

Our work primarily focuses on the following areas:

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

Following are the areas you asked us to brief you on.

Current Biennium accomplishments and challenges

State Marketing and Image Development:

Our proactive outreach to national and global media resulted in 4,019 national media instances, up 821% over 2021. Dedicated national PR firms and targeted efforts created additional media opportunities and reach on ND stories. Total instances reached 20.2 billion. Additionally, 96 global stories reached 224 million. This media coverage improves the awareness of our state and elevates our image across all focus areas of commerce.

- Tourism – 2,124 instances reaching 13 billion
- Quality of place – 171 instances reaching 2.8 billion
- Workforce - 193 instances reaching 1 billion
- Business - 1,531 instances reaching 3.4 billion

One big win from these efforts was the hosting of a freelance journalist that resulted in a feature of Fargo in the New York Times reaching 140 million with another story planned in Spring 2023 in Travel + Leisure magazine.

The 2021 Tourism marketing campaign reached more than 333 million total impressions, with digital advertising garnering 94.3 million impressions, 285,000 clicks to the website and 15.2 million video completions.

Our domestic road trips measured through geolocation tracked more than 7.9 million trips through year-end. The number of visitors was down 2.5% compared to 2021, but there was a 20% increase in longer stays and overnights. These visits will impact workforce attraction efforts. Recent research indicated that 76% of new residents had visited the state prior to moving.

Hotel occupancy was 11.9% higher with revenue per available room up 23.9% through November. The state's average daily rate averaged \$90.76 through 2022, an increase of 10.7%. Lodging tax collections are also up 37%.

Global tour operators selling ND experiences totaled 125, up 9.6% over 2021. Fifty-one new itineraries were added, and total overnights offered were up 57% reaching 1,266.

NDtourism.com was updated to improve accessibility and search engine optimization. The website is ND's front door and welcomed over 2 million visits through Dec. 31. (Traffic was down 4% due to a smaller advertising campaign; however, traffic was up 21% from 2020.) Referrals to partner sites reached over 240,000.

Other Tourism metrics

- Travel and tourism generated \$2.61 billion in direct visitor spending in 2021. (Tourism Satellite Account from Tourism Economics and the U.S. Travel Association)
- There were 21.71 million visitors to ND in 2021; a 19% increase in visitation since 2011. (Longwoods International and Tourism Economics)
- The halo effect of seeing tourism advertising improves ND's image an average of 12.5%.

North Dakota Halo Effect: Advertising Impact

Base: Residents of North Dakota's Advertising Markets



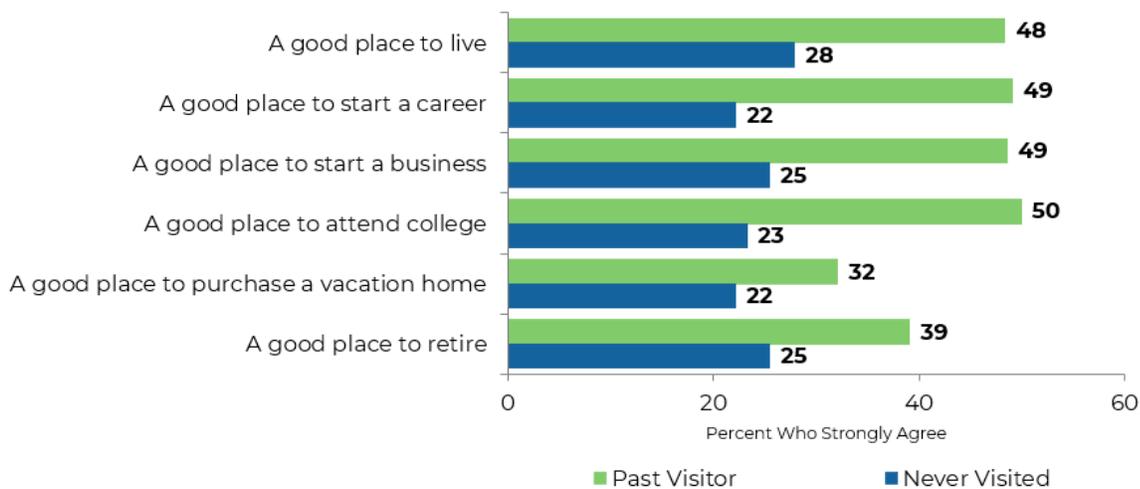
2019 North Dakota Image & Halo Effect Study



- If the advertising is coupled with a trip to the state those image indicators increase an average of 26.2%. This quantifies the value of tourism marketing for workforce and business development.

North Dakota Halo Effect: Visitation Impact

Base: Residents of North Dakota's Advertising Markets



2019 North Dakota Image & Halo Effect Study



Find the Good Life in ND

The "Find the Good Life in ND" workforce attraction campaign was updated to support our comprehensive workforce initiative. The marketing refresh included an updated website and a targeted media plan focused on five personas. The 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 both inspire and motivate new talent to move to ND.

- The \$438,000 marketing campaign, which began in late June, has delivered 11 million impressions, and driven more than 55,000 visitors to the website resulting in 5,150 conversions for potential residents.
- Workforce staff and community champions are working with over 1,106 leads in the pipeline. 78% of those have not been to ND with 66% looking to relocate in the next six months.
- ND is the first state that utilizes a unique system for drip marketing and tracking leads as they explore career opportunities and lifestyle options across our state.

Tourism Development

The Tourism and Marketing Division reorganized existing positions in order to hire a tourism business development manager, who now works to support the growth of tourism offerings across the state. Work is underway to adopt consistent tourism definitions to be used for incentives tied to primary sector designations and programs allowing the recruitment of new businesses, offerings, and value-added expansions. Our tourism development plan will help focus efforts on in-demand experiences, gaps and regional clusters.

Funding - Tourism and Marketing Division:

Next biennium's goals and plans

Marketing ND

The executive budget includes an additional \$5 million which would enable a new creative campaign in expanded channels and more markets, focused on motivating travel to the state. The governor's budget includes \$25 million for a strategic marketing and recruitment campaign which will include \$12 million to expand the Find the Good Life in ND marketing. The campaign would position ND as the "best place" for talent to build their careers and futures. This synergistic approach for marketing our state will leverage tourism assets and campaign pieces and cross-sell to both audiences. Potential new workers will be invited to visit our state which will improve the likelihood of a move and current visitors will be presented with information on why a move to ND should be considered. ND lags in all but three states in investing in tourism marketing, and is drastically behind SD, WY, and MT, which is impeding our economy.

Why is tourism marketing a catalyst?

A 2022 national perception study assessing Americans' awareness of ND showed that perceptions of the state are modest and largely driven by a lack of familiarity.

- Only 22% had lived in or visited ND.
- Familiarity and perceptions varied little by region.
- Cold, rural, and remote were the top words associated with ND.
- Relaxed, adventurous, traditional, and welcoming lead the "feel" of ND.
- Of the 76% who cited they may be interested in relocating to ND, 71% are familiar with ND.

Today's workforce is prioritizing lifestyle and quality of life factors, giving ND an opportunity to market our state's superior quality of place and quality of life.

A 2022 resident recruitment study surveying new residents in ND who transferred a driver's license in the last two years, showed 76% of these new residents visited ND prior to moving to the state. This reinforces the strong correlation between tourism and talent attraction.

- Research on the effectiveness of the 2021 tourism advertising campaign showed positive results despite a huge influx of marketing dollars from other states. 56% of those surveyed in regional markets recalled seeing our advertising.
- Digital advertising had the highest awareness.
- Evaluated \$7.2 million invested in 2021 advertising, which resulted in 1.4 million advertising-motivated trips, and \$242 million of incremental spending, of which \$23.5 million was from incremental state and local taxes. Every dollar invested in the 2021 ND advertising campaign generated \$34 in direct visitor spending and \$3 in taxes.

Destination Development in ND:

ND offers tremendous outdoor recreation, rich history and culture, and scenic beauty, but we have an opportunity to expand beyond "do-it-yourself" trips and create more offerings that will motivate trips to our state. We need to support the expansion of destination attractions, recreation opportunities, community amenities through partnerships, and financial support from non-state entities. The purpose of the Destination Attraction Grant is to encourage non-state investments in destination development to draw in more visitors and keep them in our state longer. The proposed \$50 million Destination Development Fund would utilize a new destination development council that will work with Commerce Tourism and Marketing staff, and local developers to vet proposals and fund impactful projects that will serve ND for generations. The new experiences will attract new visitors and revenue, improve the quality of life for North Dakotans and help attract the needed workforce. We have invested in value-added agriculture and value-added energy – now is the time to build value-added recreation and tourism. I look forward to further discussion on this important appropriation which will invest in our third-largest industry and begin building legacy projects that set ND apart.

Base budget additions

\$100,000 to cover operating costs

\$5 million addition to tourism base budget for destination marketing (one-time)

\$50 million for Destination Development grants (one-time)

\$12 million for the Find the Good Life in ND workforce recruitment campaign

One-time funding 2021-2023

Film and Theater Production Grant – The full \$100,000 has been expended.

Tourism marketing – \$7 million Cares Act dollars to support tourism marketing (expanded campaign to shoulder season, new test markets, new partnerships with media, improved website)

Travel Agent and Tour Operator Grants – \$1.4 million of \$2 million awarded to 24 applicants

Events and Support Service Grants – \$2 million awarded to 28 applicants

Tourism Transportation Improvement Grants – \$565,432 awarded to accessibility project

Tourism Planning Grants – \$1 million transferred from 1,015 supported five Tourism Planning Grants to support future tourism development.

One-time funding 2023-2025

The governor's budget includes \$5 million in one-time destination funding which is imperative as we compete for awareness with surrounding states that spend two to three times what we do marketing their states. U.S. Travel reports the average (2022) marketing spend by state tourism offices was \$12.4 million. Additionally, the average COVID-19 relief funding by the state was \$14.6 million.

SD - \$19.5M annual (governor recommendation \$29 million for 2023)

MN - \$14.4 million annual

MT - \$14.8 million annual

WY - \$41.8 million biennial (governor recommendation of \$43 million includes new 3% statewide lodging tax)

ND - \$ 12.2 million biennial or \$6.1 million annual

Assuming the ROI we had in 2021 – if we were to spend \$4 million in paid marketing, we would see visitor spending increase by \$136 million and an additional \$12 million in state and local tax revenues.

The budget also includes \$50 million in legacy fund earnings for the Destination Development Grant program. This program will provide financial support to build new attractions and offerings and expand experiences to set ND apart and motivate more trips to the state, while also entertaining our residents. Programs in other states have resulted in major developments with positive economic impacts. For example, in KY \$544 million in incentives have resulted in 62 projects costing \$2.2 billion, since 1997. The positive economic impact reached \$9.5 billion. These projects include the famous horse parks and bourbon distilleries that now define KY tourism.

Federal Funding anticipated for 2023-2025

The Tourism and Marketing Division was awarded an EDA grant which we plan to use in 2023. The dollars will be used for:

- \$1.3 million– State marketing targeting outdoor enthusiasts and leisure travelers looking for new locations to enjoy less crowded communities, trails, and activities.
- \$250,000 – Develop a digital information distribution system to connect travelers to all offerings. The system will populate full listings of offerings. For example, there are campgrounds that are owned and managed privately or by a municipality, the state or one of several federal agencies. The goal is to create one source for all. ND is a state that is not easy to navigate, and this system will assist visitors in planning and booking experiences which will sustain economic activity statewide. The expansion of outdoor recreation will diversify local economies and make them more resilient. This information will also be used to expand services at visitor information centers and rest areas.

Next up will be Maria Effertz, director of Community Services.

Community Services

Thank you, Sara.

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

My name is Maria Effertz, and I am the Division of Community Services director at Commerce. The Division of Community Services supports ND residents and communities through the administration of federal block grant funds delivered from the U.S. Department of Housing and Urban Development (HUD), the Office of Community Services, and the Department of Energy.

We provide the people of ND with effective, efficient, and customer-oriented administration of federal and state programs for:

- Community Development
- Energy Efficiency
- Housing
- Self Sufficiency

Our division also supports community development across our state. Our Main Street Community Development team works with development organizations, community and county elected officials, and community-minded volunteers to support planning, enhance vibrancy, and advance efforts that contribute to equitable population gain across ND communities.

My testimony today will provide a high-level overview of the work the 10 members of the Community Services team work diligently on every day to support communities, individual citizens, business owners, nonprofit organizations, and community service agencies. Our request this biennium allows the continuation of this support.

Our request also includes an emergency clause that would allow our division to accept additional federal funds.

Many of the programs we administer support low- to moderate-income communities and households. Some of the programs are direct funding but several of our programs work closely with community action agencies, nonprofits, and regional councils.

Community Services manages the Community Development Block Grant (CDBG) funding from HUD. Our funds continue to decline from the federal government for this program, while the regulatory requirements grow and truly constrain the ability to meet the emergency and small project needs in our rural communities. We only receive 3% in federal funding for administration and this past year, our small CDBG team has strengthened our ability to meet these federal demands and ensure program compliance. These changes have resulted in adjustments to the local management and delivery of the funds. While these changes have created short-term modifications, in the long-term this will allow the state to stay compliant with federal requirements and distribute the funds to areas of need across the state.

The low-income assistance activities within Community Services centers around the Community Services Block Grant (CSBG) program. The CSBG program is administered statewide with direct client services being provided through the state's seven Community Action Agencies (CAAs) and the ND Community Action Partnership (NDCAP). In 2022, Community Services supported the delivery of \$4.8 million to CAP Agencies, which has served thousands of ND residents in need, including elderly populations, children in poverty, and disabled individuals.

CSBG programs and services are locally designed to promote self-sufficiency, family stability and community revitalization. The CAAs deliver various services, including emergency assistance, money management and housing counseling, self-sufficiency services, case management and outreach and referral services to low-income households and persons within their respective regions. The CSBG program is also closely integrated with the low-income weatherization assistance program which Community Services also manages.

The U.S. Department of Energy's Low-Income Weatherization Assistance Program works to increase the energy efficiency of homes owned or occupied by low-income persons, reducing their total residential energy expenditures, and improving their health and safety. This program is also managed locally and hires local teams to accomplish the work in each region. Through the federal Infrastructure Investment and Jobs Act (IIJA), the ND Weatherization program received an additional \$15 million to distribute and meet the needs of low-income households. These funds, allocated over the next five years, will allow community action partners to confidentially hire the workforce needed to meet the needs in many areas of the state. As heating and cooling costs increase, a more efficient, weatherized home will return multi-fold for the homeowner and renter.

We are requesting an emergency clause on this \$15,131,495 funding along with the ability to hire two full-time employees to support both the fiscal and program administration. The reasoning for the emergency clause on these funds allows community action partners to start securing additional crews to deliver the services associated with this program. The federal

government provides 100% funding for projects and employees. We would like to have this funding on its own line item called Infrastructure Investment and Jobs Act (IIJA) Weatherization Community Services administers the Emergency Shelter Grant (ESG) and the ND Homeless Grant programs. These programs distribute operational funds from federal and state funding to homeless shelters. In this bill, we are requesting the federal and state funding of these programs be transferred to the ND Housing Finance Agency to support the ultimate recipients through a continuum of care from homelessness to homeowner. This transfer request of appropriation is \$1,387,341 in federal funds for ESG and \$1,330,212 in state Homeless Grant funds.

Commerce has several programs dedicated to energy development, conservation, and production. The Community Services team supports multiple programs that deliver energy and conservation measures to increase efficiencies for homes and communities.

The State Energy Program (SEP) promotes energy efficiencies and conservation through funding by the U.S. Department of Energy. Every year, the SEP receives an annual allocation to fund a variety of energy-related activities including energy education, installation of energy efficient measures (building audits, lighting retrofits, HVAC upgrades, etc.), transportation initiatives (alternative fuel vehicles and fueling systems) and renewable energy technologies (small scale wind turbines and solar technologies). In the last biennium, the SEP was awarded more than \$1.34 million in project funding to 42 projects across the state.

Through the federal IIJA, this program will receive an additional \$3,905,130, which can be expended over four years, to accomplish the above goals along with developing a state energy plan to support Community Services and other state agencies' efforts to deliver federal funding and efficiencies. Additionally, federal legislation has authorized over \$4 million for a revolving loan program, \$78 million in energy efficiency rebates and training, and nearly \$10 million in Energy Efficiency and Conservation Block grants.

We are asking for an emergency clause to accept \$120 million of funding along with the authority to hire one full-time employee to support the coordination and grant distribution of these dollars. The reason for the emergency clause on these funds is to allow the state to complete the Energy Preparedness plan by April 2023, which is required to receive federal funds. The amount requested is higher than our known dollars as several states have indicated they will be turning back their dollars which will result in larger projected funds for the states which have plans for using the funds. The regular allocation requires a 20% match from state and local, but the additional federal funds allocated under the IIJA will not require a match or state funds.

The emergency funding request is:

- \$20 million IIJA SEP
- \$90 million IRA SEP
- 1 FTE

The Energy Conservation Grant, administered by Community Services, assists ND political subdivisions in making energy efficiency improvements to public buildings. Energy conservation projects in nonfederal public buildings owned by political subdivisions may qualify for consideration. Awards are available up to \$100,000 and a 50% cash match is required. Projects that meet the qualifications will be awarded on a first come, first served basis and are subject to funding availability. We are asking for a continued appropriation for this heavily used program.

Community Services houses many of the development programs that help keep communities going. We are assigned the responsibility of updating and amending the ND State Building Code. While not involved in the enforcement of the State Building Code, the state supports research and federal/state directives. Community Services also manages the HUD program for manufactured home installers licensing and training. This self-sufficient program provides homeowners and families the assurance the manufactured home was installed correctly and safely.

The administration of the Renaissance Zones is also housed in Community Services. Renaissance Zones are tools to help cities revitalize their communities. This legislative body will hear separate bills proposed to enhance and adjust the Renaissance Zone timeframes and incentives.

The Main Street Community Development team works closely with leadership and volunteers across the state to improve their vibrancy, support planning efforts and provide sustenance to develop our main streets and nonprimary sector businesses.

At the end of 2022, we have awarded Partners in Planning grants to 20 communities in the amount of \$169,587. The total state and local investment for these grants totaled over \$10 million with a 25:1 ROI. These planning grants were awarded to a variety of rural and urban communities and are helping communities build plans to attract workforce, create community spaces for all generations, and develop recreational options. Additionally, Commerce was able to award nearly \$73,528 in Vibrancy grants that also equaled nearly a 10:1 return on investment in local match funds to create communities where new and existing workforce and families want to call home.

In conversations with communities, there was a repeated concern about citizens being willing to take on the responsibility of community leadership. The Main Street Community Development team worked with a Minot area nonprofit and Minot State University to pilot the Launching Leadership program supporting 15 youth to develop leadership skills with the intent of exposing and encouraging youth to take active roles in elected positions. We intend to continue and grow this program regionally and hopefully statewide.

Main Street Community Development has also been charged with administering and providing results of a \$1 million grant from the federal economic development administration. The state

has awarded six grants totaling \$506,000 grants to communities across the state to create in-depth placemaking plans that attract and retain workforce and families. Additionally, with this grant funding, five communities received technical assistance and direct grants to understand and expand their artists' involvement and activities on their Main Streets. The budget presented has a one-time allocation of \$800,000 to continue supporting communities in planning, community vibrancy to attract and retain workforce, youth involvement and additional collaboration with federal and state partners.

The common theme you hear in this testimony is proper planning. I believe great plans lead to success, and that is why we are proposing a one-time funding allocation to pilot a Workforce Housing plan and implementation in partnership with rural communities.

State agencies have recognized the value of communities that have participated and actively planned for their future. Commerce now partners with other state agencies to provide insight and direction to communities that have taken the effort and time to plan. These agencies provide additional considerations to Main Street champion communities, which carries over and supports the community's investment in planning.

Communities also expressed grave concerns about the "gaps in their smiles" and slum and blighted properties which have created areas of the community where the development of existing infrastructure becomes very difficult. Working jointly with the Division of Environmental Quality (DEQ), Commerce is proposing the community pilot program to support publicly owned buildings, which have development plans to remove identified hazardous materials and support redevelopment of buildings and Main Streets. This pilot program can only be used if the community has identified a reuse of the building/area and can prove matching funds.

Main Streets and rural communities are critical to the success of our state. We need to maintain our grocery stores, gas stations, drugstores, and boutiques. To maintain these critical parts of a community, it takes smart planning and support to the local elected people and volunteers. For this reason, we have asked to employ a rural community development planner who can support the local developers and community leaders create and deliver economic, community and comprehensive plans which do not increase tax burdens while growing the community's base.

We need to utilize the federal funds according to the regulations and guidelines provided. The Community Services team is small but mighty. With only 10 full-time employees, they have successfully distributed millions in eleven state and federal programs meeting the needs and providing resources to nearly every corner of the state. With your support, we know we can do even more to transform our state and move the needle to support our families and workforce for **every** part of the state.

Chairman Nathe and committee members, this concludes my testimony and ask for your support for House Bill 1018. I would be happy to answer any questions.

I would like to now turn the podium over to Shawn Kessel, COO and deputy commissioner.

Global Engagement

Thank you, Maria.

Chairman Nathe and members of the Education and Environment Division of the House Appropriations, my name is Shawn Kessel and I have the privilege of serving as COO/Deputy Commissioner at Commerce.

The ND Trade Office (NDTO) was moved to the Department of Agriculture last year, but Commerce retained the foreign direct investment strategy. We have been working closely with the NDTO, private businesses and other ND units of government, local and state, to obtain interest and then investment in ND from foreign businesses. We have retooled what you may know as COIN into the ND Global Engagement Office (GEO). GEO offers customized services:

- Identification and engagement of compatible foreign markets and expansion-ready foreign business
- Liaison between foreign businesses and ND
- Foreign market research
- Foreign investment mission planning and execution

These services help international companies looking to locate, expand or invest/acquire businesses in ND that will ultimately grow and diversify our economy. The office is an advocate and liaison between foreign investors and federal, state, and local governments in ND. Connecting foreign businesses with ND companies/opportunities to create mutually beneficial partnerships while eliminating barriers so they can invest, expand, and operate their business in ND.

After developing a solid international reputation, it will provide us with additional opportunities to expand the service offerings to three broad entities:

1. Foreign Entity

- Helping set up a U.S. business entity
- Identifying and visiting business sites to forge relationships/partnerships
- In-depth research on available workforce, infrastructure, taxes and more
- Introductions to regional and local economic development partners and elected officials
- Customized incentives to eligible businesses including financial assistance (grants, low-interest loans, tax credits, bond financing and job training)
- Information on foreign trade zones in ND

2. ND Entity

- Foreign market economic opportunity tracking/communication
- Tracking of participating ND projects/businesses seeking foreign direct investment

- Ongoing/regular project presentation to foreign investors
- Tracking foreign business ownership/investments
- International market business engagement trainings in partnership with NDTO and U.S. commercial services
- Collaborative investment missions with other states

3. ND

- Global Engagement Office international business internships/fellowships
- International business/government global engagement trips
- International market business engagement trainings in partnership with NDTO and U.S. Commercial Services

An ND example of FDI

Bobcat was founded in Gwinner, ND in 1947. It was bought out by Doosan, South Korean company, in 2007. Revenue has almost doubled since 2015 and net profits are up 250% during the same period.

How do we identify who we work with?

We are in the process of developing a rubric to identify priorities when selecting which countries we should engage with that have the highest potential for success. That rubric contains the following data:

- Friendly nation/political stability of the country
- Alignment with current ND industries
- Country gross domestic product (GDP)
- Five-year foreign direct investment trend
- Current relationship with NDTO, ND companies or ND political entities

In partnership with NDTO, GEO held the first governor-led trade and investment mission to Japan in October of 2022. Positive outcomes include:

- Total Japanese companies/organizations engaged: 157
- Private meetings: 17 (\$985.93 billion in direct market cap)
- JETRO presentation: 137
- Keidanren presentation: 15
- Embassy Reception: 153 attendees (-34 ND) = 119

This mission strengthened our partnerships with global industry leaders such as Sumitomo Corporation, that recently visited and will be returning to ND seeking investment opportunities state-wide.

Opportunity

According to the Bureau of Economic Analysis, Foreign Direct Investment (FDI) in the U.S. in 2020 to acquire, establish or expand U.S. businesses totaled \$120.7 billion. The latest data available from the Organization for Economic Co-operation and Development (OECD) shows

that in the first semester of 2021, FDI inflows to the U.S. totaled \$149 billion, tripling the level reached during the same time period in 2020.

Challenge

FDI in ND, according to the federal Bureau of Economic Statistics, has been non-existent since 2018 and was on life support in 2016 and 2017.

New Foreign Direct Investment in ND by Type

	2014	2015	2016	2017	2018	2019	2020	2021
Businesses Acquired	0	32	0	0	0	0	0	0
Businesses Established	0	0	3	6	0	0	0	0
Businesses Expanded	4	13	0	0	0	0	0	0

Budget Overview

- \$368,500 operating budget
- \$268,430 salary and benefits
- Request 1 FTE

Goals

- Hold a governor-led investment mission once every two years
- Hold a Commissioner-led mission annually
- Economic Development
- Workforce
- Tourism
- Engage at least five countries annually (Consulates/Embassies)
- Increase FDI in ND
- Increase available workforce in ND through immigration
- Facilitate education/university relationships
- Help create ambassadorship/"sister" relations
- Elevate tourism in ND from foreign nationals

Before I turn the podium over to Rich Garman I would like to find out if there are any questions I can try to answer.

Not only do I work closely with the NDTO, I also work closely with Rich Garman and the Economic Development and Finance (ED&F) team and he is prepared to talk to you about the many wins and opportunities in ED&F.

Economic Development & Finance

Thank you, Shawn.

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

I have been with Commerce for the past 1 ½ years. Prior to this role, I was in the energy industry for over 30 years. The last 15 years were spent at Great River Energy (GRE) as a project manager and an economic and business developer. During my tenure at GRE, I learned from my mentor Al Christianson that economic development is a marathon, not a sprint. While at GRE, I saw the completion of several major projects. The major projects were Spiritwood Station, Dakota Spirit Ethanol, Spiritwood Energy Park and the decommissioning and demolition of the Stanton Station. Thanks to your good work, I never got to complete the final project I was assigned. That project was the decommissioning and demolition of the Coal Creek Station. That was one project I did not want to complete. You did the impossible. When a power plant is marked for demolition, they don't make a comeback. Only in ND could this feat have been accomplished. You saved an industry, and the livelihoods of 1000's of North Dakotan's (many of my former co-workers and friends) and several ND communities.

The abundant oil and gas fields in the west were laid down millions of years ago. We have developed ingenious solutions that have allowed for hydraulic fracturing of the rock that contained the tightly trapped Bakken oil. We also passed thoughtful legislation that allows the industry to grow and prosper in an environmentally sound way. We are now the third largest oil-producing state in the U.S.

The latest prize that ND has lying beneath our feet is simply empty space (pore space) which is strategically placed between several layers of non-porous rock. Several years ago, our leadership had the foresight to obtain Class 6 primacy from the federal government. This primacy allows ND to permit its own CO2 injection wells. This has become an extremely valuable asset as of late with the passage of the Inflation Reduction Act and the allowance setting of pricing of sequestered CO2 at \$85 per ton. It is estimated that ND has the capacity to store 250 billion tons of CO2 under its vast landscape. Preparation and planning now allow us to take full advantage of this to bring wealth into ND.

We have been busy the past two years bringing tens of billions of dollars of potential projects to the ND portfolio. These projects cover the spectrum from ag, to energy, autonomy,

technology, and manufacturing. We are taking a much more proactive approach and seeking out these opportunities.

Current biennium accomplishments, challenges

State of Energy Production

The Bakken oil play is naturally moving from an oil play to a gas play. The pipeline capacity moving natural gas from the Bakken to external markets is essentially full. Current production is approximately 3 billion cubic feet (BCF) per day, projections show that potentially doubling in the next decade. We need to actively develop projects that add value to natural gas and allow for full production and maintenance, and even increase tax revenue. Several large projects are proposed or underway right now that do just that, add value to the natural gas, near the source.

- Potential Value-Added Projects Utilizing Significant Volumes of Natural Gas
 - Gas to Liquids Project
 - Sustainable Plastics Project
 - Sustainable aviation fuel production facility
 - Fertilizer Production
 - Hydrogen Hub
 - Pipeline to Eastern ND
 - Three major soy processing plants (spread across the state)

Some highlights on some of those projects are as follows:

Gas to Liquids Project: A \$3 billion facility to be built by Cerilon in Williams County. Gas to liquids (GTL) is a process that converts natural gas to renewable diesel fuel (14,000 barrels per day). This will be the first of its kind in North America and will have the lowest carbon footprint of any GTL plant when utilizing CO2 sequestration.

Sustainable Plastics Project: Newlight utilizes methane and ocean-based microorganisms to produce a biodegradable material that is an alternative to single-use plastic (AirCarbon). They currently have a facility operating in Huntington Beach, CA, and market their products retail and wholesale.

Produced Water Processing: Two separate entities are developing projects that will take produced water from oil production and process it to remove the salts from the water. These salts have commercial value as bases for producing several industrial chemicals. The most valuable salt that can be extracted is Lithium. Demand for battery production will make ND a major player in the lithium markets. It will also be one of the cleanest methods of producing lithium in the world.

Metal Ore Processing: A huge win for ND came with the announcement that Talon Metals will be locating a nickel processing plant in Mercer County. This facility will bring nickel mined in Northern Minnesota to be processed in Mercer County. The nickel processed will be sold on long-term contracts to battery manufacturers (Tesla). The facility has an approximate capital construction budget of \$400 million. Talon Metals also received a \$114 million Department of Energy grant (27% of the budget).

Grand Farm: Grand Farm facilitates agriculture technology collaboration and research bringing together researchers, growers, industry, startups, and government to solve some of the world's largest challenges in agriculture. It will provide acreage for the deployment of agriculture technology projects, rapid prototyping capabilities, and increased research and educational capacity. Senator Hoeven announced \$1 million in federal appropriations to develop a partnership between Grand Farm, NDSU, and the U.S. Department of Agriculture's Agricultural Research Service. In 2022, Grand Farm was awarded a \$10 million matching grant by the ND Legislature and Commerce to be used towards the building of the Innovation Facility.

Soy processing: Two years ago, there were no soybean processing facilities in the state, there will soon be four. Green Bison (ADM/Marathon) in Spiritwood, CGB/Minnesota Soy in Casselton, Epitome Energy in Grand Forks, and AIC Energy in Trenton. These facilities will shift the soy markets in ND by keeping those beans here and adding value in ND. Oil will be processed into renewable diesel and sustainable aviation fuel. The soy meal will open new markets in animal feed in ND. To maximize this value chain of soy meal, we need to work towards attracting more animal agriculture to the state.

Challenges

Growing portfolio

We have an ever-growing portfolio of projects we are managing. We are working diligently to implement several project management and efficiency tools to work smarter. We are working to streamline our work and seek out the value-added steps while trimming out the non-value-added steps. This is a delicate procedure since we absolutely want to maintain our reputation of outstanding customer service, while streamlining our processes.

NIMBY

We occasionally see some resistance to local development. The "Not in my backyard" problem comes to the table in some discussions. The best solution for this issue is excellent preparation of projects so that we understand as much as possible about project impacts before moving forward. The next thing is the simplest and yet the trickiest. Solid, constant, effective communication with local leadership is critical. We need to flood all the communication channels with positive, truthful information to reduce the false information that makes it out to the public. This is on us in Commerce to lead and make sure it happens on a regular cadence. To help facilitate this, Commerce will be working on a media relations kit to share with our local development partners.

Incentives

ND offers many generous and useful incentives for projects. What is becoming apparent though, is that the dollar of these incentives is becoming less effective as the net value of projects is going up. A decade ago, a project in the high \$100 millions was a rare item. Today, that level is becoming common and now projects over the \$1 billion mark are becoming more and more common. Our incentives packages need the ability to grow with the size of the projects we have in the portfolio now.

Valuing employees

As we have discussed, we are working on a portfolio of projects now that is 10 times what we were a few years ago. Our staff has not grown in numbers except to backfill a few positions and to ask for the addition of an Autonomy Office. We are working hard to streamline as much as possible to utilize as many technologies as are appropriate to manage our project load. With increased project load and extremely high inflation, we need to continually address the issue of compensation. We need to make sure we are compensating our team and that we can attract new talent as the need arises.

Next Biennium Goals & Plans

Carbon Capture, Sequestration and Use

We have a goal of carbon neutrality by 2030. A key to making this goal a reality is the geology of Western ND (250 billion tons of CO₂ capacity). The Inflation Reduction Act sets the value of CO₂ sequestered has been set at \$85/ton. Importation of CO₂ from ethanol plants from neighboring Midwestern states and Southeast ND is part of the solution. The Summit Carbon pipeline will open many opportunities in Western ND for carbon sequestration. In addition to the Summit Pipeline Project, ND is poised to take advantage of the sequestration funding of IRA with the implementation of Project Tundra. Project Tundra will capture and sequester the 100 million tons of CO₂ from the Minnkota's Milton R Young Station. Other sites that are being evaluated for CO₂ sequestration are the Rainbow Energy Center, Midwest AgEnergy's Blue Flint Biorefinery, and the industrial development west of Williston near Trenton.

Current incentives promote sequestration over use. There are many practical uses for CO₂. Ironically, in a world where we are all worried about too much CO₂ in the atmosphere, we are desperately seeking CO₂ for industrial and municipal use. CO₂ has many industrial uses - carbonation of beverages, a key nutrient feedstock in greenhouses, metal fabrication, cooling systems, fire suppression and as a feedstock for treating municipal wastewater and as a curing agent for concrete.

Red Trail Energy in Richardton is currently actively sequestering all its biogenic CO₂ generated. They estimate that they are on schedule to sequester 180,000 tons per year of CO₂. This is the first in the nation facility to become permitted under a State Class 6 Primacy to capture and sequester CO₂.

Many of the projects (including foreign investors, like Sumitomo) we have been working with cite their driving factor is lowering their Carbon Intensity Score. This is only possible with a viable carbon sequestration opportunity in the state. It is a goal of Commerce to develop CO2 sequestration as a utility as readily accessible as power, gas or water supply. We are discussing with some companies about developing several carbon sequestration sites to be able to offer this service to companies considering locating to ND.

Synergy

With all of these projects in the portfolio, the most logical way to make the best and most efficient use of the resources and land we have available is to work to develop these entities in hubs or parks. The grouping of complementary facilities next to each other makes economic and synergistic sense.

We are promoting several of these hubs across the state. Several already exist or are planned (Minot Intermodal Site, Spiritwood Energy Park, Rainbow Energy Center, Trenton Eco Park). Commerce will work to find synergies between companies wanting to locate to ND. We will work to place them in the area that best suits their utility and logistics need. We will also work to co-locate entities that would gain synergy.

Fertilizer Projects

Several projects proposed are currently proposed in various locations across the state. ND imports 80% of its fertilizer products. The balance is imported (nationally and internationally). This is problematic as supply chain issues continue to disrupt markets. A single facility proposed would produce approximately 20-30% of the need in the state. Our farmers pay the highest prices in the country for fertilizer. Establishing an effective fertilizer production industry is a top priority for us in the next biennium.

Pipeline to Eastern ND

A pipeline to move gas from western ND to eastern ND was proposed in the 2021 legislative session. The legislature approved a \$150 million fund to facilitate the construction of this pipeline. This pipeline would reduce the congestion of natural gas in Western ND while promoting development across North Central and Eastern ND. Fertilizer production and soy processing plants in Grand Forks would utilize natural gas supply from the Bakken. Private developers need to have commitments for a significant volume of the gas prior to committing to building the line. Commerce will work diligently to identify and lock down those developments that will support the project plan for the west to the east natural gas line. This effort will support the utilization of the overabundance of natural gas.

Hydrogen Hub

The EERC has submitted a concept paper to the Department of Energy. This concept paper has resulted in an invitation to submit a full application by April of 2023. 79 concept papers were submitted, with 33 being encouraged to submit a full application. Of those 33, 6-10 will be selected to receive a share of the \$7 billion in grants to establish regional hydrogen hubs.

These will create a network of producers, consumers, and local connective infrastructure to accelerate the use of hydrogen as a clean fuel source.

ND's hydrogen hub is a combination of green and blue hydrogen, taking advantage of CO2 sequestration.

UAS/Autonomy

The commercial drone market is \$24.39 billion and is forecasted to reach \$504.5 billion by 2030. Industry growth is expected to be driven by regulatory advancements and technological innovations. ND is home to a strong UAS ecosystem having unique expertise, capabilities, and amenities that appeal to industry, academia, and federal agencies. Our Northern Plains UAS Test Site is one of only seven FAA-approved UAS test sites in the nation. Grand Sky, the nation's first UAS-focused business park, is poised to build upon its successes to date as its anchor tenants experience considerable growth. Vantis is a major project of the Northern Plains UAS Test Site and is designed to enable safe beyond visual line of sight (BVLOS) UAS operations across ND. The ND UAS ecosystem already features prominent companies such as Northrop Grumman and General Atomics; successful service providers such as ISight Drone Services, Frontier Precision, and SkySkopes; and rapidly scaling businesses such as Thread and Packet Digital.

Promoting the State

ED&F is in an enviable position right now that we get to guide the development of projects that are the most economically beneficial, most environmentally conscious, and the best fit for the citizens of ND. We evaluate these potential projects, help them identify the needs they have and pair them with the best locations in the state. The key here is that we can bring the best-suited projects to ND. We will do so by working hand in hand with both workforce development and community development growing in a controlled, organized manner. Economic development without consideration of workforce or community results in chaotic boom/bust cycles. Economic development with consideration to these two key elements results in strong, vibrant, economically stable communities.

With the incredible amount of project potential and potential volume of federal funding, we have organized an Energy and Economic Coordination Office within ED&F. The purpose of this office will be to coordinate the economic development efforts for the State in the energy sector. They will coordinate with all the various entities having expertise in various energy areas (ND Pipeline Authority, the ND Transmission Authority, the ND Department of Mineral Resources, ND University System, the EERC, EmPower ND, the Lignite Energy Council and the ND Petroleum Council.)

Funding

ND Investment Fund – Requesting funding at \$30 million

LIFT – Request funding at \$20 million

Innovate – Funding level request for biennium - \$948,000

We also support the use of several other funding sources housed in other agencies. We support the continuation and enhanced funding of these sources:

Clean Sustainable Energy Authority – Funding at higher levels

Renewable Energy Authority – Very popular program

APUC – key first stop for new projects in the ag sector

Lignite Research Council

Oil & Gas Research Council

Bank of North Dakota – Retaining Earnings

Economic Development & Finance Budget Highlights

Budget Overview –

\$300,000 increase for increased operating expenses

\$10 million Automation Budget Grant

\$22 million grants budget for Grand Sky

\$30 million for Northern Plains Test Site

1 FTE – Office of Autonomy

Federal Funding Opportunities

Support of *Hydrogen Hub* Application (*IRA*)

Investigating opportunities in *Regional Technology & Innovation Hub* (*CHIPS ACT*)

State Energy Program

Several other programs are being investigated

Summary

In summary, ND has been doing amazing things. We have never feared hard work. Challenges have been a way of life here from the beginning, but so have opportunities. It is when we pair those challenges, hard work and opportunities, we make our own good fortune for the citizens of ND.

Chairman Nathe and committee members, this concludes my testimony. I ask for your support for House Bill 1018. I would be happy to answer any questions.

Thank you.