

## **House Bill 1014**

### **Testimony of Industrial Commission Interim Executive Director Karen Tyler**

#### **Before the House Appropriations Government Operations Committee**

**January 12, 2023**

Good morning, Mr. Chairman and members of the committee. I am Karen Tyler, the Interim Executive Director for the North Dakota Industrial Commission. On behalf of the team that you will hear from throughout the course of the day, it is a pleasure to appear before you to discuss the appropriation for the Office of the Industrial Commission, and the industries, agencies and programs that report to the Commission.

The Industrial Commission was created by the legislature in 1919 and its general authority is found under Chapter 54-17 of the North Dakota century code. It is made up of the Governor as Chair, the Attorney General and the Agriculture Commissioner.

The Industrial Commission has a very broad and diverse portfolio of authority ranging from the oversight of our state-owned industries, to the financing of state

buildings and infrastructure, to the regulation of our oil and gas industry, to supporting affordable housing programs, to overseeing highly impactful grant programs, to serving as the state's pipeline authority and transmission authority.

With the gift of our geography, the ingenuity of our citizens, and our exceptional fiscal health, North Dakota stands apart. We lead the country in transformative energy innovation, and the Industrial Commission plays a pivotal role in supporting this work and the economic impact it has on the state. The budget request you have before you sets forth the necessary resourcing for the Industrial Commission industries, agencies and programs to excel in delivering on the Commission's mandates.

Inside the front cover of the testimony binders we have prepared for you is the planned schedule of testimony for the day as well as contact information for all of our agency and program leaders.

I will begin with a discussion of the budget priorities for the administrative office, and then our Deputy Director Reice Haase will provide an overview of the Commission and a closer look at the grant programs overseen by the Commission. Reice will also discuss the Transmission Authority and a new grid resiliency grant

opportunity that we are requesting in our budget, and then we will transition to our other agency leaders.

Before I discuss the funding request for the Administrative Office, I would like to first identify the strategic priorities that inform our request.

- 1. Move the administrative office toward a more optimal staffing level and establish or expand operational and fiscal management capacity.**
- 2. Invest in technology that will improve grant management, contract management and meetings management across all programs,**
- 3. Build an electronic records future state, and disposition decades of historical records through a comprehensive records management project and program.**

Section 1, Subdivision 1.

The budget for the Office of the Industrial Commission is found within the appropriation presented in Section 1, Subdivision 1 on page 1 of HB 1014. This Subdivision of the bill shows the combined appropriation for the Administrative Office, the Department of Mineral Resources, and the Public Finance Authority. The Administrative Office budget is also referenced separately in Section 5 on page 4, and Section 12 on page 6 of the bill.

Below is a breakout of appropriation requests by entity included in subdivision 1:

**Legislative Base Level Subdivision 1**

	<b>DMR</b>	<b>Admin</b>	<b>PFA</b>	<b>Total</b>
40510 Salaries and Benefits	\$22,095,326	\$908,711	\$694,082	\$23,698,119
40530 Operating Expenses	\$4,632,291	\$305,999	\$181,668	\$5,119,958
40550 Capital Assets	\$0			\$0
40560 Grant Payments	\$0			\$0
40573 Bond Payments	\$0		\$22,040,721	\$22,040,721
Total All Funds	\$26,727,617	\$1,214,710	\$22,916,471	\$50,858,798
Less Estimated Income	\$238,004	\$1,214,710	\$22,916,471	\$24,369,185
Total General Fund	\$26,489,613	\$0	\$0	\$26,489,613
FTE	101.5	4.0	2.75	108.25

**Governor's Recommendation Subdivision 1**

	<b>DMR</b>	<b>Admin</b>	<b>PFA</b>	<b>Total</b>
40510 Salaries and Benefits	\$25,632,721	\$1,285,586	\$919,093	\$27,837,400
40530 Operating Expenses	\$6,048,092	\$583,459	\$208,247	\$6,839,798
40550 Capital Assets	\$98,000		\$30,000	\$128,000
40560 Grant Payments	\$0			\$0
40565 IIJA Grant Match		\$8,892,485		\$8,892,485
40572 General Fund Transfers	\$250,000			\$250,000
40573 Bond Payments	\$0		\$119,879,913	\$119,879,913
Total All Funds	\$32,028,813	\$10,761,530	\$121,037,253	\$163,827,596
Less Estimated Income	\$268,000	\$9,139,303	\$121,037,253	\$130,444,556
Total General Fund	\$31,760,813	\$1,622,227	\$0	\$33,383,040
FTE	107.0	5.0	3.75	115.75

The total request for the Office of the Industrial Commission is \$10,823,930. This request varies from the executive budget recommendation by an increase of \$62,400. This request includes funding for:

1. 1 new FTE, with salaries, benefits and operating totaling \$183,476
2. Executive budget salary and benefit increases of \$102,154
3. Increases in our operating line for:
  - a. office space rent - \$20,305
  - b. records management - \$75,000 one-time
  - c. Transmission Authority Director's contract - \$250,000
  - d. technology costs - \$68,000 on-going
4. This request also includes \$12,400 in on-going operating funds to cover costs of participation in key energy industry professional development events
5. Funding from the general fund for the Infrastructure Investment and Jobs Act grid resiliency grant match and the spending authority for the federal funds component. Reice will provide more detail on this program

There are two items in our budget that were included as one-time expenditures and we would request that they be adjusted to an on-going status. They are the

\$20,305 included for our rent increase, and the \$250,000 for the Transmission Authority Director's contract.

In regard to the variation from the executive budget recommendation, the additional \$62,400 is for the professional development funding of \$12,400, and additional on-going technology expense of \$50,000 for software licensing related to meetings management. The Office of the Industrial Commission manages and supports approximately 35 public meetings on an annual basis.

We hope to have a much more detailed discussion about our grant programs and needed improvements to our grant management system as we move through the budget process, but as an introduction to that discussion, I want to flag the contributing factors driving the need for a significant technology investment, which are: the number of programs, number of grant rounds, volume of applicants and recipients, technical review requirements, number of contracts executed, volume of payments, verification of matching requirements, reimbursement-based nature of the programs, and the extent of reporting requirements – all of these combine to render our current resources severely deficient.

The administrative office budget has historically been a special fund budget that is funded through cost assessments made on the various agencies and programs the office supports. You will find this assessment authority and transfer requirement set forth in Section 5 of the bill. While we request that this mechanism remain in place for the funding of the administrative office for the 23-25 biennium, this budget cycle you will also see some general fund requests included in our budget for the IJJA grant match and the Transmission Authority contract.

Historically the administrative office has been allowed to carry over any remaining appropriation at the end of a biennium, which then may allow for a reduced cost assessment to the industrial commission agencies and programs in the next biennium. You will find the authorizing language for the carry over in Section 12 of the bill.

Both Section 5 and Section 12 will need to be amended for your final determined appropriation.

The Office of the Industrial Commission is entering a period of significant change and the budget request we are making is critical to a successful transition and transformation driven by our strategic initiatives. As you will see from Reice's overview, what began as a Commission overseeing 2 state owned businesses and

1 bonding and financing program has grown into oversight of 16 different industries, agencies, and programs, and we are aware of the potential for more.

While we are requesting only 1 new FTE, if additional programs are added this session, we ask that appropriate staffing and resources accompany the initiative.

In addition to your consideration of our budget request, I also respectfully request that the committee consider the establishment of the administrative office as a unique agency entity, with its own agency number and unique fiscal identity.

Researching the history of why the administrative office is given the same agency number as the Department of Mineral Resources (405), and why our budgets are combined, the answer appears to be that there was a time when the Industrial Commission Executive Director and Secretary salary was paid from the Oil and Gas Division's budget, prior to the merger of the Oil and Gas Division with the Geological Survey – this arrangement appears to date back to 1981.

We know there is much more to this request than creating a new subdivision of our budget bill, but we would like to get the process started. We are so grateful for the support of the talented fiscal and human resources team at the DMR, and we will need to continue to lean on them as we develop operational capacity and



fiscal autonomy, but we do ask that the transition can begin with action taken this session.