

Engrossed House Bill 1014

Testimony of Industrial Commission Interim Executive Director Karen Tyler

Before the Senate Appropriations Committee

March 1, 2023

Good afternoon, 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.

Inside the front cover of the testimony binders we have prepared for you is the planned schedule of testimony for the day, the Industrial Commission organizational chart, 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 a new grid resiliency grant opportunity that we are requesting in our budget, and then we will transition to our other agency leaders.

There are a number of strategic priorities that inform the budget request for the Office of the Industrial Commission:

- 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 Engrossed HB 1014. This Subdivision of the bill shows the combined appropriation for the Administrative Office and the Public Finance Authority, after removing the funding for DMR and moving it to a separate category. The Administrative Office budget is also referenced separately in Section 8 on pages 6 and 7 of the engrossed bill.

Breakout of appropriation requests for IC Admin Office and PFA included in
subdivision 1:

	Admin	PFA	Total
40510	1,578,253	892,983	2,471,236
40530	3,513,693	193,325	3,707,018
40550	1,250,000		1,250,000
40560	33,623,893		33,623,893
40570		<u>119,879,913</u>	<u>119,879,913</u>
Total	39,965,839	120,966,221	160,932,060
Less Estimated	35,540,983	120,966,221	156,507,204
General Fund	4,424,856	0	4,424,856

The total request for the Office of the Industrial Commission includes the following adjustments:

1. 1 new FTE, with salaries, benefits and operating totaling \$183,476 – a 2nd FTE was added by the House at our request and due to additional programs being added to the Commission this session
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 – this amount was increased to \$300,000 by the House
 - d. technology costs - \$68,000 on-going
 - e. grant management technology – spending authority of up to \$250,000 per grant program
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 drive the need for a technology solution.

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 8 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, which would not be included in this assessment and transfer.

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. This language is also included in Section 8 of the engrossed bill.

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 during the first half of the session, legislation has passed that will add to the Commission's role.

