

TESTIMONY OF

**Joshua Teigen, Commissioner, ND Department of Commerce**

Chairman Bekkedahl and members of the Senate Appropriations Committee, 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 my colleagues and I show up every day with nearly 800,000 shareholders to answer to, which is not something we 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 go into individual division reports for a deeper dive into each of the areas. I figured we would break up just standing at the podium a little and show you this short video that overviews what we do at Commerce.

At a high level, Commerce exists to attract and retain wealth for the state of ND. What Commerce has been able to do on these fronts since the last time we stood in front of you is nothing short of remarkable. We accomplish our mission primarily through the attraction of capital and talent 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 office of Economic and Energy Coordination, 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 Ag, 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. The final office is the Office of Autonomy which was introduced in the Executive Budget. This office will own the strategy for autonomy and automation statewide, and bring together various agencies such as NDDOT, NDIT, Commerce, along with the Northern Plains UAS Test Site, Vantis, Grand Sky, and industry partners to cement ND at the forefront of autonomy in the future.

There has never been a biennium where Commerce has accomplished more or delivered on our mission more than this past one. From landing three soybean crushing facilities that will take 75% of our state's annual production, to the Cerilon gas-to-liquids project which is over \$5 billion and will take half a billion cubic feet per day of natural gas, to helping put together the multi-state hydrogen hub application. Last session I stood at this podium and spoke about the \$2 billion in deal flow that we had worked on over the '19-'21 biennium. Today our deal flow stands at over \$46 billion. We are in unprecedented times for capital attraction in our state and I am incredibly proud of our team and their role in delivering those results.

The biggest challenge we face as a state is undoubtedly workforce. Commerce houses the Workforce Development Division and leads the state's strategy as chair of the Workforce Development Council as well. However, workforce is not something that exists within its own silo. Everything we do at Commerce is synergistic in nature which enables us to execute our mission to attract talent and capital to improve the quality of life and prosperity for our state.

The tip of the spear for us is our Marketing and Tourism Division, which brings eyes to the state and encourages people to visit. We know that people are far more likely to move here if they have visited first. This is a great first step in attracting workforce. Once people have visited, it is crucial that they have healthy, vibrant communities to engage with and ultimately move to. This is where our community development team within our Community Services Division comes in. In today's digital age, people get to choose where they live first, and where they work second. As a state, healthy and vibrant communities are at the core of our value proposition. We are in an era where the quality of life is economic development. In addition to great communities and recreation opportunities, we need to provide positive job opportunities. This is where our economic development and finance efforts come into play and where the wins over the past two years have helped craft a remarkably bright future for our economy. Our workforce team is then the concierge that helps people complete the process of locating in our state.

You can clearly see the synergistic nature of what we do and the objectives that we are looking to accomplish. We ask for your continued support to appropriately resource us to execute the mission of improving lives for all North Dakotans.

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.

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 Development Division (2 FTEs)

Office of Automation (1 FTE)

Community Services Division (4 FTE)

Global Engagement Office (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 (10% over the biennium). 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 benefits 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 for 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 as we go forward.

<b>Object/Revenue</b>	<b>2023-25 Total Budget Recommended</b>
<b>Description</b>	
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
<b>TOTAL BY APPROPRIATIONS ORGS</b>	<b>\$ 262,373,002</b>
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
Uncrewed Aircraft System	-
ND Trade Office	-
Partner Programs	1,562,531
Entrepreneurship Grants	948,467
CARES Act Funding - 2020	-
<b>TOTAL BY OBJECT SERIES</b>	<b>\$ 262,373,002</b>
General	119,274,111
Federal	46,555,556
Special	96,543,335
<b>TOTAL BY FUNDS</b>	<b>\$ 262,373,002</b>
<b>TOTAL AUTHORIZED EMPLOYEES</b>	<b>63.80</b>

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

<b>Object/Revenue</b>	<b>2021-23 Biennium Appropriations</b>	<b>2023-25 Total Budget Recommended</b>
<b>Description</b>		
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
<b>TOTAL BY APPROPRIATIONS ORGS</b>	<b>\$ 186,446,127</b>	<b>\$ 262,373,002</b>
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
Uncrewed Aircraft System	-	-
ND Trade Office	-	-
Partner Programs	1,562,531	1,562,531
Entrepreneurship Grants	948,467	948,467
CARES Act Funding - 2020	-	-
<b>TOTAL BY OBJECT SERIES</b>	<b>\$ 186,446,127</b>	<b>\$ 262,373,002</b>
General	34,667,572	119,274,111
Federal	112,320,270	46,555,556
Special	39,458,285	96,543,335
<b>TOTAL BY FUNDS</b>	<b>\$ 186,446,127</b>	<b>\$ 262,373,002</b>

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**TOTAL AUTHORIZED EMPLOYEES****58.80****63.80**

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

1. Beyond Visual Line of Sight Uncrewed Aircraft System Enhanced Use Lease Grant - \$19 million was appropriated from the Strategic Investment and Improvements Fund 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, did ice blasting \$48,717.76, detailed plat prepared \$28,455.25 and created a concept building design & hazardous material specification \$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 the 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 ND 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 \$50 million for the 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 catalyze investment to bring ancillary businesses 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.

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

	<b>SB 2345</b>	<b>Amount</b>	<b>January 2023</b>
ND Development Fund	Section 35	\$5,000,000.00	Transfer Completed
Autonomous Agriculture Matching Grants	Section 37	\$10,000,000.00	\$279,697.25
Workforce Development Incentive Grant Program	Section 38	\$15,000,000.00	\$2,196,692.71
Technical Skills Training Grant Program	Section 39	\$5,000,000.00	\$233,800.82
<b>HB 1506</b>			
Workforce Community Services Program	Section 19 (60163)	\$1,074,888.00	
Community Development Planning Grant Program	Section 20 (60164)	\$1,000,000.00	\$163,773.95
Workforce Innovation Network Grant Program	Section 21 (60167)	\$100,000.00	\$41,257.49

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

<b>Program Name/Description</b>	<b>Estimated Federal Funds to be Received</b>
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	6,000,000
LIHEAP	10,000,000

Community Services Block Grant	7,000,000
SHOPP	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
<b>Total</b>	<b>\$ 54,018,402.50</b>

In closing, I would like to address some items that we requested but were removed or amended by the House. You will hear more detail from the division directors on each of these items, but I wanted to provide you with a high-level overview.

- The House cut \$270,178 for salary increases and \$100,000 for salary equity increases. We would request this be reinstated as we are fiercely competing with the private sector for talent. We have tremendous people working at Commerce and we must remain competitive on pay to retain them.
- We requested an FTE for the Main Street Initiative, which was cut, but we feel this is critically important to maintain healthy, vibrant communities in the state and this position is crucial for the ability to execute that mission. Additionally, the House cut the community development grants from \$800,000 to \$400,000.
- In rural communities, we know there is a need for housing and the removal of slum and blight, so we proposed two new programs to address those needs. The House proposed combining those programs into one program, which we agree with, but the funding was cut from \$15.5 million to \$7 million, and we would request that be reinstated to \$15.5 million.
- Regarding workforce, our talent attraction program was cut from \$24.8 million to \$8 million and we believe this is one of the most critically important issues and we request that it be resourced properly to the amount requested. Additionally, our workforce investment grant programs were cut from \$20 million to \$15 million.
- Lastly, our Tourism Destination Development Fund was cut from \$50 million to \$25 million and we request that it be reinstated at the \$50 million level.

Two of the major items that were increased from our request by the House are:

- Funding for Grand Sky was increased to \$28 million, and the executive budget contained \$7 million.
- The ND Development Fund had a request for \$30 million. This was increased to \$150 million by the House in response to a separate bill introduced for \$500 million by Rep.

Brandenburg regarding attracting a fertilizer plant to the state. It was determined that \$120 million was adequate to accomplish that mission and the NDDF was the best place to administer those investment dollars.

Mr. Chairman and members of the committee, this concludes my testimony and I urge you to support HB 1018, I will be happy to stand for any questions that you may have before I turn the podium over to Maria.

#### TESTIMONY OF

#### **Maria Effertz, Division of Community Service Director**

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. Additionally, we are proud to support small and large communities across the state with the Main Streets and nonprimary sector businesses development and growth. Without a strong Main Street, we do not have the ability to recruit and retain workforce, visitors, or businesses.

Today, you can read in my testimony the work we do in a variety of critical areas in community, but I would like to take most of this time to share the work we do regarding future needs and how we can support and implement federal funds to benefit multiple areas of our state.

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.

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.

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 installer 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 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.

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 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.

We are requesting an amendment to accept and administer \$15,131,495 funding along with the ability to hire two full-time employees to support both the fiscal and program administration. 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

The amendment request is:

- To accept and administer \$15,131,495 funding for the weatherization program
- 2 FTE's for fiscal and program administration

The State Energy Program (SEP) promotes energy efficiencies and conservation through funding from 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 amendment to accept and administer up to \$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 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 amendment request is:

- \$20 million IJJA SEP
- \$90 million IRA SEP rebate program
- 1 FTE

The 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 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.

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.

Our approach to supporting communities is a whole of government, both federal and state, approach. In the last year the small but mighty community liaison staff of one has visited 42 communities. Our outreach has been immensely well received and we learned that **fourteen** of these communities had **NEVER HAD SOMEONE FROM THE STATE VISIT**. These programs and deliverables do not work without the people who can support this important work. We ask that you reinstate the one FTE to support planning and education and reinstate the \$400,000 that was cut from the granting budget.

No matter how much work we do to plan there are certain elements of a community that need to be in place to attract and retain workforce. One of those is housing. Rural communities face multiple unique workforce housing challenges. The lack of housing options, age of housing

stock, construction costs, lack of builders and contractors, limited financing capabilities, and lower appraisal values negatively impact local economies.

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 the 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.

We are requesting the Senate reestablish both the housing budget to \$5 million pilot grant to target displaced, blighted and unsafe properties to effectible infill housing units and the slum and blight pilot program to \$10 million to allow this fund to be a total of \$15 million. Putting the housing and Main Street Slum and Blight Removal Program together as one program is workable, but to make an impact and provide solid results, we ask that the total be re-established to the original request.

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

## TESTIMONY OF

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

Chairman Bekkedahl and members of the Senate Appropriations Committee, my name is Rich Garman and I am the director of the Division of Economic Development and Finance (ED&F). I've been with Commerce for one and a half years. I was in the energy industry for 30+ years. The last 15 were spent at Great River Energy as a project manager and economic developer. While at Great River Energy, I saw the completion of several major projects: Spiritwood Station, Dakota Spirit Ethanol, Spiritwood Energy Park, and the decommissioning/demolition of the Stanton Station. Thanks to your good work, I never finished my final project. That project was the decommissioning/demolition of the Coal Creek Station. I did not want to complete that project. You did the impossible. When a power plant is marked for demolition, they don't make a comeback. Only in ND could this have been accomplished. You saved an industry, the livelihoods of 1000's of North Dakotans (many of my former co-workers and friends) and several ND communities.

#### **Overview**

I want to give you a snapshot of the current project portfolio. We have over 100 projects in the portfolio with a value exceeding \$45 billion. These projects range from ag, to energy, autonomy, technology, and manufacturing. We are taking a proactive approach and seeking out these opportunities.

The Bakken oil play is moving from an oil to a gas play. The pipeline capacity moving natural gas from the Bakken is essentially full and produced gas will double in the next decade. Developing projects that add value to natural gas at the source is essential. This allows increased gas production thus maintaining tax revenue. Several of those large gas-consuming projects are proposed or underway.

Gas to Liquids: A \$3-\$5 billion being 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: 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 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 Talon Metals announcing they will be locating a nickel processing plant in Mercer County. This facility will bring nickel mined in Northern MN to be processed in ND. The nickel processed will be sold to battery manufacturers (Tesla). The capital construction budget is \$400 million. Talon Metals also received a \$114 million Department of Energy grant. Projects like this and lithium production will help us attract potential battery manufacturers.

Autonomous Farming: Autonomous farming brings agricultural technology collaboration. It fosters and a collaborative environment 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 agricultural technology projects, rapid prototyping capabilities, and increased research and educational capacity. In 2022, Grand Farm was awarded an RFP that consisted of 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.

CCSU: Red Trail Energy is currently sequestering all its biogenic CO<sub>2</sub> generated. They are on schedule to sequester 180,000 tons/year of CO<sub>2</sub>. This is the first project in the U.S. to become permitted under a State Class 6 Primacy.

## **Finance Update**

### **InnovateND**

InnovateND is a grant program for scalable, North Dakota startups. Entrepreneurs accepted into the program have an opportunity to make it through four phases to receive a total of \$40,000 in grant funding to advance their business. The InnovateND program is in the midst of another successful biennium. Possibly too successful, as demand for the program outpaced the program's budget and Commerce was forced to put a pause on accepting new applicants halfway through the biennium. The program awarded 72 ND startups \$861,687 to assist the companies with their business idea. Of the 72 participants, 23 of them are in phase four or successfully graduated from the program.

Commerce has assisted in the administration of the InnovateND program through a partnership with four entrepreneur centers:

- Center for Technology and Business in Bismarck
- Jamestown Regional Entrepreneur Center
- NDSU Research & Technology Park
- UND Center for Innovation

## **LIFT**

The Innovation Technology Loan Fund (LIFT) is a revolving loan fund to support technology advancement in North Dakota. LIFT was established by the 2019 legislative session for the purpose of providing financing for the commercialization of intellectual property within the State of ND. The fund offers five-year, low-interest loans and is jointly administered by the Bank of North Dakota.

The LIFT program received high-quality applications throughout the biennium and awarded loans to 24 companies, totaling \$17,148,790. LIFT funding was exhausted in January of 2023. The LIFT program was able to award funding beyond the \$15 million appropriation it received for the 2021-2023 biennium as a result of loans it awarded during the 2019-2021 biennium into two companies (Appareo Systems and Infinite Leap) which underwent successful acquisitions. It's anticipated that the acquisition of these two companies will come with additional investment and continued expansion and employee count within North Dakota. The top four industries that are represented by companies that have received LIFT funding include health care, agriculture technology, advanced computing and data management, and uncrewed aerial systems.

LIFT has been a tremendous tool to keep talented entrepreneurs and promising companies in North Dakota as well as recruit companies from outside of the state. Given the current rate environment and the relative difficulty, companies are having in raising venture funds, we only see the volume and strength of applications for LIFT will increase next biennium.

## **NDDF**

The ND Development Fund is a statewide nonprofit development corporation with the authority to take equity positions in, to provide loans to, or to use other innovative financing mechanisms to provide capital to new or expanding businesses in ND or relocating businesses to ND. The NDDF was established in 1991 and since that time it has been able to achieve a return on investment of \$21.34 to every \$1 invested, fund 878 projects, and assist in the creation of 9,182 jobs.

The NDDF staff takes a disciplined approach toward making informed credit and investment recommendations to its board. As a flexible gap financier, the NDDF fills a critical gap in the financing continuum. The NDDF's unique ability to provide capital through debt and equity vehicles helps fill gaps left by the private sector in a wide range of transactions.

The NDDF has provided capital to several transformational projects during this biennium:

1. Cerilon GTL
  - a. Building a gas-to-liquid facility in Trenton, ND
  - b. NDDF \$'s invested: \$3,000,000
  - c. Estimated project cost: \$3-5 billion
2. Wellspring Hydro
  - a. Building a produced water processing plant that will extract minerals from water that can be marketed and sold
  - b. NDDF \$'s invested: \$1 million
3. Checkable Medical
  - a. Rapid diagnostic + digital health company, starting with the development of an at-home strep test
  - b. NDDF \$'s invested: \$1 million

#### 4. Corvent Medical

- a. Company designs and manufactures ventilators for the post-ICU market
- b. NDDF \$'s invested: \$3 million

The NDDF also contains the Child Care Loan Program and has invested in a number of child care facilities this biennium and continues to see an increase in demand for additional child care capacity statewide.

### **Challenges and Opportunities**

With this growth, we have a few growing pains as well. We see these as opportunities to grow and learn.

#### Growing portfolio

We have an increasing portfolio of projects we are managing (\$2 billion to over \$40 billion in a few years). 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

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. Commerce is making sure it happens on a regular cadence. To facilitate this, Commerce will be working on a media relations kit to share with our local development partners.

#### Incentives

ND offers generous incentives for projects. The value 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 million was a rare item. Today, those are common and now projects over \$1 billion are becoming common. Our incentives packages need the ability to grow with the size of the projects we have in the portfolio now.

### **OUR FUTURE IS BRIGHT**

#### Value Added

Our mission at Commerce is to bring wealth into the state. ND has a long history of producing a steady stream of commodity products. Our first commodity products were in the agricultural sector beginning even before we became a state. We have typically shipped these commodities out of state for others to add value to them. We are working diligently to site projects in the

state that add that value right here in ND. You will hear about several of these projects in the next few minutes that add value to our state's valuable resources.

### CCSU

The latest prize that ND has lying beneath our feet is simply empty space (pore space) which is strategically placed between layers of non-porous rock. Several years ago, our leadership had the foresight to obtain Class 6 primacy from the EPA. Primacy allows ND to permit its own CO2 injection wells. This is a valuable asset with the passage of the Inflation Reduction Act which sets the pricing of sequestered CO2 at \$85 per ton. 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 bringing wealth into ND.

We have a goal of carbon neutrality by 2030. The key to making this goal is the geology of Western ND. Importation of CO2 from ethanol plants from neighboring states and Southeast ND is part of the solution. The Summit Carbon Pipeline will open opportunities in Western ND for carbon sequestration. ND is also poised to take advantage of the sequestration funding of IRA with the implementation of Project Tundra, Rainbow Energy Center, Blue Flint Biorefinery, and the development near Trenton.

Current federal incentives promote sequestration overuse. In a world where we are worried about excess CO2 in the atmosphere, we are desperately seeking CO2 for industrial and municipal use. CO2 has many uses – beverage carbonation, nutrient feedstock in greenhouses, metal fabrication, cooling systems, fire suppression, feedstock for treating wastewater and as a curing agent for concrete.

Many projects cite their driving factor is lowering their Carbon Intensity Score. This is possible with viable carbon sequestration in the state. It is a goal of Commerce to develop CO2 sequestration as a utility as accessible as power, gas or water supply. We are working on scenarios to develop several carbon sequestration sites to be able to offer this service to companies considering locating to ND.

### Synergy

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.

Working on a hub concept where single larger solutions are presented for logistics needs (roads and rail) and infrastructure needs (power, gas, water, waste processing, data, sequestration, etc.).

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, logistics and synergistic needs. We will also work to understand where the State can lend support to these projects.

### 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.

### Hydrogen Hub

The EERC submitted a concept paper to the Department of Energy. This paper has resulted in an invitation to submit a full application by April 2023. 79 papers were submitted, with 33 being encouraged to submit a full application of which six 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.

### 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 of these two key elements results in strong, vibrant, economically stable communities.

### Energy & Economic Coordination Office (EECO)

With the incredible amount of project potential and volume of federal funding, we have organized an Energy and Economic Coordination Office (EECO) within ED&F. This office will 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.)

### Office of Autonomy

We are requesting one FTE for this next biennium to stand up the Office of Autonomy. Its mission would be like the EECO in bringing together all the state's entities that work with autonomy or automation to work for a common economic development goal.

### Budget Requests

\$300K increase for operating expenses

\$10M Automation Grant

\$7M for Enhanced Use Lease

\$30M for Beyond Visual Line of Sight – Uncrewed Systems

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

### TESTIMONY OF

**Shawn Kessel, COO/Deputy Commissioner, Global Engagement**

Chairman Bekkendahl and members of the Senate Appropriations Committee, my name is Shawn Kessel and I have the privilege of serving as the chief operating officer and deputy commissioner at Commerce. For the first four and a half years at Commerce, my focus has been inside the borders of the state working primarily on community development, but recently my focus has changed to outside the borders of the state by promoting ND and the advantages of foreign direct investment (FDI) in ND.

A very brief history lesson – the ND Trade Office (NDTO), which started in the Agriculture Department, was moved to Commerce and then back to the Agriculture Department last session. In the last move, Commerce retained the FDI strategy. We continue to work closely with the NDTO in their pursuit of trade and in our promotion of FDI.

Some of you may be asking what's the difference between trade and FDI? Trade is the buying and selling of goods. The NDTO is excellent at this and has been active for decades. FDI is an ownership stake by a foreign company or project made by an investor, company or government from another country. Examples of FDI that you may be familiar with are the purchase of Bobcat by Doosan, a South Korean company; the purchase of Cirrus by Arcipata Group out of Bahrain in 2001 and then sold to Aviation Industry Corporation out of China in 2011; Cerilon, a Canadian-based company; and Equinor, a company owned by the Norwegian government.

We began the FDI effort last session under the acronym COIN but evolved into the ND Global Engagement Office (GEO). GEO offers customized services:

- Identification and engagement of compatible foreign markets and expansion-ready foreign business.
- Act as a liaison between foreign businesses and ND.
- Perform foreign market research.
- Foreign investment mission planning and execution (Japan).

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

### Opportunity

If there are foreign companies already doing business in ND, how big is the opportunity if we invest more? 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 and that was a significant reduction due to COVID. 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.

### How do we identify who we work with?

Earlier I mentioned some familiar businesses in ND that are owned by foreign companies and some of you may wonder how we intend to identify additional opportunities. 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 asks questions like:

- Are they a friendly nation with the US?
- Is the government politically stable?
- Is there alignment between the company's interest and expertise and current ND industries/resources?
- What is the country's gross domestic product (GDP)?
- What is the country's five-year foreign direct investment trend?

- Do businesses in the country have a current relationship with NDTO, ND companies or ND political entities?

### 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	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Businesses Acquired	0	32	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Businesses Established	0	0	3	6	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Businesses Expanded	4	13	0	0	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Goals

- Governor-led investment mission once every two years
  - 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
    - Currently working with three Japanese companies on in-state projects
    - 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.
    - No less than three Japanese companies have visited ND and are actively seeking opportunities.
      - If one deal is consummated and a new facility constructed, we are likely going to see an investment of well over \$500 million in ND.
- Commissioner/Commerce-led mission at least annually
  - Economic Development
  - Capital Attraction
  - 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

To continue the achievements made already we would like to see an investment in the GEO Budget

- \$368,500 operating budget
- \$268,430 salary and benefits
  - Total \$636,930
- Request 1 FTE

If one business comes to ND and invests \$500 million that would be an ROI of 785x.

Before I turn the podium over to Katie Ralston Howe, I would like to find out if there are any questions I can try to answer.

TESTIMONY OF

**Katie Ralston Howe, Workforce Division Director**

Chairman Bekkedahl and members of the committee, I'm Katie Ralston Howe and I have served as the Workforce Development 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 that served as the foundation for Gov. Burgum's ND Works Investment plan. Seven of the Council's recommendations 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 of 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 for which we are currently accepting applications, 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 challenges primarily related to limitations within the federal funding source, we've seen tremendous success with this program. To date, we have awarded \$14,218,377 to 59 projects with a few awards still pending. Once these remaining proposals are approved, more than 60 projects will be 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 continue 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 the \$20 million we're requesting is to create more flexibility in how grant funds can be used to foster more creativity and innovation in the projects communities develop. We are also asking for 1 FTE to administer this program.

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. 31, 2021. This program is designed to support eligible training providers and employers in their efforts to launch or expand rapid, non-degree re-skilling and upskilling programs.

Since its inception, the Technical Skills Training Grant has supported the launch and expansion of 34 programs in health care, energy, transportation and logistics, IT, welding, UAS, and more. This biennium alone, we've obligated \$1,135,876 to 20 training programs that are upskilling and reskilling workers across the state. Most of the training programs we've supported using federal dollars are sustainable and will continue to prepare workers for entrance and movement within the workforce for years to come, thus creating more pathways to employment in our state.

We are requesting \$2 million to continue offering this resource to companies and training providers.

The final grant program for which we are using \$2 million in ARPA dollars is the Workforce Innovation Grant, which is currently accepting applications. Similar to the RWIP, the goal of this program is to empower business and industry-led workforce solutions and inject innovation into the way they address their workforce challenges.

We are not asking for additional funding for this program; however, SB 2345 in the special session included an end date of June 30, 2023, and with all 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: \$3 million (ARPA)
  - Ask: \$2 million
- Workforce Innovation Grant
  - Carryover: \$2 million (ARPA)

A new program for which we are seeking investment is the Automation Enhancement Workforce Training Grant. Employers across the 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 new grant program.

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, and on February 1, 2023, we had to close this year's application window in just 24 hours.
  - 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 \$3.8 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 can 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, and some have offered large sums of money to entice jobseekers or remote workers, 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 75 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: 1,415 leads (Feb. 27, 2023)
  - Number of states: 50
    - Top five states: FL, CA, TX, NY, and GA
  - Number of countries: 24
  - Number of resumes: 391
  - Top industries: health care, sales/marketing, skilled trades, manufacturing, transportation, social services
  - Community champion contacts: 433
- New North Dakotans
  - Total: 11 (excludes partners/children)
  - States they came from: WA, TX, NJ, CA, TN, SD, NY, LA, GA, and ME
  - Cities they moved to: Minot, Wahpeton, Bismarck, Fargo, West Fargo, and Mandan
  - 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 TX 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 in a less formal capacity 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:

- 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.
- 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.
  - We are also exploring what it might look like to develop industry-specific recruitment initiatives.
- 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.
  - 2021-2023: \$410,000 two-year contract, discretionary funding
  - 2023-2025 Ask: \$12 million for workforce (\$25 million total) + 1 FTE

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 right now is by attracting and retaining workers, 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.

## TESTIMONY OF

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

Chairmen Bekkedahl and members of the Senate Appropriations Committee, I'm Sara Otte Coleman, director of the Tourism and Marketing Division. Twenty years ago, when I started this position, I wouldn't have dreamed I would still be here. I thought the bureaucracy and slow pace of government would kill my need to achieve results. But that has not been the case. We have made great progress, yet we have tremendous potential to increase awareness and appreciation for our state, grow tourism experiences, attract workforce, and diversify our economy.

We have many great stories to tell about our state. I have a two-minute video we recently completed that summarized some of the topics we like to brag about.

Our division's work supports all divisions of commerce. Our KPIs measure ND's broader image and awareness and elevate all areas of economic and community development.

As Katie mentioned, we are focused on attracting talent. You may remember a workforce marketing campaign we launched in 2014 to market ND to job seekers. While the original Find the Good Life in ND campaign was successful in filling many oil field jobs and other positions, what it lacked was the ability to measure employees who moved and stayed in our state. Fast forward to 2022, when our workforce needs continue to stifle our state's growth. We refreshed and expanded the Find the Good Life in ND workforce attraction campaign as part of a comprehensive workforce initiative. The marketing refresh included an updated website and a targeted media plan focused on five personas. As Katie mentioned, 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 16 million impressions, and driven more than 76,000 visitors to the website, 2.7 million video completions and 158,000 opened emails.
- Workforce staff and community champions are working with 1,400 leads in the pipeline. 77% 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.

Our tourism practice 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

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 about Fargo in the New York Times reaching 140 million with another story planned in spring 2023 in Travel + Leisure magazine.*

The 2022 tourism marketing campaign reached more than 423 million total impressions, with digital advertising garnering 108 million impressions, more than 250,000 clicks to the website and 15.2 million video completions. The 2021 campaign ROI was strong delivering 1.4 million advertising-motivated trips and \$242 million in spending to ND. (Details in annual report)

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, revenue per available room, average daily rate and lodging tax collections were all up significantly.

Global tour operators selling ND experiences totaled 125, up 9.6% over 2021. New itineraries and total overnights offered were up also up.

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.

## Tourism Industry 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
- Tourism revenue supports 2,900 small businesses. These experiences are for people that live here, visit here or are considering moving here and improving our quality of life.

Last fall, we reorganized existing positions 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. Looking forward to the next biennium, we expect to build on past success and hope to see additional resources to support expanding tourism offerings and state marketing that impacts our businesses, communities, and image.

Tourism marketing is proven to improve the image of our state for all audiences. The halo effect of seeing tourism advertising improves ND's image an average of 12.5%. This research confirms tourism advertising goes beyond motivating trips and plays a lead role in elevating our state's image across various economic development benchmarks. For example, people who have seen our advertising rated ND 14% higher as "a good place to start a career" compared to those who had not seen our advertising. This lift is 27% if they also visited ND. This research, and other details, are in the annual report you should have received prior to cross-over.

### **Funding - Tourism and Marketing Division:**

#### **Marketing ND**

The executive budget included 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 house version included these dollars. This investment is imperative as 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. The governor's budget also included \$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 house cut this to \$8 million total. We ask you to restore this funding. 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.

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 or visited ND
- 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.

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.

*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 support 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 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

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

Thank you for the opportunity to talk about our state's tourism industry potential and the great opportunities we must improve awareness and elevate the image of ND.