

Chairman Holmberg and esteemed members of the Senate Appropriations Committee. I am James Leiman, Commissioner of Commerce. The Department would like to testify in support of HB 1394 and humbly request that turnback funds address new challenges that have surfaced as a result of the pandemic. Since the pandemic began, requirements have rapidly changed in terms of where relief funding was required. For example, agriculture and energy were impacted by supply chain impacts and continue to recover whereas the hospitality and retail sectors continue to struggle. As such, Commerce is turning back an estimated \$27MM in response to these changing requirements and new federal legislation which makes some industries whole. The Department of Commerce requests that the following programs be funded to address critical workforce, marketing, tourism, community, and economic development needs for the State of North Dakota. Please allow me to walk through the request.

Department of Commerce- Proposals for remaining Cares Funding

To make a stronger economic impact to the state as well as leverage federal CARES Act investments, Commerce proposes a reprogramming of the money to reflect:

- Community Development- \$5.66M (planning for anticipated \$3T infrastructure package)
- Marketing and Tourism- \$8.566M
- Hospitality grants for lodging industry- \$13.5MM
- Workforce Development- \$5.866M
- Total \$33.592MM

Additional details of each proposed expense are below.

Community Development

Community Investment in Planning Proposal

Communities were highly impacted by COVID-19, especially small and mid-sized communities. Infrastructure to support a growing remote workforce as well as an influx of rural residents in response to flight from cities made North Dakota very attractive for growth. In preparation for the expected \$3 trillion federal infrastructure plan, the opportunity exists to plan for wise and timely use of these dollars by the political subdivisions through smart planning. We recommend utilizing **\$4.5 million** of the remaining ERG dollars to support county, community, and other political subdivision planning efforts in 2021.

The Commerce team surveyed communities and counties of varying sizes throughout the state (Grand Forks, Grand Forks County, Jamestown, Watford City, Bismarck, Divide County, and Bowman County) and found significant interest in and the ability to use funding for planning projects by December 2021. Examples of potential projects cited by the surveyed communities included tourism/marketing studies, housing and affordability studies, infrastructure plans, strategic and comprehensive plans, economic development/diversification plans, and public participation efforts. Based on this diversity of need and cost, Commerce recommends keeping guidelines as written for the Partner in Planning Grant but, open the funding to support all planning efforts of a community, as long as it meets the requirements of being completed by the end of 2021 and accomplishes the short and long term needs of the political subdivision.

Entities would be able to apply for up to \$400,000 and must include a 10 percent match. Communities would be able to use in-kind services for the match. In addition to Commerce staff, there would also be external, non-Commerce staff involved in the review process. Communities will be awarded as soon as possible to maximize the time and resources. Augmentation to Partners in Planning Grant program. Increase grant size to \$250,000 max, varied by population.

In addition to planning, community vibrancy is highly important to attract rural workforce as well. The Commerce Vibrancy grants were established for a couple of reasons. The first was to allow communities to create events, places or spaces that emphasize their uniqueness so that they catch the attention of a much needed workforce that has many options when selecting a place to live. The second reason is to work hand-in-hand with the Partners in Planning grant recipients. Once a community or economic development organization has developed a plan; we want them to operationalize that plan rather than run the risk of having the plan gather dust on a shelf. One of the ways to do that is to provide a small grant to help a community implement one of the planning action items. Whether it's the creation of pocket park, a walking/biking path or the creation of an event that could attract hundreds or thousands of people to the community, Commerce wants to make sure the plans are implemented and providing a Vibrancy grant allows for momentum and community confidence to build, especially when you start with a success. Commerce requests **\$1M** for awards throughout the State of ND to make communities more attractive to the rural workforce.

To accomplish this task, approximately \$166,000 in admin dollars are requested through the end of the biennium. This reflects the needs of temp program managers and financial analysts to ensure state and federal criteria are met.

Destination Marketing and Image Development Grant

The Destination Marketing Grant would assist Destination Marketing Organizations (DMOs) in supplementing their community marketing efforts as their lodging tax revenue stream was greatly diminished due to travel restrictions, business shutdowns and pandemic-related fear. These dollars will assist struggling businesses and communities which desperately need customers by putting North Dakota on the list to consider for not only a summer or fall vacation but, also a potential move to a state that offers less government oversight and fewer restrictions. Grants would provide up to 50 percent of their previous marketing budgets for approved uses. This would be awarded first-come, first-served until we reach the **\$2 million** allocated.

North Dakota Image and Awareness Campaign

One of the ways we can both jump-start recovery and continue to diversify the economy is through promoting and expanding the image of North Dakota. With changing demographics and increased interest on our competitive advantages the time is now to make more people aware of our state. Bordering states have leveraged CARES Act dollars to position their states as safe travel destinations, our opportunity is now to showcase our uncrowded communities and wide-open spaces which are of interest to travelers now more than ever. Businesses and communities that we work with daily are asking for increased umbrella marketing to elevate the state and drive traffic. This effort is aimed at improving market share for tourists. This **\$5 million**

investment would be spent on best performing media and target markets and would complement strategic workforce marketing tactics. A detailed media plan would be developed once we understand the priorities and timing.

Welcome Back Canadians – Promotion

This plan would augment Canadian marketing by working cooperatively with Manitoba and Saskatchewan. North Dakota has lost nearly 500,000 visitor trips from Canada since the border was closed. This is down 77 percent from 2019. The **\$1 million** budget would include full campaign build out potentially including:

- Video series – “What did you miss most about ND?” and “What did you miss most about MB?” Two-way cooperative with Visit Manitoba and Visit SK.
- Border Opening Countdown
 - A targeted campaign centered on how many days are left until the border opens. Could do a giveaway or travel incentives on designated days throughout the countdown.
- Activation Events – at Peace Gardens, or border cities near Winnipeg. Organize an activation “Welcome Back” event at the Peace Gardens when the border opens (if the quarantine policy lessens), or within communities close to the border
- Augment paid marketing campaign with new elements such as out-of-home and direct mail.

To accomplish the marketing tasks, approximately \$166,000 in admin dollars are requested through the end of the biennium. This reflects the needs of temp program managers and financial analysts to ensure state and federal criteria are met.

Hospitality Emergency Resiliency Grant PLUS – Round Three

Expanding the Hospitality Emergency Resiliency Grant PLUS maximum would allow larger hotels with conference facilities and those with more than two locations to get additional dollars. The conference hotels continue to lose money as business travel show no immediate sign of recovery and conferences continue to cancel and postpone through fall 2021. We are also not aware of any national programs in place to directly assist. Total program cost would likely be \$13MM.

- Eligible conference hotels and lodges that provide the following:
 - \$1,000 per room and up to **\$50,000 additional per address**, no limit on ownership structures
 - **OR**
 - On-site meeting space to hold a minimum of 100 people in one room. Allowing up to \$150,000 in additional eligible operational expenses

To manage this program, Commerce requires \$500,000 to ensure program is properly delivered via contractors.

Workforce Development

Our goal is to create a pandemic resistant workforce by upskilling our existing workforce and recruiting new workers to fill in-demand jobs in several sectors throughout the state. With an unemployment rate of 5.1 percent and more than 15,000 jobs posted, North Dakota needs to make strategic investments targeting key areas within our existing workforce, while looking ahead and preparing for the future. These initiatives will aid in the state's recovery and will guard against future events that may impact our workers by helping them diversify their skillsets and shift with market demands. Our investment in workforce recruitment needs to start now as we may quickly find ourselves in a pre-pandemic workforce scarcity situation, making business growth and recruitment to the state a challenge. Simultaneously, we can address more immediate needs by funding accelerated workforce training programs that will prepare workers for quick entry and/or movement within the workforce.

Reskilling/Upskilling

\$2 million to build UAS workforce training program at a site to be determined

- Northwest.
 - TrainND Northwest has already prepared a proposal and is ready to facilitate programs designed to train displaced energy industry workers for jobs in the UAS industry.
- **\$1.2 million** to build or expand other skilled workforce training programs, with a heavy emphasis on IT, healthcare, and industrial maintenance.
 - This would build on the Technical Skills Training Grant program we created with federal coronavirus relief funds. The first round of this grant assisted in launching skilled workforce training programs in IT, healthcare, transportation, welding, and more. Public and private sector employers are expressing interest in participating in this program if it is funded again. (\$1M). This program would include \$200,000 for an academy that creates the next generation of coders.

- Recruitment

- **\$2 million** using data that we started collecting in 2020. We will partner with industries that have the greatest demands for workers and will develop a workforce recruitment campaign to attract talent to the state.
- **\$500 thousand** could be used to address specific workforce needs in counties most impacted by job losses throughout 2020.

To accomplish the workforce development tasks, approximately \$166,000 in admin dollars are requested through the end of the biennium. This reflects the needs of temp program managers and financial analysts to ensure state and federal criteria are met.

Economic Development and Finance

Investment in North Dakota Development Fund

The North Dakota Development Fund was nearly depleted as a result of credit draws at the beginning of COVID-19 while waiting for federal aid and BND financial instruments. NDDF will support COVID-19 recovery and resilience through enhanced innovation and entrepreneurial investments into programs across the state. **\$5 million**

Buy-Local Marketing

Develop a marketing campaign to support the retail and hospitality sectors. The **\$400,000** campaign would target both the 25–54 and 18–25 demographics with targeted media:

Production, photography and agency costs: \$40,000

Radio: \$100,000

Cable & Connected TV: \$124,000

Digital: \$108,000

Social: \$8,000

This concludes my testimony, please let me know if you have any questions. Thank you.