



TESTIMONY SB2018

JANUARY 25, 2021, 9:00 A.M. CST
SENATE APPROPRIATIONS COMMITTEE
SENATOR RAY HOLMBERG, CHAIRMAN



SENATE APPROPRIATIONS COMMITTEE SB 2018

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DEPARTMENT OF COMMERCE TESTIMONY SB2018

JANUARY 25, 2021, 9:00 A.M. CST

SENATE APPROPRIATIONS COMMITTEE

ROUGH RIDER ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

SHAWN KESSEL, INTERIM COMMERCE COMMISSIONER

Chairmen Holmberg and members of the Senate Appropriations Committee, I'm Shawn Kessel and I have the privilege of serving as Interim Commissioner of the North Dakota Department of Commerce. Our leadership team joins me today to assist in providing you report on Commerce. We also have several others who will provide supporting testimony and we have weaved them into our allotted time.

Commerce has had an extraordinary two years and we are ready to accelerate that success. We will share with you today some of those successes and discuss Commerce's priorities by breaking them down into five themes:

Theme 1: Commerce crushed it in the face of a flock of black swans

Theme 2: Community Development

Theme 3: The New Workforce

Theme 4: Elevating ND Image

Theme 5: Continued Economic Resiliency and Diversification

THEME 1: COMMERCE CRUSHED IT IN THE FACE OF A FLOCK OF BLACK SWANS

I would like to start with the issue that has affected us all lives and has dramatically changed the way we do business, the way we recreate and the way we live our lives. With very limited resources and staff that has been spread thin, Commerce has deployed over \$73 million of the Coronavirus Aid, Relief, and Economic Security Act also known as CARES Act funding by creating, administering and deploying four brand new grants targeted at segments of the economy hit hardest by COVID-19;

We started with the Economic Resiliency Grant (ERG) which was an all industry grant meant to provide safety and build confidence in the marketplace. We received 2,656 applications and awarded \$38,720,521 to 2,064 businesses;

The Hospitality Economic Resiliency Grant (HERG) was next and designed to provide much needed capital by reimbursing applicants for payroll, rent/lease, utilities expenses, or similar expenses targeting restaurants and bars in an effort to help them survive the 50%-70% declines in revenue that were not uncommon in this sector. Commerce received 1,132 applications and we awarded \$23,681,952 to 966 businesses;

The Hospitality Economic Resiliency Grant PLUS was designed in a similar fashion as the HERG but focused on hotels/motels/resorts. I talked to one resort owner in the Devils Lake area and she had three bookings in November and the calendar through March looked similarly bleak. We received 220 applications and awarded \$8,351,332 to 197 businesses; and the

Medical Expense Assistance Program (MEAP) that we administered jointly with Workforce Safety and Insurance (WSI) to assist emergency responders and front-line healthcare workers who contracted COVID-19 from a secondary source. We received 2,968 applications and we awarded \$2.5 million to 2,469 North Dakota citizens.

In total for all four grants, we received almost 7,000 (6,976) applications, requesting over \$163 million (\$163,473,652). We made almost 6,000 (5,696) awards totaling over \$73 million (\$73,253,805).

But we aren't done.

The recent federal extension has allowed us more time to conduct a second round of grant awards where we intend to distribute almost \$30 million more of CARES Act funding to North Dakota businesses in need. Once distributed, Commerce will have shared almost \$100 million to help support businesses in North Dakota survive and continue to employ thousands of residents.

On January 28th at noon, in partnership with GNDC, we will announce the details regarding the application window for round two of the HERG. It will begin in early February followed closely by the Hospitality Economic Resiliency Grant PLUS. We are working with our state partners to address some of the early hurdles caused by the initial federal deadlines. We would like to go back to existing ERG applicants and allow them a second chance to implement their original plans. Many applicants were not able to meet the tight deadlines we were forced to implement in order to comply with the initial federal deadline or applicants were not able to find contractors to implement the desired changes by the initial federal deadline – those applicants that had approved expenses but couldn't meet the deadlines will get another opportunity to obtain grant funds.

Commerce was able to tailor these grants to the most affected industries because we conducted no less than four surveys before designing the CARES grants. Two of these surveys were aimed at North Dakota businesses so we could better understand their needs and how COVID-19 was impacting their businesses and how deeply. Not only did our informed, data-driven response include the CARES Act grants mentioned above, but it also resulted in several webinars Commerce developed and produced to provide local leaders and communities with tools to assist them or to help

them connect to vital resources. We partnered with the North Dakota Department of Health to create and issue a survey that targeted all North Dakotan citizens and had over 11,000 people reply!

In addition, while most states were reactive to the federal government COVID-19 response, Commerce was not. We were weeks ahead. We became the experts on the federal response, partnered with our local subject matter experts and then shared this information with North Dakota businesses through a series of business briefings thereby preparing our companies to take advantage of the Paycheck Protection Program (PPP) and Economic Injury Disaster Loan (EIDL) program. These proactive efforts resulted in over 11,000 Small Business Administration (SBA) loans being provided to North Dakota businesses. According to USA Facts website, "North Dakota received the most (in terms of federal loan proceeds) at \$2,037 per capita. California and New York received \$845 and \$1,041 per capita, respectively."

The Commerce COVID response improved lives and was nothing short of robust.

Last time we presented in front of you, we promised the development and deployment of a new Commerce strategy. We are pleased to share that we not only delivered what we promised but took it even further.

Thank you for your trust – I'm going to highlight some of your investment successes, and you'll hear additional details from the Commerce leadership team:

- Placed a heavy emphasis on diversification and innovation attracting hundreds of millions in private capital;
- Completely transformed how economic development is conducted in the state by doubling primary sector projects compared to last biennium;
- Introduced in excess of \$50 million in start-up innovation activity using the newly created Innovation Technology Loan Fund (LIFT) legislation;

- Doubled activity within the UAS environment while growing Grand Sky commercial activity by 30% and almost completing the Vantis beyond visual line of sight (BVLOS) network in the Bakken;
- Successfully recruited an intermodal operation to North Dakota after 20 years of previous unsuccessful attempts;
- Working with our partners Regional Planning Councils and Community Action Agencies, we deployed Community Development Block Grant (CBDG) and Community Services Block Grant (CSBG) funds resulting in 85,699 people served/impacted;
- Actively managed 59 Renaissance Zones resulting in 1,850 approved investments (since inception in 1999) across communities in North Dakota;
- Developed and deployed the ND Development Calculator (ND2C) enabling communities to better understand the true long-term costs of infrastructure to ensure optimization of community planning and the reduction of local tax burdens;
- Empowered communities to proactively plan their futures by providing matching grant funds through our Partners in Planning grant program;
- Reenergized the Rural Development Council. Surveyed local leaders and used the data to set priorities for long term rural economic and community growth;
- Simultaneous to rural community and economic engagement, we achieved solid outreach across the nation by actively participating in national webinars and conference as panelists to share progress in North Dakota;
- Retooled Tourism Division marketing materials due to the pandemic and mobilized an in-state campaign and free cooperative platform featuring tourism businesses and destinations;
- Supported pandemic communications by providing leadership with Joint Information Center (JIC), CARE 19 apps, ND Smart Restart, a variety of Commerce grants and Business Briefings;

- Led occupational licensure reform research effort resulting in precision recommendations to improve talent recruitment and geographic mobility;
- Recruited "The Last Mile" training program to the North Dakota Department Corrections thereby improving prisoner rehab and job placement reducing recidivism and saving state resources and improving company growth prospects;
- Invested \$924,516 of matching funds in accelerated skilled workforce training programs designed to get displaced workers prepared for new jobs and back to work; and
- Operation Intern went big on tech, trade, logistics, critical skills gaps and in-demand jobs.

THEME 2: COMMUNITY DEVELOPMENT

I am going to provide a little deeper dive on Theme 2: Community Development and I will ask Bonnie Malo to share some additional details.

In order for North Dakota to be successful our communities must be successful. Commerce has been on the leading edge of redefining what "community development" means through its leadership ensuring that North Dakota communities not only understand the need for smart, efficient infrastructure; healthy, vibrant spaces; and 21st century workforce but, also have the resources to deploy strategies in pursuit of community aspirations.

After we designed and administered the Rural Economic Development study, results indicated economic development in rural North Dakota looks a little different than it does in our urban centers. In rural North Dakota the attraction and/or creation of retail and restaurants is the number one economic development goal. Commerce wants to make sure these rural communities have access to resources to pursue their economic development goals. Currently, the Rural Growth Fund contained within the Commerce Development Fund legislatively requires all investments to have a primary sector designation, because of this hurdle these funds have been rarely accessed. I ask you, is it time to eliminate this hurdle and allow rural

communities access to these funds? Our data says it is. And some communities have made a similar change already. In a conversation with Keith Lund, President and CEO of Grand Forks Regional Economic Development, he informed me that they eliminated the primary sector language from the economic support activities conducted outside the city limits of Grand Forks.

Another Commerce achievement was the creation of the ND2C. This tool enables communities to understand the true long-term costs of infrastructure, especially expansions with the goal of providing information to ensure decision makers are well informed when making decisions regarding optimization of existing infrastructure, planning and reducing tax burdens. We're actively working with the North Dakota Department of Transportation (NDDOT) to deploy the ND2C on all NDDOT projects that involve streets in and around cities and communities showing the value in growth decisions.

The Partners in Planning (PiP) grant empowered communities to proactively plan their futures by supporting comprehensive plans, economic development/diversification strategic plans, or economic recovery plans due to impacts of COVID-19. In 2020, \$125,000 was awarded to six communities. These matching grants to Bowman County, City of Cavalier, Hettinger/Adams County and Linton Industrial Development Corporation helped them develop strategic plans and the City of Milnor develop a comprehensive plan.

We were able to reenergize the Rural Development Council and set priorities for long term rural economic and community growth which include; stabilizing rural development funding, investment in infrastructure, quality of life, high paying jobs and building leadership capacity.

Based on data gleaned from the Rural Economic Development survey and the trend of collaboration and regionalization we developed the Economic/Community Development Ecosystem Map which provides a spatial representation of state and local resources and organizations, with

contact information, so leaders across our state can more easily connect with neighbors resulting in improved local economic and community development opportunities and collaboration.

Vibrancy grants were created to incent small successes in communities that serve to build confidence in local leaders and empower communities to engage the populace in community conversations that create vibrancy. These grants can also support the implementation of a community need project identified and supported by a comprehensive or economic development plan whose creation was incentivized by the Partners in Planning grant effectively operationalizing the plan and ensuring it doesn't get placed on a shelf.

Chairmen and members of the Committee. We ask for your continued support of the resources required to ensure community vibrancy and smart infrastructure development across North Dakota, especially in small towns. The Partners in Planning and Vibrancy grants were funded using the Commerce Momentum Fund.

I will return now to the remaining themes...

THEME 3: CONTINUED ECONOMIC RESILIENCY AND DIVERSIFICATION

In the past year, North Dakota has been affected by a "double black swan" event, that is, the collapse of oil demand and prices, followed by a global pandemic that grounded the world economy to a halt in the spring of 2020. While discussed as important for years, never has a solid economic diversification strategy been more crucial to our state. Combined with the need to stabilize existing industries and businesses in North Dakota, both for the purpose of creating a more "resilient" economy – one not as vulnerable to the shifts in the oil and agriculture industries and one capable of adjusting to new consumer behaviors and expectations more quickly than our national and global competitors.

THEME 4: THE NEW WORKFORCE

North Dakota began the year 2020 with an unemployment rate of 2.3% - the lowest in the nation – and a labor market participation rate of 69.2% - one of the highest in the nation. There is a need to prepare workforce for today's jobs and those to come. We are working closely with state educational systems and the private sector in preparing the workforce of tomorrow including reducing barriers that prevent residents from obtaining the skills or employment they seek.

THEME 5: ELEVATION OF NORTH DAKOTA'S IMAGE

Magnifying what North Dakota has to offer to visitors, new residents, and new companies, this opportunity has taken on a new and higher profile during the time of COVID-19. There is appetite for wide-open spaces, safe destinations, and the many amenities that North Dakota is naturally gifted to offer has never been so significant.

Each division director will talk more specifically about each of our themes.

I promised earlier that you would hear from Bonnie Malo, director of Community Services. I would like to invite Bonnie to the podium and talk more about our efforts to braid federal community development resources with state support to target and maximize impact. Bonnie can you please talk more about Community Development

BONNIE MALO, DIRECTOR OF COMMUNITY SERVICES

Thank you, Shawn.

Good morning Chairman Holmberg and members of the committee. I am Bonnie Malo, Director of the Division of Community Services (DCS) at the Commerce Department.

The Community Services Block Grant (CSBG) program requires a public hearing so we will incorporate that requirement into this meeting. The CSBG program's primary purpose is to assist communities to implement locally designed anti-poverty programs. The program is delivered through the seven statewide Community Action Agencies, providing various services including Head Start, weatherization, commodity food distribution, emergency services and case management to low income households and persons. For the 2018 and 2019 program years CSBG impacted 41,546 low income individuals statewide.

Commerce, in cooperation with the Community Action Agencies, has prepared a funding plan for the U.S. Department of Health and Human Services. We expect CSBG to be funded in the range of \$3.6 million in each of the next two years. Therefore, Mr. Chairman, would you please open the hearing for any public comments on the Community Services Block Grant funding plan?

Mr. Chairman, with there being no further comments, can we close the public hearing?

At this time, I will address the remaining programs within the Division of Community Services. The total appropriation for this biennium is \$50,823,035, which includes funding for the Energy Conservation Grants, Weatherization Assistance, Low Income Heating Assistance, CDBG, Emergency Solutions Grant (ESG), North Dakota Homeless Grant (NDHG) and CSBG programs.,

The Energy Conservation Grant funded 65 projects to political subdivision for this biennium, which will save an estimated \$422,535 on energy savings per year.

The State Energy Program funded by the Department of Energy, provided funding to the Bismarck Public Schools System, where they recently installed 46 solar panels at the Bismarck Career Academy. In addition to reduced energy costs, students will now have an educational experience on solar energy production, providing exposure to alternative energy workforce opportunities. The energy cost savings is estimated to be around \$3,500 per year.

The Weatherization Program helps to improve housing conditions and save money for our state's most vulnerable citizens. One manufactured homeowner received weatherization assistance from the Jamestown Community Action Agency that can be directly attributed to remaining in their home because of the assistance they received. Prior to receiving the weatherization assistance, their utility bill was between \$400 to \$500 per month. After the work was completed, their bill dropped to about \$100 per month. This individual was very thankful for the assistance, with tears in her eyes she stated that they would not have been able to stay in their home without the weatherization work.

The CDBG and HOME funds are used to increase the affordable housing options in communities around North Dakota. Affordable housing was cited as the top need in all eight regions of the state during a statewide Needs Assessment Survey conducted in 2020.

The CDBG and HOME funds were an integral part of the capital stack for Monterey & Brighton Place Apartments in West Fargo. These funds were layered with Home Innovations Fund (HIF) funds and Low-Income Housing Tax Credits, allowing to demolish 60 units of Public Housing and then redevelop the site to construct 85 affordable units, significantly increasing the capacity for serving income-qualified families. Without the CDBG and

HOME funds, Cass County Housing Authority would not have been able to increase the number of eligible households served in this community.

Homelessness and housing insecurity impact thousands of families across the state every day. Jennifer had recently lost her husband to COVID-19 and while grieving, she also became homeless. After staying in her car, Jennifer went to Ministry on the Margins in Bismarck. They were able to provide financial assistance and secure temporary housing, until she was able to find employment and secure permanent housing. These emergency measures prevent individuals from becoming permanently homeless and the stability that temporary housing allows them to develop a plan to move forward to achieve greater self-sufficiency. Without financial support from ESG and NDHG, organizations like Ministry on the Margins would not be able to assist the overwhelming number of people who are in situations like Jennifer's.

The CSBG program helps to directly address poverty in our communities. A client in the Dickinson region turned to the Community Action Agency when she and her three children were threatened with homelessness due to divorce. Her husband lost his job, and she had lost most of her wages due to a recent COVID-19 quarantine. With no sick leave and no financial resources, she worked with staff at the agency to secure permanent housing for her children. This client stated that Community Action's guidance and financial assistance helped her make decisions during a stressful time.

The Renaissance Zone Program is an economic development tool that can help cities revitalize their communities by offering both state and local tax incentives. These tax incentives encourage residents and business owners to reinvest in their communities. I am pleased to introduce Brad Barth, executive director of Forward Devils Lake to discuss how Devils Lake has benefited from the program.

Recent Renaissance Zone projects in the community of Devils Lake include a microbrewery and a fitness center. The community notes that these

projects help to fill vacant buildings and lots in the core of their city and even brought one formerly tax-exempt property back onto the city's tax rolls. Later, Brad Barth from the city of Devils Lake will provide a broader view of what the Renaissance Zone program has done for his community.

The Division of Community Services has two asks, our first ask is to transfer the HOME program and two FTE's to the Housing Finance Agency. This transfer will create efficiencies with a one-stop shop for multi-family housing development programs.

The second ask is, Commerce currently has budgeted \$8 million in COVID-19 relief funds, we are asking for an additional \$3.5 million in federal spending authority. These additional funds are from the CSBG program. The total spending authority will now be \$11.5 million.

This concludes my testimony of the Division of Community Services programs.

I would like to now turn the podium over to Katie Ralston, director of Workforce to talk more about The New Workforce.

KATIE RALSTON, DIRECTOR OF WORKFORCE

Thank you, Bonnie.

Chairmen Holmberg and members of the Senate Appropriations Committee, I'm Katie Ralston and I have had the honor to serve as the director of Workforce with the North Dakota Department of Commerce since January 2020.

The Workforce Division continues to augment state level workforce solutions to ensure that North Dakota is not only prepared for future workforce needs but is well positioned to outcompete neighboring states for qualified workers. In November 2019, the private sector led Workforce Development Council was moved to the Department of Commerce. We have leveraged the industry expertise and diverse geographic representation on this board to understand workforce needs in North

Dakota and generate strategies to address them. All the initiatives that I am going to highlight are aligned with the council's priorities and opportunities they have identified.

In conjunction with a subcommittee of the Workforce Development Council, the state continues to lead the occupational licensure reform effort by researching North Dakota's schema for occupational licensing to develop a thorough understanding of licensing in our state; discover best practices; engage licensing boards and commissions; and identify the best path for reform, with the goal of removing unnecessary barriers to employment while preserving the health and safety of North Dakotans and promoting competition. Throughout the last several months, this effort uncovered unique and effective practices already being utilized by our boards and resulted in precision recommendations to improve talent recruitment and geographic mobility.

We also led a cross-agency collaboration in leveraging federal Workforce Innovation and Opportunity Act dollars to recruit The Last Mile IT training program to the North Dakota Department of Corrections and Rehabilitation. The Last Mile is specifically designed for correctional facilities and will provide residents of our state prison with full-stack software development training, which means they'll be highly qualified website and app developers with the ability to also program more complex systems such as servers and databases. This program will improve prisoner rehab and job placement upon release, and graduates could make a starting salary around \$50,000. We know that stable employment promotes overall recovery and reform for individuals who have criminal backgrounds. In fact, the recidivism rate in North Dakota is 35%, but that drops to 7% when individuals participate in workforce training programs while incarcerated. Nationally, the Last Mile boasts a 0% recidivism rate for the 240 returned citizens who have graduated from their program. The first cohort of Last Mile students in North Dakota are getting underway this month and will be ready for the job market by the end of this year.

Through an Apprenticeship State Expansion grant from the United States Department of Labor, we are developing new apprenticeship programs with \$694,000 primarily focused on healthcare and biomedical research to support the rapidly growing biotech cluster which is highly important given the desire to diversify the economy. We also saw great success with our longstanding Operation Intern program, which provides up to \$4,000 in wage match for interns. Despite economic hardships due to the pandemic, many employers still prioritized internship programs as meaningful work-based learning experiences for students and continued to recognize their value in creating an effective workforce pipeline for their companies. As a result, we saw an increase in Operation Intern participation with a heavy concentration in technology, advanced manufacturing, and energy throughout the biennium. Today, you'll hear from a business owner who has successfully leveraged this program in his workforce training and recruitment efforts, effectively keeping talented young workers in our state.

Finally, when the state received CARES Act funds, we created the Technical Skills Training grant with \$1 million in matching funds that were used to support public and private sector led training providers in expanding and developing new accelerated skilled workforce training programs aimed at helping displaced workers prepare for high-demand jobs in North Dakota. These training programs range from CDL and CNA training, to IT and cybersecurity, to wind turbine technician and even structural and pipeline welding. We invested a total of \$924,516 in 12 programs across the state, each of which are sustainable and will continue to prepare citizens for entrance and movement within the workforce for years to come, thus creating more pathways to employment in our state. In a few moments you'll hear from one of our grant recipients who is using these funds to make a big difference in Watford City and the surrounding area.

We're fortunate to work with partners throughout the state who are dedicated to addressing North Dakota's workforce needs. I'm pleased to introduce Dave Farnsworth, manager of Power Generation and Engineering

for Great River Energy and chairman of the Workforce Development Council. Also presenting will be Kara Glenn with Silver Fox Pipeline Facility Services and Ray Berry, owner of OmniByte Technology.

Thank you, Ray

In order to continue leading statewide workforce strategy and supporting key partners in addressing North Dakota's workforce needs, we need:

- Continued collaboration with the Workforce Development Council in order to remain ahead of workforce trends, so together, we can develop scalable solutions to address North Dakota's workforce needs and prepare a 21st century workforce
- We also need continued support of grant programs, such as Operation Intern and the Early Childhood Education Grant, that support learners at different stages of their education and training. Operation Intern has proven to be a valuable resource for businesses, and we need to continue supporting internship programs as they're an important tool for recruitment and training initiatives. We know that many of the businesses that participate in Operation Intern couldn't afford to provide internship experiences for students without this matching support.
- Finally, we need to sustain the Technical Skills Training grant program. With \$1 million in matching funds, we can continue to support training opportunities that prepare individuals for entrance and movement within the workforce. Accelerated job training programs are key to North Dakota's economic recovery and will help us fill high demand jobs in healthcare, renewable energy, IT, logistics and transportation, and more, well into the future.

I am pleased to now introduce Sara Otte Coleman, director of Tourism, to share some details regarding our final theme, elevation of North Dakota's image.

SARA OTTE COLEMAN, DIRECTOR OF TOURISM

Thank you, Katie.

Chairman Holmberg and members of the Committee, I'm Sara Otte Coleman and I have had the honor to serve as the director of Tourism with the North Dakota Department of Commerce for the past 18 years.

As Shawn mentioned, elevating North Dakota's image during a period of challenges and opportunity is crucial and we must take advantage of the shifting demographics, the desire to travel and the growing interest to enjoy wide-open spaces.

We were able to push \$70 million plus into the economy with an emphasis on hospitality sectors. Commerce awarded over \$23 million dollars to more than 960 restaurants, bars, coffee shops and venues with the HERG. Hospitality Economic Resiliency Grant PLUS funds will help 197 hotels and lodges with more than \$8 million in awards. These Hospitality Economic Resiliency Grant dollars will help this sector which was disproportionately impacted by the pandemic. To date, \$1.13 billion in visitor revenue has been lost to North Dakota and our businesses, due to COVID-19 related restrictions including the closure of the Canadian border which has cost us 465,000 personal vehicle trips.

New 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 North Dakota 16% higher as "a good place to start a business" compared to those who had not seen our advertising. This lift is even higher once they have visited, where we saw respondents ranking the state 20% higher as "a good place to live" once they have visited.

The team's research driven media outreach showed strong results using a new creative campaign (2019) which included multi-channel placements targeting outdoor programming, sports and recreation and targeted urban areas like Minneapolis St. Paul and Chicago. The campaign exceeded our benchmarks and industry average results.

We retooled tourism marketing materials due to pandemic and mobilized an in-state campaign and created a free cooperative platform featuring tourism businesses and destinations. We are currently running our first winter campaign in-state and near border to inspire winter travel to support small businesses.

Paid media results 2020:

- 83 million people on TV
 - 12 million people in print
 - 233 million people on digital advertising
 - 85 million people through out of home advertising
 - 23 million people on social media through advertising campaigns
 - 52% increase in visits to NDtourism.com over 2019
- Increases from 48 states
 - First time visitors made up 92% of visits (up 78% from 2019)

We know this work impacted sales. In 2020, there were 3,523,146 room nights sold in North Dakota, this is down 30.4% from last year's nearly 5 million sold - however could have been much worse without our proactive work.

This year we garnered 40 national editorial media placements which was up 25% from 2019 and reaching 776 million. We also hosted eight influencers reaching more than 10.6 million. We hosted HoneyTrek- with paid support of \$3,900 and assistance from partners across the state. The couple spent 10 days in North Dakota generating 53 social posts and stories which were seen by over 1 million to date.

The Tourism/Marketing Division has led the state's brand unification efforts which became increasingly important as the state managed COVID-19 mitigation efforts. Thirty-four agencies are now using the Be Legendary brand. The team also supported pandemic communications by providing leadership with JIC, CARE 19 apps, ND Smart Restart, Economic Resiliency Grants and impacted business engagements.

I would like to introduce Jim Poolman - a longtime business leader in our state to give you a private business perspective. Following Jim will be Charley Johnson from the Fargo-Moorhead West Fargo Convention and Visitors Bureau to provide a community perspective and then Dave Achtenberg who is with the Regency Hotel Management group to further on the impact and needs for events and group business. There will also be testimony from the Travel Alliance Partnership, the Destination Marketing Association of North Dakota and the North Dakota Hospitality Association and other businesses following our agency testimony.

As illustrated, tourism revenue supports small businesses - 3,000 of them in the tourism sector. The experiences we showcase are for people that live here, visit here (for business or leisure) or are considering living here. It is important to increase the awareness of North Dakota and elevate our image to recruit and retain people from the region. We also must invest in those who have already visited the state. Once travel restrictions are lifted, the border traffic will help drive retail sales in northern communities and we will need to compete with all our neighbors, including Manitoba, to attract new wealth to the state.

To achieve those goals, we need \$2 million of one-time funding from the General Fund for destination marketing. This will allow us to extend our campaign beyond June. Research in 2020 showed that on-line searches on North Dakota travel options and online bookings were high and at par with neighboring states during the peak advertising campaign. Once the campaign ended in early June, the intent to travel, as shown by online searches and bookings, declined well below our competitors. The additional

dollars are imperative in driving demand to our businesses and assisting their recovery.

We also are asking for \$200,000 to improve our visitor services by leveraging existing state infrastructure, like rest areas and visitor sites, to elevate the North Dakota brand. The new hubs will enhance visitor services with fresh contemporary designed space aimed at showcasing experiences statewide to extend visitors stays.

These budget enhancements would allow continued investments in destination marketing to recruit visitors and new North Dakotans which will improve small business activity and increase visitor spending at a critical time. The added benefit is creating awareness for workforce recruitment purposes, retaining resident revenue and keeping North Dakotans traveling to sites within the state. All of which would improve success of all economic development and workforce recruitment efforts.

Next, I would like to introduce our Economic Development and Finance director Josh Teigen to provide a deeper dive into our third theme of continued economic resilience and diversification. Josh...

JOSH TEIGEN, DIRECTOR OF ECONOMIC DEVELOPMENT AND FINANCE

Thank you, Sara.

Chairmen Holmberg and members of the Senate Appropriations Committee, I'm Josh Teigen and am honored to have been promoted to serve as the director of Economic Development and Finance. I still have the privilege of working with the former Economic Development and Finance Director James Leiman as he transitions into his new role within the North Dakota Department of Commerce.

The last biennium laid the foundation for a highly diverse and resilient North Dakotan economy and we went big and bold with a heavy emphasis on economic diversification, especially in the areas of innovation, high tech jobs, and value-added activity.

In parallel to our strong economic development approach, we also reinvented the way we deploy capital in the state to better meet the market need. We achieved major successes in attracting outside investments such as venture capitals, equity firms, and private capital allowing for an innovation platform.

We successfully recruited the world's most successful innovation platform with Plug and Play, which equates to 40 top-tier startups each year in the intelligent ag space. This feeds economic development initiatives for us, brings a needed ecosystem to the marketplace, and is a great source of investment opportunities for us.

The department completely transformed how economic development is conducted in the state with precision recruitment and growth based on data, research and new investment opportunities. Using data, we can now be predictive rather than reactive, and focus our efforts on the highest return on investment (ROI) activities.

In addition, we developed nearly 100 primary sector projects in 2019 and in 2020 simultaneous to the pandemic, worked in excess of \$2 billion in projects in 2020, and introduced in excess of \$50 million in start-up innovation activity using LIFT and InnovateND which was a wise investment that paid huge returns for the state. We were able to develop new side-by-side investment relationships across the nation creating higher probability to create new wealth and improve capital access.

Unmanned Aircraft Systems (UAS) deployed systems-wide unmanned system plan to include initial beyond visual line of sight (BVLOS) capability in the Red River Valley and Bakken, and doubled activity within the

Northern Plains UAS. Grand Sky commercial activity grew by 30% with hundreds of jobs averaging almost \$100 thousand per year and generated over \$55 million in private investment capital.

In collaboration with several partners, we successfully recruited an intermodal operation to North Dakota after 20 years of attempts; with no use of state money. This success allows huge savings for shippers and will likely see higher ROIs per acre. The biggest shipper in the state saves 34% on drayage, and average shippers save between 20-25%. This is a tremendous recruitment tool for the state and is a cornerstone for growth in the Minot Industrial Complex.

Our team developed and deployed a foreign direct investment (FDI) strategy attracting new companies and investments from Asia, the Middle East, Europe and Latin America including a major greenhouse project from Canada and petrochemical foundation which is a multigenerational solution to massive and long-term energy growth.

We redefined the approach to energy growth laying foundation for next generation economy including value-added, innovation, and environmental, social, and corporate guidance (ESG). What is needed is capital. If we could transfer \$30million from Legacy Fund earnings for the Innovation Technology Loan Program (LIFT), continued investment in innovation programs and get behind Grand Strategy which includes Grand Sky, Grand Farm, Grand Ranch and Grand Energy. This would allow Commerce to seed programs to focus on preparing companies for ESG compliance to attract equity, capital and entities to purchase North Dakotan products.

In addition, transfer \$20 million from Legacy Fund earnings to the Unmanned Aircraft System Program Fund on June 30, 2021 for Vantis, the first statewide BVLOS network, transfer \$7 million from Legacy Fund earnings to the Unmanned Aircraft System Program Fund on June 30, 2021 for Grand Sky, and transfer \$2 million from Legacy Fund earnings to continue funding the Northern Plains UAS Test Site.

And \$750,000 to The North Dakota Trade Office Bifurcation to fund trade and foreign direct investment opportunity with emphasis on energy and tech, e.g. UAS would allow focus on trade data to support need.

We have several partners joining us today.

Eric Bartsch - AGT

Sean Carrol - Access Point Technologies

Patty Post - Checkable Medical

Tyler Demars – Center for Technology and Business

Ron Ness – North Dakota Petroleum Council

Tom Swoyer – UAS Grand Sky

Nick Flom – Northern Plains Test Site

Connie Ova – Jamestown EDC

Thank you to our partners.

- What we need
 - Capital
 - Transfer \$30million from Legacy Fund earnings for Innovation Technology Loan Program (LIFT)- 4x-5x investment
 - Continued investment in innovation programs
 - Get behind Grand Strategy
 - Grand Sky
 - Grand Farm
 - Grand Energy
 - Commerce to seed program to focus on preparing companies for ESG compliance to

attract equity, capital and entities to purchase North Dakota products

- Transfer \$20 million from Legacy Fund earnings to the Unmanned Aircraft System Program Fund on June 30, 2021 for Beyond Visual Line of Site (Vantis)
- Transfer \$7 million from Legacy Fund earnings to the Unmanned Aircraft System Program Fund on June 30, 2021 for Grand Sky.
- \$2 million in continued funding for Northern Plains UAS Test Site
- North Dakota Trade Office Bifurcation
 - \$750,000 to fund trade and foreign direct investment opportunity with emphasis on energy and tech, e.g. UAS
 - Focus on trade data to support need

Next, I would like to ask Shawn to return to the podium and provide a couple of closing thoughts.

Thank you, Josh.

Chairmen Holmberg and members of the Senate Appropriations Committee.

I want to take a minute or two and reiterate some of the items covered earlier today. UAS is a tide that lifts other boats including ag, energy and tech sectors. We are working with other state agencies, including the North Dakota department of Transportation and intend to request an amendment so they can help Commerce and the industry build common infrastructure. We want to work with the ND Agriculture department to utilize each our strengths to increase trade with foreign countries. Commerce would like to retain the diplomatic role, foreign direct investment and continue to have a seat at the table so we can work in unison for the good of all ND businesses. We would like to carryover unexpended funds in our discretionary fund so we can continue to help ND communities and

businesses, and we would like to eliminate the primary sector language from the Rural Growth Fund so rural leaders can pursue the economic development activities that they feel impact their communities the most. I certainly won't take the time to cover all the ways we stand ready to help but I hope you can see that the evidence speaks for itself, in the face of extraordinary adversity, we delivered. I am proud of the work our team did and the investments made are paying off.

The state of North Dakota is at a crossroads. It has been a difficult year for many and may remain difficult for some of our most important economic sectors – such as agriculture and energy, for the years to come. As you heard, Commerce is doubling down on community development, economic resiliency and diversification and are investing heavily into the future of our communities and the nation's best workforce. We are elevating our image so everyone knows about the opportunity that awaits them in our beautiful state.

We have an amazing opportunity for the residents of our great state...Come with us and let's grow this State together!

Thank you for your time today and we welcome any questions.

N O R T H
Dakota

Be Legendary.™

NORTH DAKOTA DEPARTMENT OF COMMERCE

SENATE APPROPRIATIONS

January 25, 2021

THEMES

- Commerce Crushed it – in face of once in a century event
- Community Development
- The New Workforce
- Elevation of North Dakota's Image
- Continued Economic Resiliency and Diversification

CARES ACT GRANTS

- ERG

- 2,656 Apps

- 2,064 Apps

Awarded

- \$38,720,521

Awarded

- HERG

- 1,132 Apps

- 966 Apps

Awarded

- \$23,681,952

Awarded

- HERG PLUS

- 220 Apps

- 197 Apps

Awarded

- \$8,351,332

Awarded

COMMERCE RESULTS

- Diversification
- Innovation
- Start-ups
- Small city focus and empowerment
- Rural Development Council
- Research driven
- Successful marketing
- Pandemic support
- Workforce program implementation
- Business support

RURAL DEVELOPMENT

- Redefining "Community Development"
- Rural Growth Fund
 - Primary Sector



VIBRANT COMMUNITIES

- ND2C
- Partners in Planning Grants
- Vibrancy Grants
- Economic & Community Development Map



COMMUNITY DEVELOPMENT

COMMUNITY SERVICES

Community Services Block Grant Public Hearing



ADDITIONAL CARES ACT FUNDS

- Community Development Block Grant
 - \$6.1 M
- Emergency Solution Grants
 - \$5.1 M
- Community Service Block Grant
 - \$4.8 M



To Augment Growth with CDBG and CSBG Funds

- Provided services to 86,000 individuals



Emergency Solutions Grant and North Dakota Homeless Grant Programs

- Funded 31 Shelter Providers and Assisted 1,790 Individuals



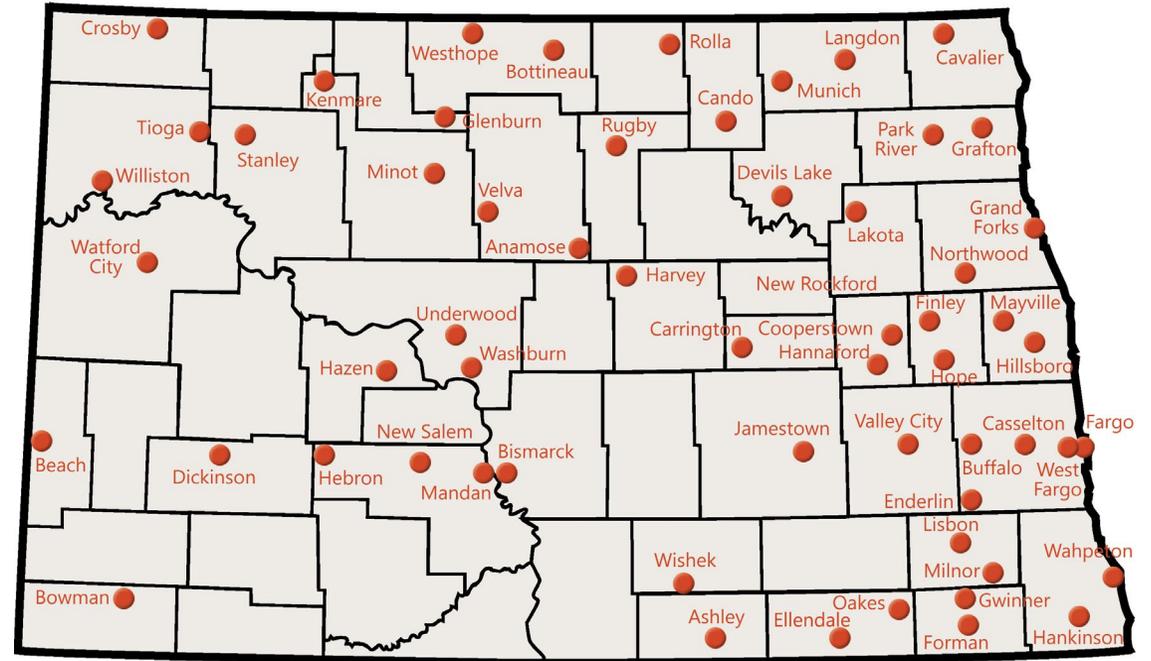
CDBG, HOME & WEATHERIZATION PROGRAM

- Developed 3 Multi-Family Housing Projects
- Rehabbed 134 Housing Units
- Weatherized 1,036 Low-Income Homes



RENAISSANCE ZONE

- Actively Manage 59 Renaissance Zones
- 1,850 Renaissance Zone Investments



PARTNER TESTIMONY

- Brad Barth, Executive Director, Forward Devils Lake

REQUESTED ACTION

- Transfer the HOME Program and 2 FTE Positions to NDHFA
- Additional 3.5 Million in federal spending authority



THE NEW WORKFORCE

WORKFORCE DEVELOPMENT

ACCOMPLISHMENTS

- Occupational Licensure Reform Research
- Recruitment of *The Last Mile*



WORK-BASED LEARNING

- Apprenticeship Expansion
 - Biomedical Research
 - Healthcare
- Operation Intern
 - 120 companies
 - 366 interns



TECHNICAL SKILLS TRAINING GRANT

- Invested \$924,516
- 12 programs
 - 10 led by private sector



PARTNER TESTIMONY

- Dave Farnsworth, WDC Chairman, Great River Energy
- Kara Glenn, Silver Fox Pipeline & Facility Services
- Ray Berry, OmniByte Technology

REQUESTED ACTION

- Continued support for longstanding grant programs
- \$1 M for Technical Skills Training Grant

ELEVATION OF NORTH DAKOTA'S IMAGE

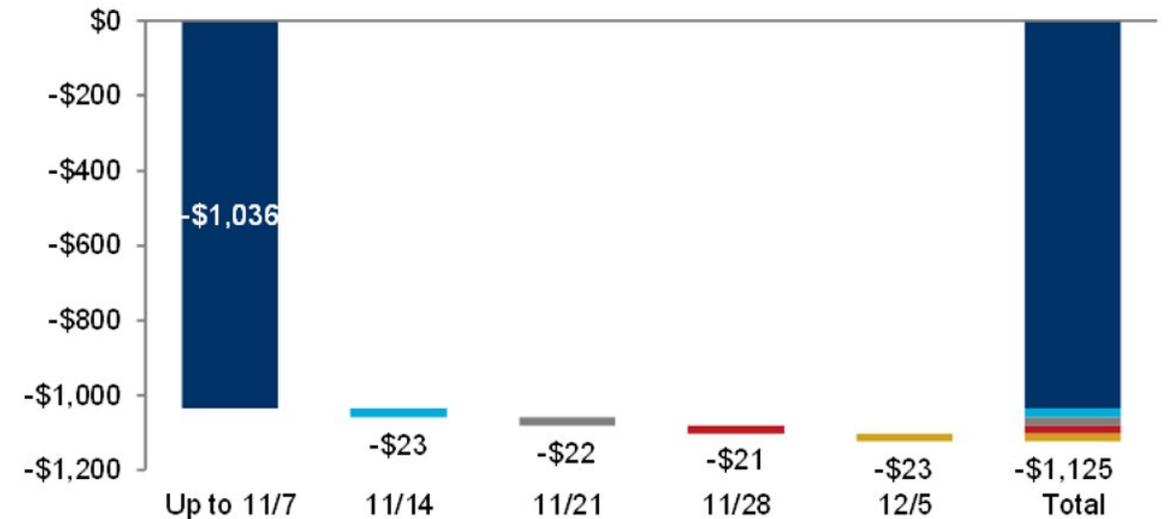
TOURISM AND MARKETING

PANDEMIC IMPACT

- \$1.13 B lost visitor spending
- \$87 M lost visitor paid taxes
- 465,000 lost Canadian passenger vehicles

North Dakota weekly travel spending losses through December 5th

\$ millions



Source: Tourism Economics

Travel North Dakota
 November 23, 2020 · 🌐

#NDSmallBusinessWeek Dickinson AKA "The Western Edge". 🤖 The city on the outskirts of the badlands brings their own flare to the local business world. **Salt Kitchen & Co** and **Fluffy Fields Vineyard and Winery** are perfect examples. Learn more about them below. 📌
 #BeNDLegendary <https://belegendary.link/ShopLocalND>

Help us make a list of locally recommended favorites from Dickinson! What are your top places to eat and shop around town?

👉 Fluffy Fields grows the grapes for the... See More



Be Connected.

North Dakota's cities offer space to reconnect with family and friends. Visit our downtowns for boutique shopping, grabbing an espresso, or relaxing on a patio with dining and musical entertainment. You can also find parks, scenic drives and outdoor adventures nearby. Visit us online to find inspiration for fun ahead.
[legendarynd.com](https://www.legendarynd.com)

NORTH Dakota
 Be Legendary.™

WHERE THE LAKE AND FAMILY MEET FOR THE PERFECT VACATION.	WE'RE READY - MEDORA MUSICAL NOW OPEN WITH SMART RESTAUR.	UNCROWDED FUN! VIBRANT DOWNTOWNS MEET WIDE-OPEN SPACES.
devils lake <small>South Dakota</small> devilslakend.com	Medora <small>EXPLORE IT. ADORE IT.</small> medora.com	Bismarck Mandan <small>NO BOUNDARIES</small> noboundariesnd.com

Be Inspired.

SCENIC BRIDGES, OPEN SPACES IN THE SHEYENNE RIVER VALLEY!

FRESH CLEAN AIR AND FALL COLORS FILL THE SKY.

UNFORGETTABLE ADVENTURES, SAFE TRAVELS. #NORTHOFNORMAL

THEODORE ROOSEVELT NATIONAL PARK - SOUTH UNIT

SOCIAL DISTANCE THE #SIMPLYGRAND WAY!

EXPLORE UNFORGETTABLE HISTORIC FRONTIER FORTS AND MORE.

UNCROWDED FUN! FRIENDLY ATTRACTIONS & WIDE-OPEN SPACES.

hellovalley.com

VISIT MINOT
visitminot.org

FARGO
NORTH OF NORMAL
 MOORHEAD | WEST FARGO
fargomoorhead.org

Greater GRAND FORKS
simply grand
visitgrandforks.com

visit Williston ND
visitwilliston.com

Bismarck Mandan
NO BOUNDARIES
noboundariesnd.com

FAMILY FUN IS WAITING IN NEARBY NORTH DAKOTA.

Here you'll find unexpected scenery, history, culture, one of America's most visitor-friendly national parks and unique attractions like the endangered southern white rhinoceroses at Chankipapa Zoo in Wahpeton. With scenic drives, affordable rates and great amenities, it's a great time to plan unforgettable experiences in North Dakota. The wide-open spaces are calling. Start planning today.

[legendarynd.com](https://www.legendarynd.com)

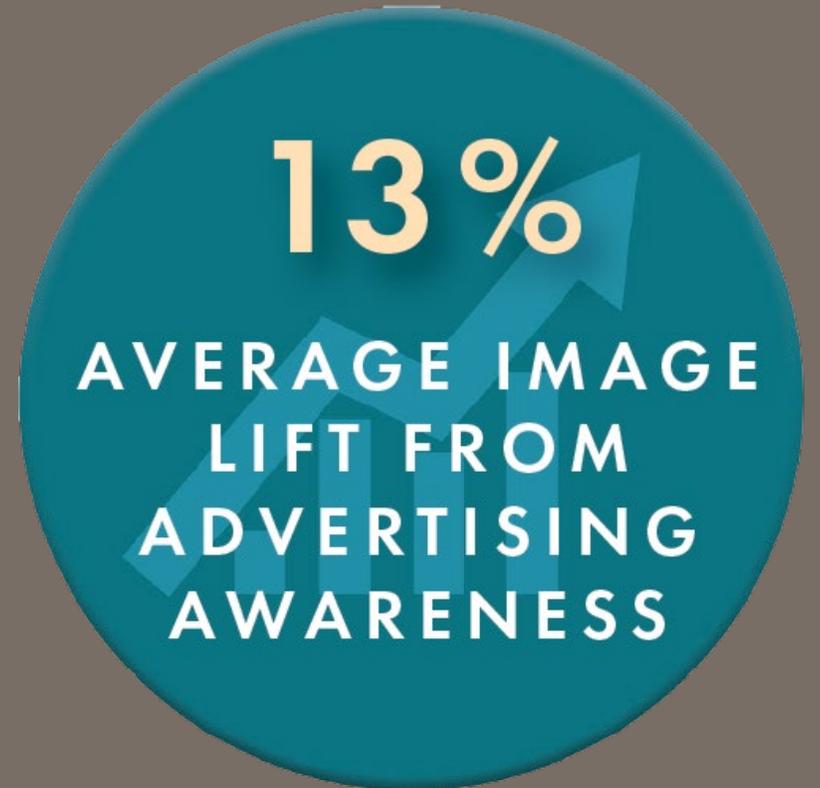
NORTH Dakota
 Be Legendary.™

Chankipapa Zoo Wahpeton

Hawthorne Golf Club, Bismarck

DIVERSIFYING OUR ECONOMY

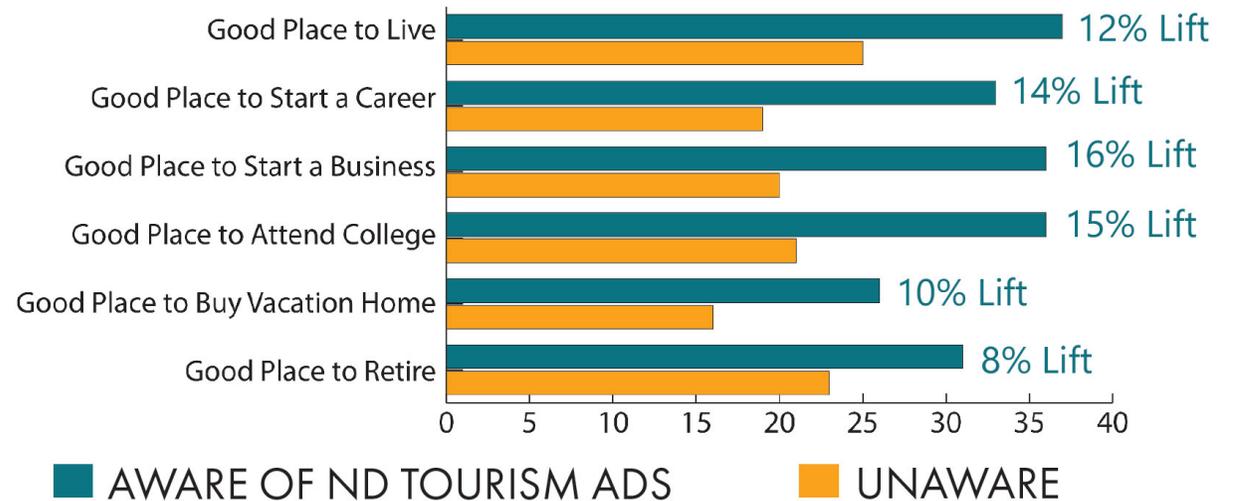
- Advertising has ability to change perceptions, attitudes and behaviors
- Campaigns create a “halo effect” that lifts image



ELEVATING NORTH DAKOTA'S IMAGE

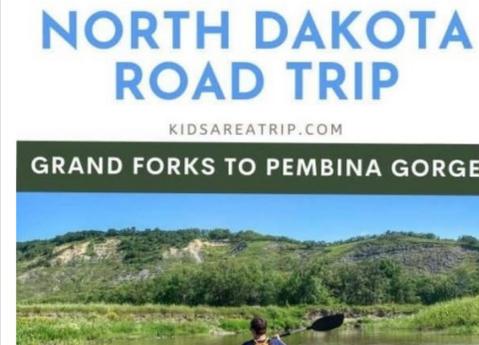
- Destination marketing yields more than visitors

HALO EFFECT OF NORTH DAKOTA TOURISM MARKETING



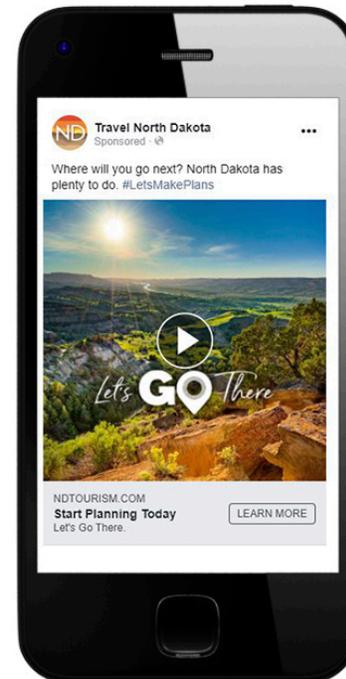
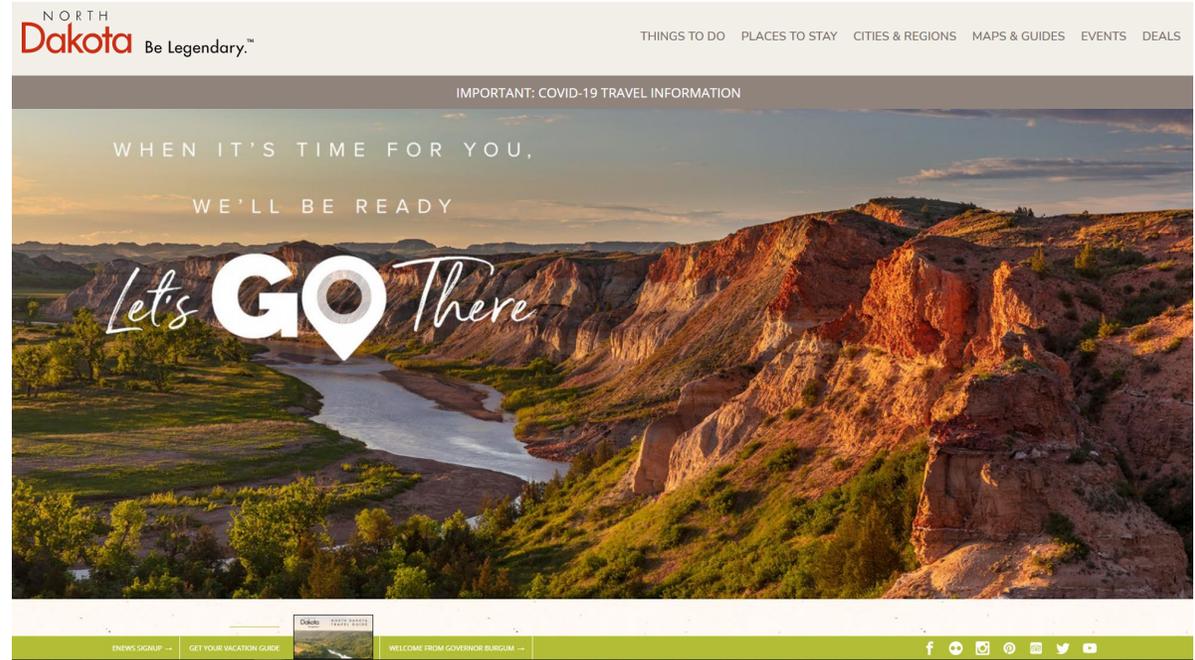
INCREASED AWARENESS OF NORTH DAKOTA

- Garnered 40 national editorial media placements (up 25% from 2019) reaching 776 million
- Hosted 8 influencers reaching more than 10.6 million



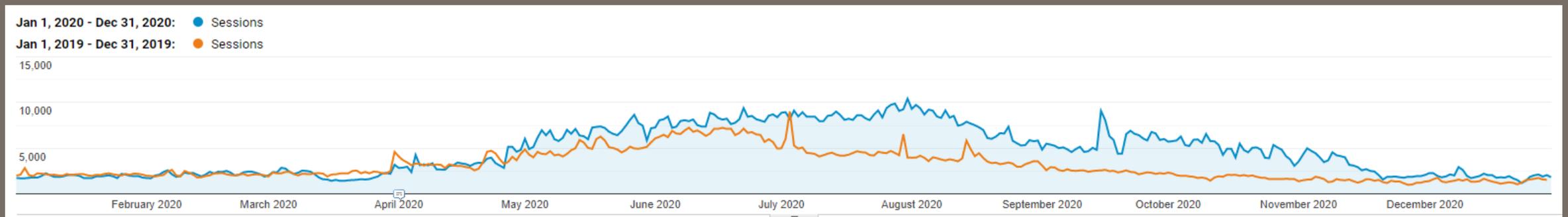
ADVERTISING IMPACT

- TV reached 83 million households
- Digital netted 112 million impressions
 - 9 million views on digital and connected TV spots
- Magazine and newspaper circulation of 12 million



WEBSITE TRAFFIC = TRAVEL INTENT

- Traffic to NDtourism.com +52% from 2019
- Increases among all channels: organic, paid search and digital advertising, referrals, emails and social



BUSINESS PARTNER TESTIMONY

- Jim Poolman, Hospitality business owner
- Charley Johnson, Fargo Moorhead West Fargo CVB
- Dave Achtenburg, Regency Hotel Management

TOURISM SUPPORTS SMALL BUSINESS

- More than 3,000 businesses
- Employing over 42,000 North Dakota citizens



\$522
MILLION
IN LODGING



\$900
MILLION
IN FOOD AND
BEVERAGE



\$593
MILLION
IN
TRANSPORTATION



\$383
MILLION
IN RECREATION



\$522
MILLION
IN RETAIL

REQUESTED ACTIONS

Tourism/Marketing

- \$461,000 base increase up 3.6%
- \$2 M increase – one time for destination marketing
- \$200,000 for visitor services enhancements and brand activation



CONTINUED ECONOMIC RESILIENCY AND DIVERSIFICATION

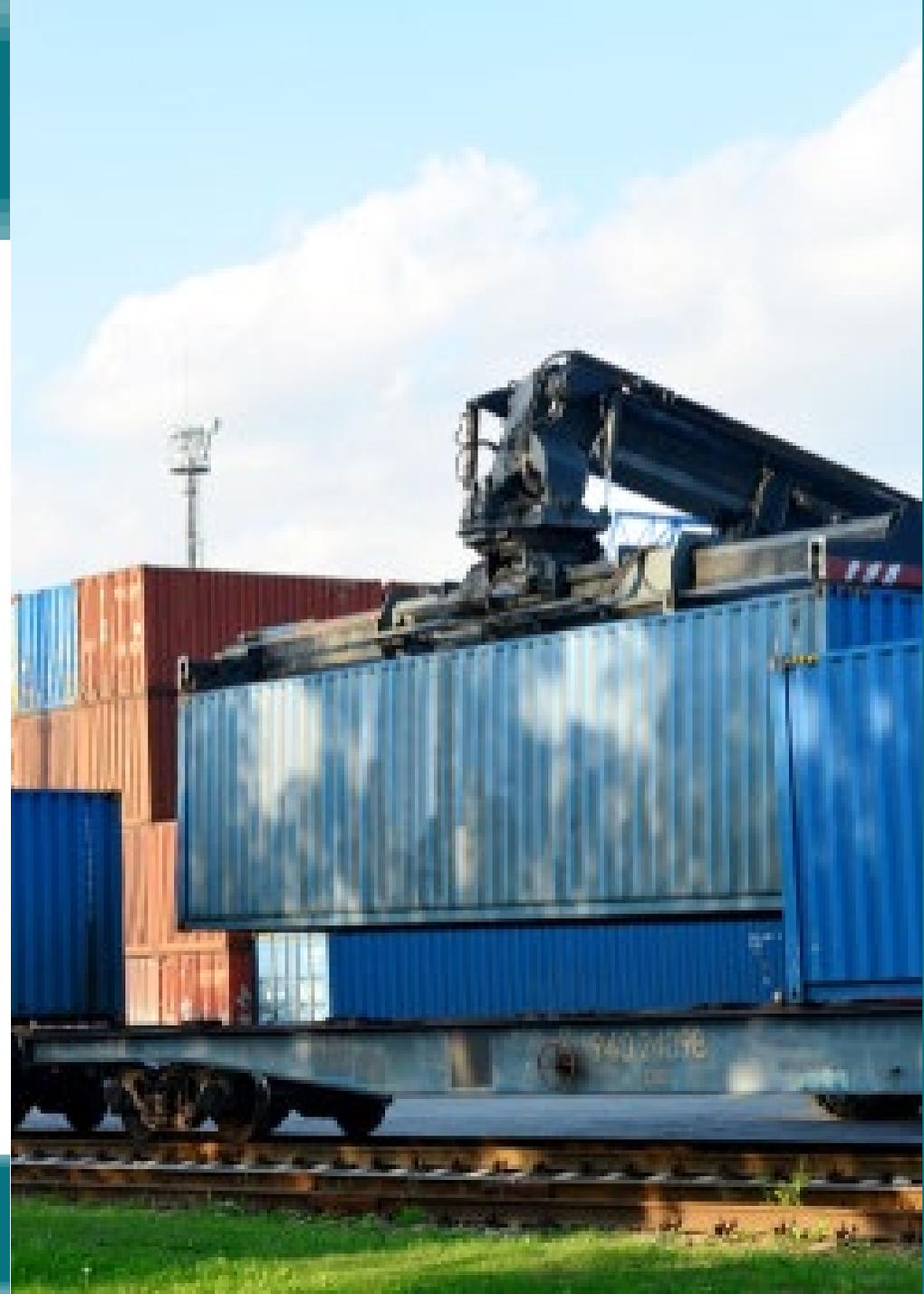
ECONOMIC DEVELOPMENT AND FINANCE

2020 IN REVIEW

- Revamped economic development approach
- 100 primary sector projects - \$2 B
- Intermodal
- \$50 M in start up and innovation funding
- Innovation platform
- UAS & VANTIS

MINOT INTERMODAL FACILITY

- Game changer for the ag industry in ND
- Average shipper saves 20-25%
- Huge recruitment tool for Minot



INVESTING

- LIFT
- InnovateND
- NDDDF
- FDI



INNOVATION PLATFORM

- Plug and Play
- 40 top-tier startups per year
- Intelligent ag



PARTNER TESTIMONY

- Eric Bartsch, AGT
- Sean Carrol, Access Point Technology
- Patty Post, Checkable Medical
- Tyler Demars, Center for Technology and Business
- Ron Ness, ND Petroleum Council
- Tom Swoyer, UAS Grand Sky
- Nick Flom, Test Site
- Connie Ova, Jamestown EDC



GRANDSKY

AMERICA'S COMMERCIAL UAS PROVING GROUNDS



RESEARCH | DEVELOPMENT | TESTING | TRAINING

FLY HERE. FLY NOW.



A man in a black uniform and headset is walking on an airfield next to a large aircraft. The aircraft has the tail number 'N334K' visible. The man is wearing a black t-shirt, dark shorts, and a headset with a microphone. He is looking towards the aircraft. The background shows a clear sky and a building.

ECONOMIC IMPACT

342

Jobs

\$19.3M

Annual Wages

\$70M

Private Investment

\$21M

State Investment





GRANDSKY

AMERICA'S COMMERCIAL UAS PROVING GROUNDS



THOMAS SWOYER, JR.

PRESIDENT

Grand Sky Development
Company, LLC

swoyert@grandskynd.com

[@GrandSkyND](#)

GrandSkyND.com

GRAND SKY | FLY HERE. FLY NOW.

Northern Plains UAS Test Site

OPERATIONS IN 2019



NORTHERN PLAINS
UAS TEST SITE

<p>FLIGHTS 3,677 flights 388.6 hours</p> <p style="background-color: #e0e0e0; padding: 2px;">URBAN AIR MOBILITY ACCOUNTS FOR 78%!</p>		<p>11 FLIGHT PROJECTS Reliable Robotics, SkySkopes Edison, CBP, Toyota, DOD, UTM, IPP, Flood Support, UPP, HUBNet, KittyHawk Heaviside, KittyHawk Flyer</p>
<p>DID YOU KNOW? NPUASTS just surpassed 1000 hours of flight operations!</p>		<p>17 DIFFERENT AIRCRAFT OPERATED The biggest one weighed nearly 800 pounds!</p>
<p>CA - ND - NV Ops conducted in 3 states! Xcel Energy operated in more states than we did this year.</p>	<p>APPROVALS 2 waivers, 3 COAs acquired this year.</p>	

OPERATIONS IN 2020



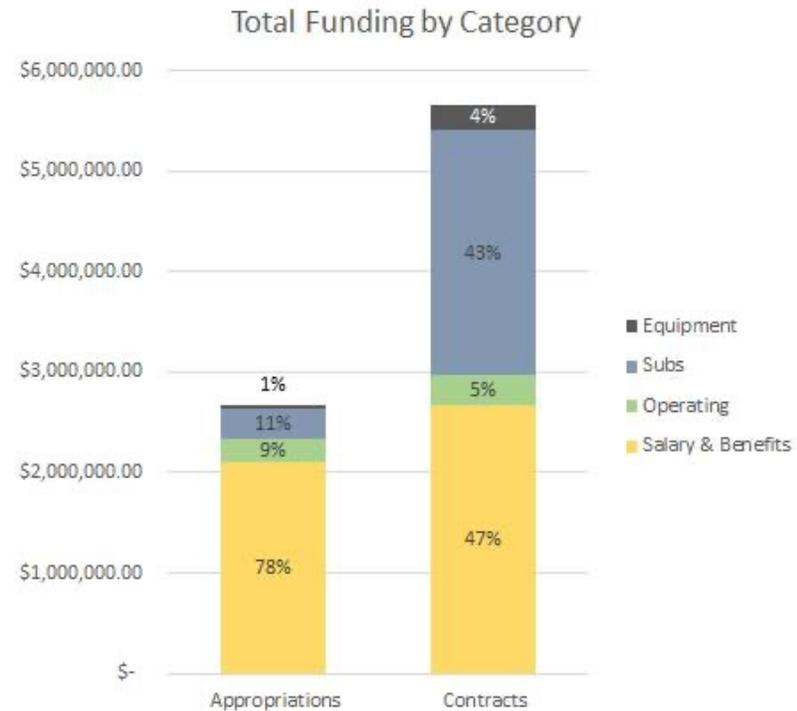
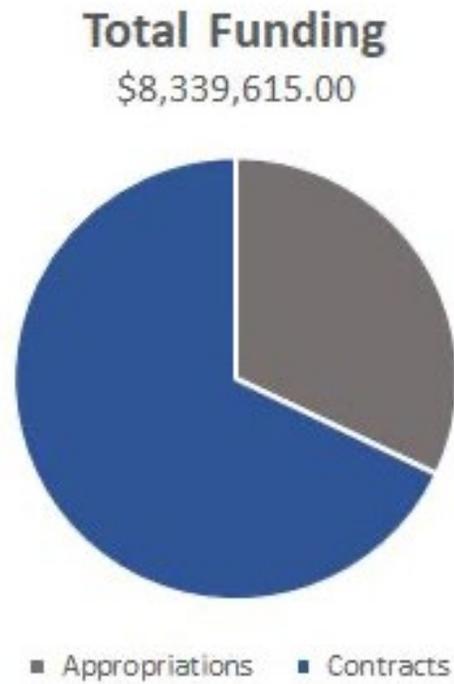
NORTHERN PLAINS
UAS TEST SITE

<p>FLIGHTS 2,192 flights 422.6 hours</p>		<p>NATION'S FIRST BVLOS NETWORK Turnkey support for commercial and public UAS operators. North Dakota industries, including oil and gas, electric utilities, agriculture, and medical services will benefit from reduced costs, increased efficiency, and enhanced safety.</p>
<p>UAM Flights: 1959 total</p>	<p>Hours under NP waivers: 384.4</p>	
<p>ACROSS THE GLOBE UAS flights totaled enough mileage for a trip from Grand Forks to Sydney, Australia!</p>	 <p>9400 MILES!</p>	<p>UPGRADED FLEET Added 14 aircraft, 8 rotorcraft, 5 fixed wing, and 1 hybrid.</p>
<p>NORTH DAKOTA, CALIFORNIA, NEVADA & TEXAS Ops conducted in 4 states by NPUASTS and our clients safely</p>		<p>FLOOD ASSISTANCE DOT support during 2020 flood</p>
<p>SOCIAL MEDIA Impressions: 405,844 Interactions: 131,930</p>		

Northern Plains UAS Test Site

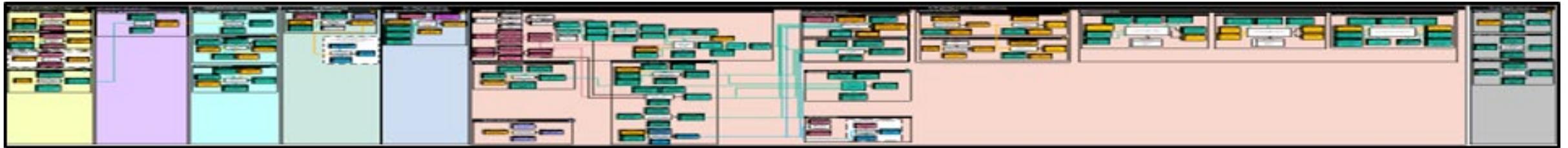


NORTHERN PLAINS UAS TEST SITE



VANTIS

Functional Architecture



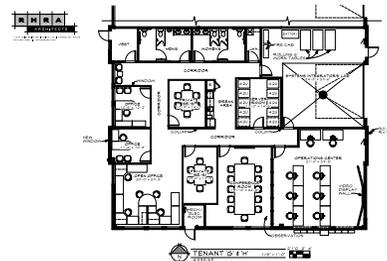
SE/SI's



Branding



MNOC



GRAND SKY
1 GRAND SKY BOULEVARD, EMERYVILLE, NORTH DAKOTA
SCHEME H411
10/20/2018

FAA Coordination



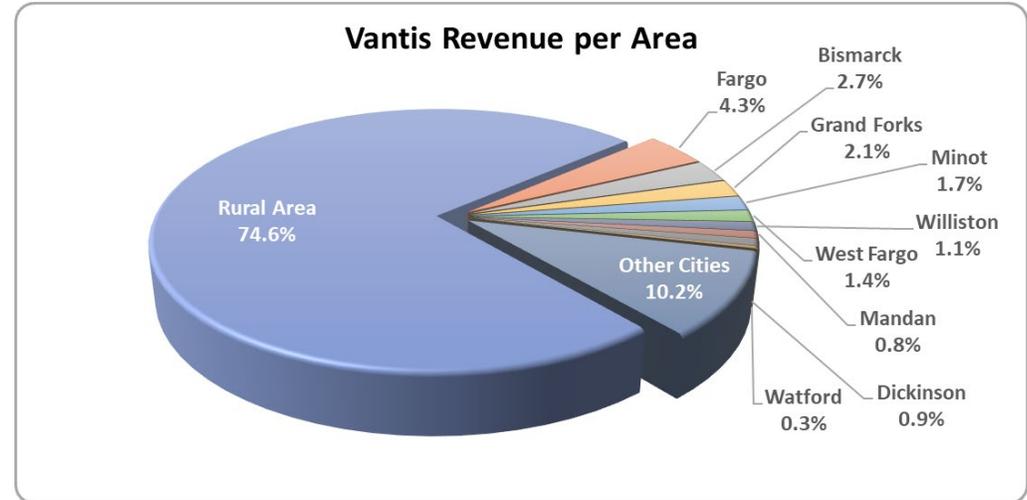
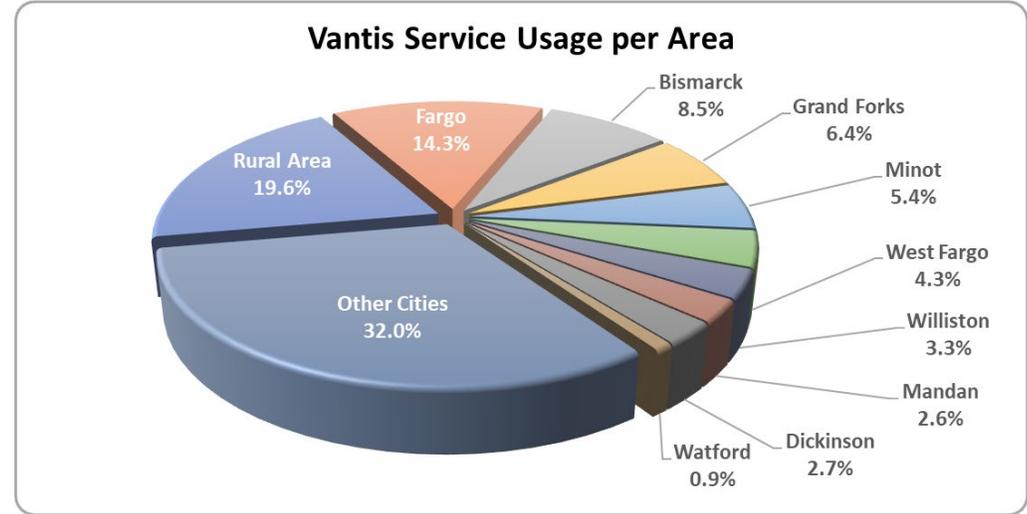
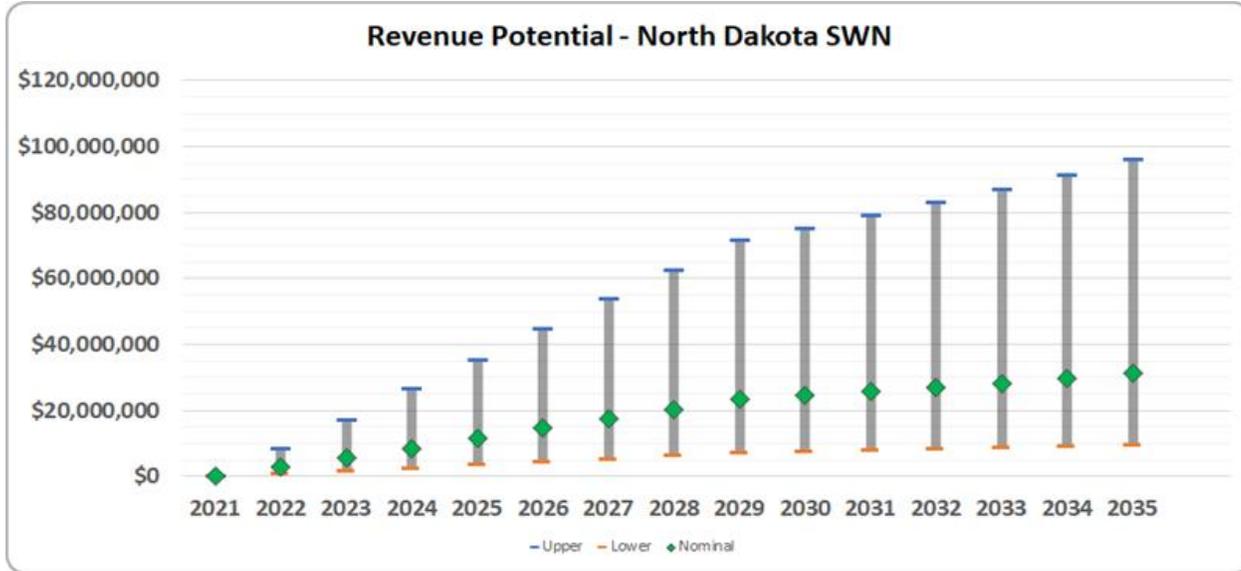
Task Orders



VANTIS



VANTIS



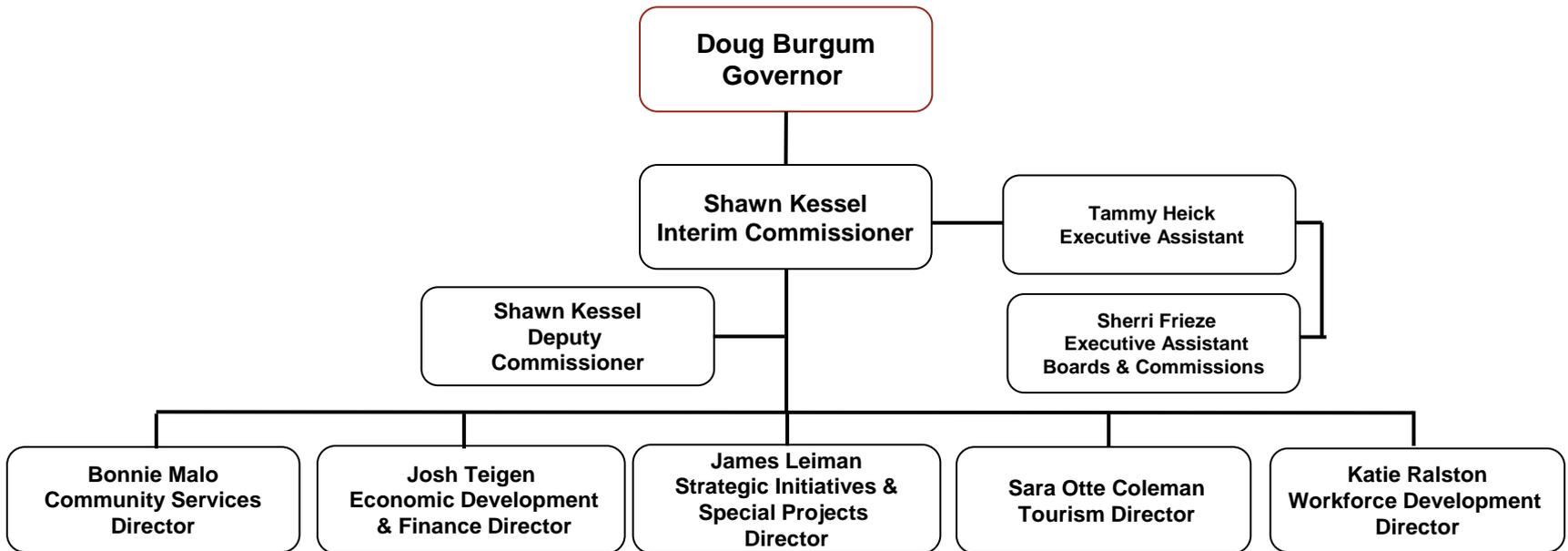
REQUESTS

- \$30 M from Legacy Fund earnings to LIFT
- \$20 M from Legacy Fund earnings for beyond visual line of sight (VANTIS)
- \$7 M from Legacy Fund earnings for Northern Plains UAS Test Site

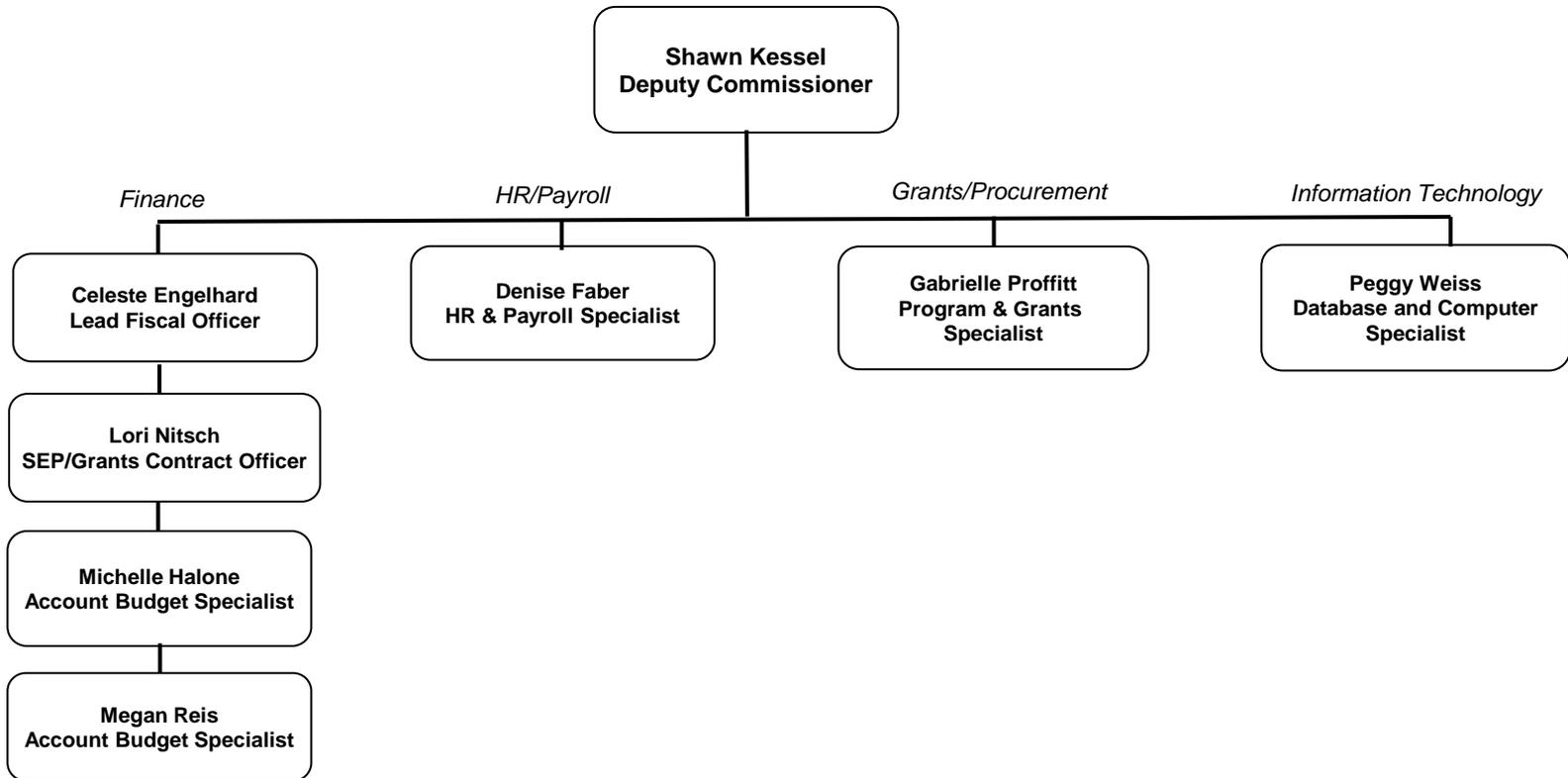
NORTH
Dakota

Be Legendary.™

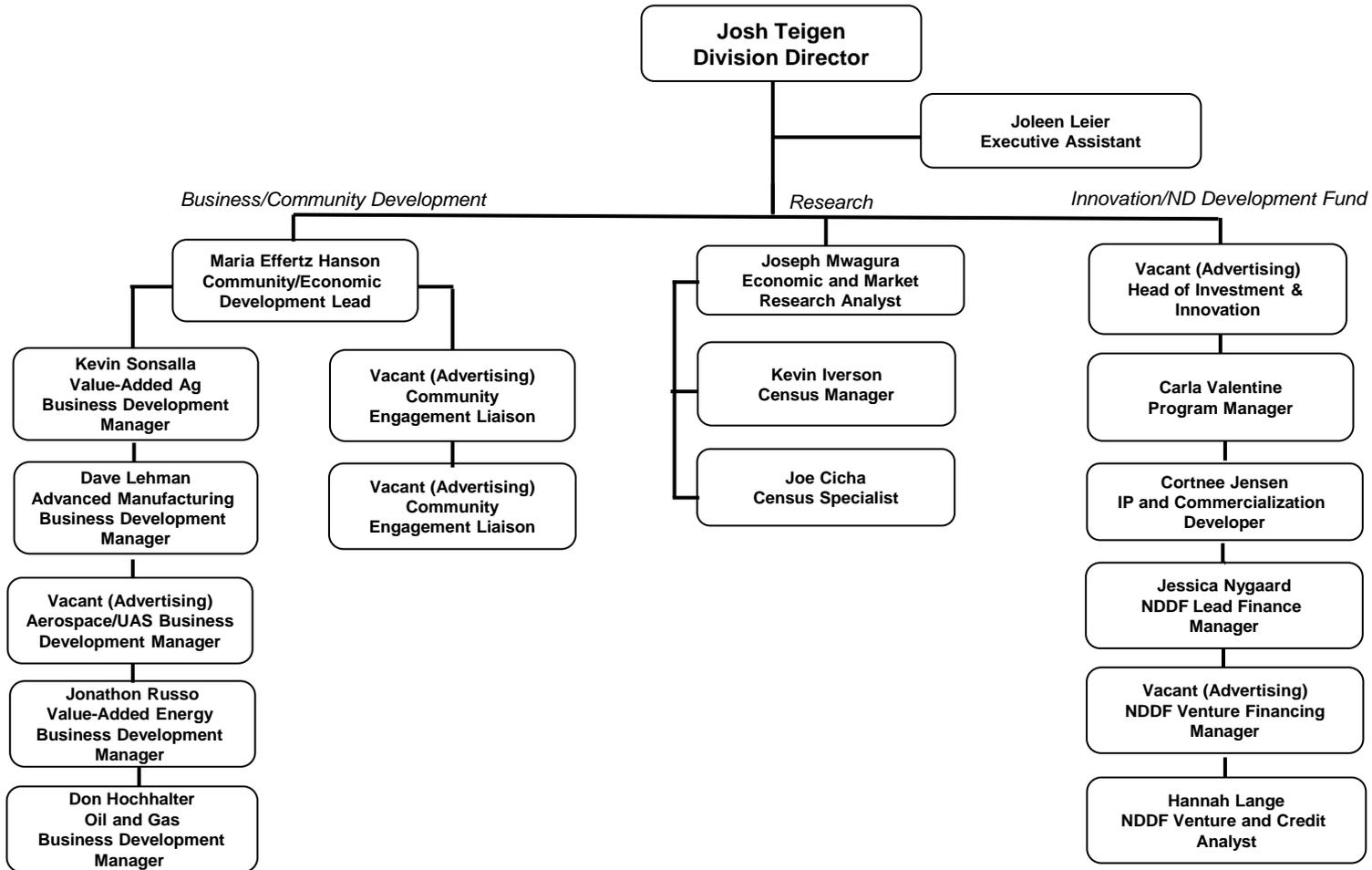
Department of Commerce Organizational Chart



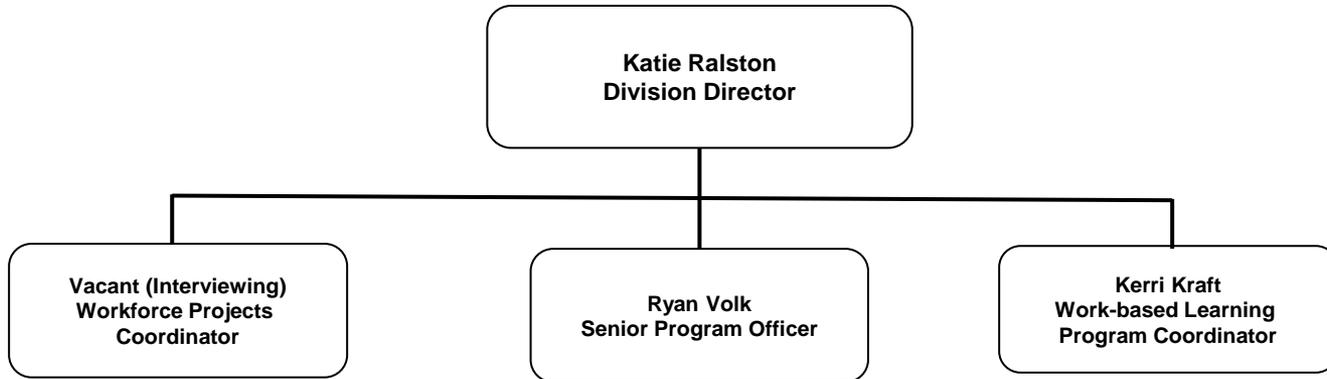
Administration Organizational Chart



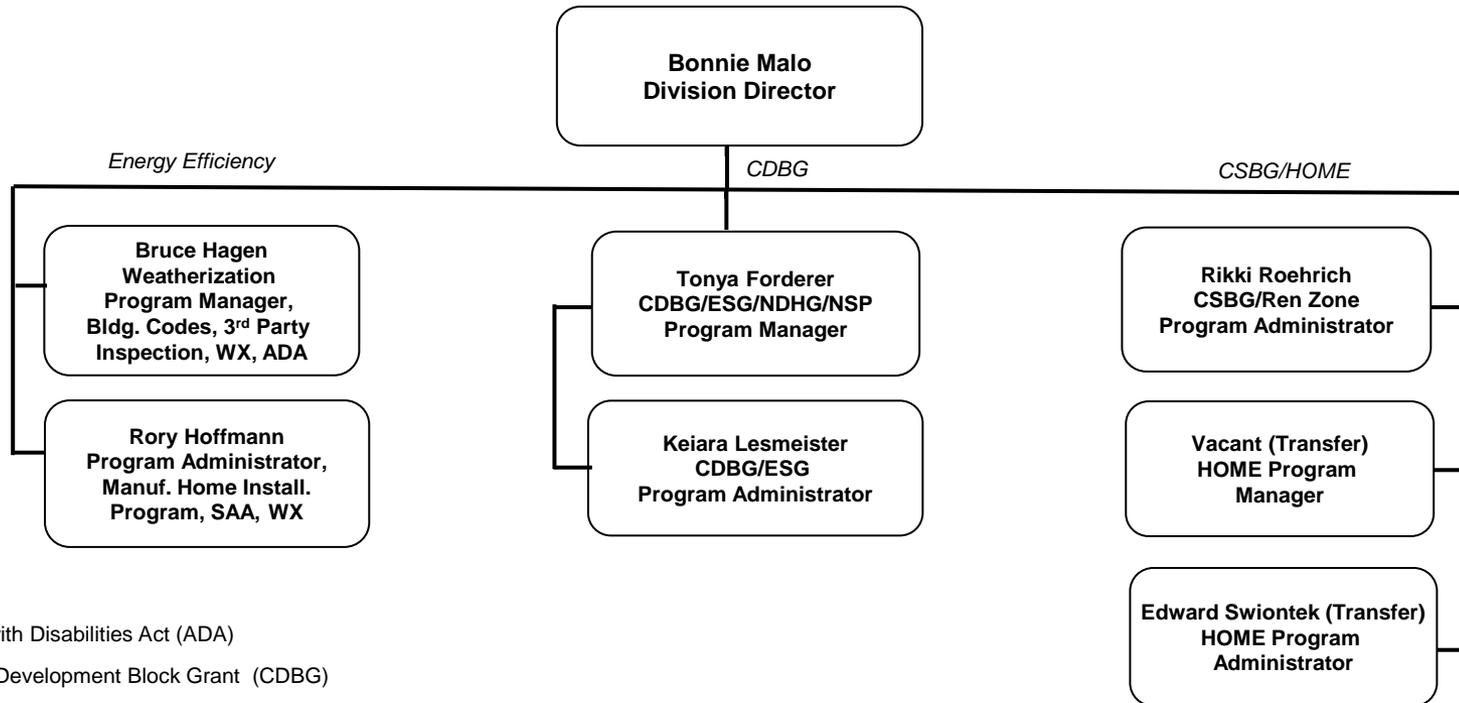
Division of Economic Development & Finance Organizational Chart



Division of Workforce Development Organizational Chart

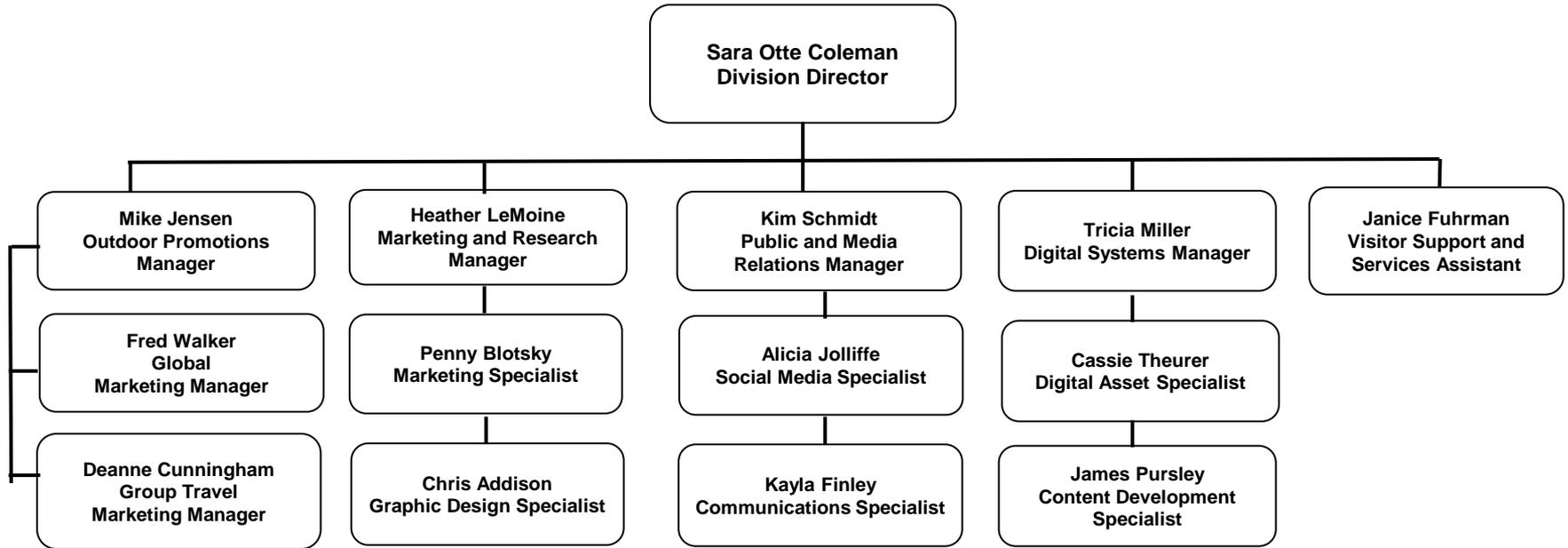


Division of Community Services Organizational Chart



- Americans with Disabilities Act (ADA)
- Community Development Block Grant (CDBG)
- Emergency Solutions Grants (ESG)
- Home Investment Partnership Program (HOME)
- State Administrative Agency for Manufactured Homes (SAA)
- Community Service Block Grant (CSBG)
- Renaissance Zone (Ren Zone)

Division of Tourism and Marketing Organizational Chart



MEMORANDUM

TO: Commissioner Michelle Kommer
CC: Celeste Engelhard, Accounting Manager
FROM: Deputy Commissioner Shawn Kessel
DATE: November 1, 2019
RE: Control Enhancements

As you know, our most recent audit identified opportunities for improvement in our control environment. We have thoroughly reviewed the audit report to identify appropriate control enhancements. Please see the Department of Commerce's action plan, below.

FINDING 19-01 "CIRCUMVENTING PROCUREMENT GUIDELINES"

Audit Issue (pg. 2 of Audit Report)

"These contracts should have been treated as one contract for services and allowed for contractor competition following the Office of Management and Budget (OMB) procurement requirements."

Commerce Position

"We disagree with the finding that the Department "violated state law by circumventing procurement requirements related to the 'Be Legendary' logo and overall brand refresh. As correctly stated in the audit report, the value of this contract was \$9,500, and as such, did not require a competitive bid process under procurement rules. Contract deliverables were met prior to the contract being completed. Subsequently, temporary workers were hired to perform work that was connected to the brand refresh but was separate from the contract deliverables. We acknowledge there was overlap in the time frame of the contract and the temporary employment as the final contract payment was made in November 2018, and the temporary employees began employment with the Department in October 2018. After the hiring of the temporary employees, the OMB Procurement Office was consulted, and steps were taken to ensure the contract was appropriately terminated after final payment. The Department will ensure there is a clear separation between contract deliverables and temporary employment arrangements in the future and that all procurement requirements are followed."

As stated above, there were two separate workstreams: one to create the website design, or "frame," and the other to develop content for the website, which required additional resources. While we acknowledge these efforts were related, there was no overlap with the original contract, and we believe Commerce properly complied with OMB Purchasing Guidelines. Commerce also followed state hiring practices and generally accepted employment law principles in treating those hired for the second workstream as temporary employees.

ACTIONS	INITIATION	CONCLUSION
1. Conduct mandatory training on procurement guidelines at least once during the biennium, at an All Staff Meeting	Q1 2020	(ANNUALLY)
2. Require at least one member of each of Commerce's four divisions become Level 3 procurement trained <i>-Hiring in Workforce & DCS has slowed compliance along with OMB cancelling May Level 3 & 4 training</i>	Q4 2019	Q2 2020
3. Include procurement training as part of the on-boarding process for all new Commerce employees.	Q1 2020	(ONGOING)
4. When a program/contract transitions from one Commerce division to another Commerce division, a review of contract deliverables between division leads shall take place within 15 days of the transfer.	Q4 2019	(ONGOING)
5. Commerce procurement designee will attend a senior team meeting at least once per quarter and provide an update, sufficient to meet senior team expectations, on staff trained in procurement, active procurement processes and a list of open contracts that were procured.	Q4 2019	(ONGOING)
6. All contract related approvals shall have timely documentation and contract deliverables will be acknowledged in writing.	Immediately	(ONGOING)
7. Commerce will consult/review level 3+ procurement processes with OMB liaison.	Immediately	(ONGOING)
8. Commerce will consult/review level 4 procurement processes with OMB procurement staff.	Immediately	(ONGOING)
9. Review, revise & communicate Financial Policies as necessary to implement these enhanced controls, and communicate, train as necessary.	Q4 2019	Q2 2020

FINDING 19-02 "VIOLATION OF APPROPRIATION AUTHORITY"

Audit Issue (pg. 5 of Audit Report)

"...violated their appropriation authorized in the 2017 Session Laws by improperly charging \$853,908 to the wrong biennium."

Commerce Position

The Department of Commerce agrees with the recommendation and acknowledges that these expenditures should have been charged to the 2019-21 biennium rather than the 2017-19 Biennium. The Department will strengthen internal controls and implement procedures to ensure in the future expenditures are properly allocated to the correct biennium.

As acknowledged, this was a timing error related to payment for agreed-upon work on an infrastructure project at Grand Sky UAS park – a project that was funded by the Legislature and had been delayed by weather. The Department made the correct payment to the correct party at the incorrect time, and Commerce has since implemented changes to prevent it from happening again. Ultimately, the funds went to the Legislature’s intended purpose, and no party received undue benefit. Funding for infrastructure projects often comes with continuing appropriation authority, or “carryover” authority, which allows the funding to be carried into the next biennium in case of construction delays. That carryover authority was not in place for this project. Commerce will request such authority in the future to prevent this from happening again.

ACTIONS	INITIATION	CONCLUSION
<p>1. Educate all involved parties regarding Office of Management & Budget policies and procedures relating to the “allow-back period”, including and especially partners affected by the appropriation.</p> <p>- The following email was distributed to all Commerce Staff. The State financial system will be shut down July 29-30, 2020 for fiscal year end processing.</p> <ul style="list-style-type: none"> • Payments cannot be processed during this time so plan ahead. • Please have all payment requests and invoices submitted to fiscal staff by July 15, 2020. • All June travel must be submitted for reimbursement by July 15, 2020. *Please see policy below. • Remember goods and services paid with Fiscal Year 2020 funds need to be delivered by June 30, 2020. • Please be cognizant of P-Card charges made in late June. The charge must be on your June statement in order to use FY20 funds. <p><u>*Submitting Travel Expense Voucher</u> All Travel Expense Vouchers (SFN 52785) must be submitted within 60 days of the end of the month for which the travel is being claimed. <u>Travel Expense Vouchers for June must be submitted by July 15 so they can be paid during the fiscal year in which they are incurred.</u></p> <p>Please share the July 15, 2020 deadline with any vendors, partners or sub-grantees that you may be working with, so they can submit June invoices or payment requests timely. This will ensure they are paid prior to shut down.</p> <p>M. Halone also reviewed the allow-back procedure at the July 15, 2020 Commerce Huddle</p>	<p>Q1 2020</p>	<p>Q2 2020</p>
<p>2. Request continuing appropriations authority for all grants designated by the Legislature to the Department of Commerce.</p>	<p>67th Leg. Session</p>	<p>(ONGOING)</p>
<p>3. Request continuing budget authority pursuant to North Dakota Century Code Section 54-44.1-11 if complications</p>	<p>>67th Leg. Session</p>	<p>(ONGOING)</p>

arise (i.e. construction delays) where the Department does not have continuing appropriations.		
4. Review, revise & communicate Financial Policies as necessary to implement these enhanced controls, and communicate, train as necessary.	Q4 2019	Q2 2020

FINDING 19-03 "NONCOMPLIANCE WITH CONTRACT REQUIREMENTS"

Audit Issue (pg. 6 of Audit Report)

"...did not monitor contract deliverables of an entrepreneurial contract with a total cost of \$253,921. As a result, contract payments totaling \$123,750 were made to unapproved subcontractors. Further, \$23,448 of these payments were not supported by progress reports."

Commerce Position

"We disagree with the finding that the Department did not monitor contract deliverables and that contract payments were made to unapproved subcontractors."

The auditor's report indicates that the following contract deliverables were not met:

- *CONTRACTOR must submit sub-contractors to state for approval with proof of sustainability of developed programming/positions.*
- *Sub-contractor progress reports must be reported in CONTRACTOR quarterly required reports.*

The auditor's report indicates that the "The Department did not approve subcontractors...as required by the contract." The Department did provide approval for sub-contracts; however, this approval occurred verbally, as verified by the previous contract manager and vendor. The auditor's report indicates that unsupported payments were made to unapproved subcontractors. As noted, the Department verbally approved subcontractors, hence disagrees payments were made to "unapproved" contractors. The Department has implemented contract monitoring procedures to ensure appropriate documentation is secured in advance of payment for all future contracts."

As stated above, subcontractors were verbally approved as allowed for in the contract, and no payments were made to unapproved subcontractors. Commerce specifically reconciled the subcontractor billing with the aggregated billing to ensure that no one was overpaid or underpaid.

ACTIONS	INITIATION	CONCLUSION
1. When a program/contract transitions from one Commerce Division to another Commerce Division, a review of contract deliverables between division leads shall take place within 15 days of the transfer.	Q4 2019	(ONGOING)

2. All contract related approvals will have timely documentation and contract deliverables will be acknowledged in writing.	Q4 2019	(ONGOING)
3. A report of any charges to be made during the "allow-back period" will be provided to the Office of Management and Budget and Attorney General's Liaison for review prior to formal submission	July 2021	(ONGOING)
4. Review, revise & communicate Financial Policies as necessary to implement these enhanced controls, and communicate, train as necessary.	Q4 2019	Q2 2020

FINDING 19-04 "LACK OF INTERNAL CONTROL SURROUNDING APPROPRIATIONS"

Audit Issue (pg. 7 of Audit Report)

"...identified \$853,908 charged to the wrong biennium."

Commerce Position

The Department of Commerce agrees with the recommendation and acknowledges that these expenditures should have been charged to the 2019-21 biennium rather than the 2017-19 biennium. The Department will strengthen internal controls and implement procedures to ensure in the future expenditures are properly allocated to the correct biennium.

As acknowledged, this was a timing error related to payment for agreed-upon work on an infrastructure project at Grand Sky UAS park – a project that was funded by the Legislature and had been delayed by weather. The Department made the correct payment to the correct party at the incorrect time, and Commerce has since implemented changes to prevent it from happening again. Ultimately, the funds went to the Legislature's intended purpose, and no party received undue benefit. Funding for infrastructure projects often comes with continuing appropriation authority, or "carryover" authority, which allows the funding to be carried into the next biennium in case of construction delays. That carryover authority was not in place for this project. Commerce will request such authority in the future to prevent this from happening again.

ACTIONS	INITIATION	CONCLUSION
1. Work with vendors to assure invoices accurately reflect the month that the vendor issued payment for the service.	Q1 2020	(ONGOING)
2. A report of any charges to be made (invoices to be submitted) during the "allow-back period" will be provided to the Office of Management and Budget and Attorney General's Liaison for review prior to formal submission	July 2021	(ONGOING)

3. All temporary employee arrangements will be reviewed by the Commerce Attorney General liaison prior to execution, if they are expected to work for longer than six months.	Immediately	(ONGOING)
4. Commerce will schedule a quarterly meeting to review matters related to procurement with the Attorney General's office	Nov. 2019	
5. Review, revise & communicate Financial Policies as necessary to implement these enhanced controls, and communicate, train as necessary.	Q4 2019	Q2 2020

REQUEST/RECOMMENDATION COMPARISON SUMMARY

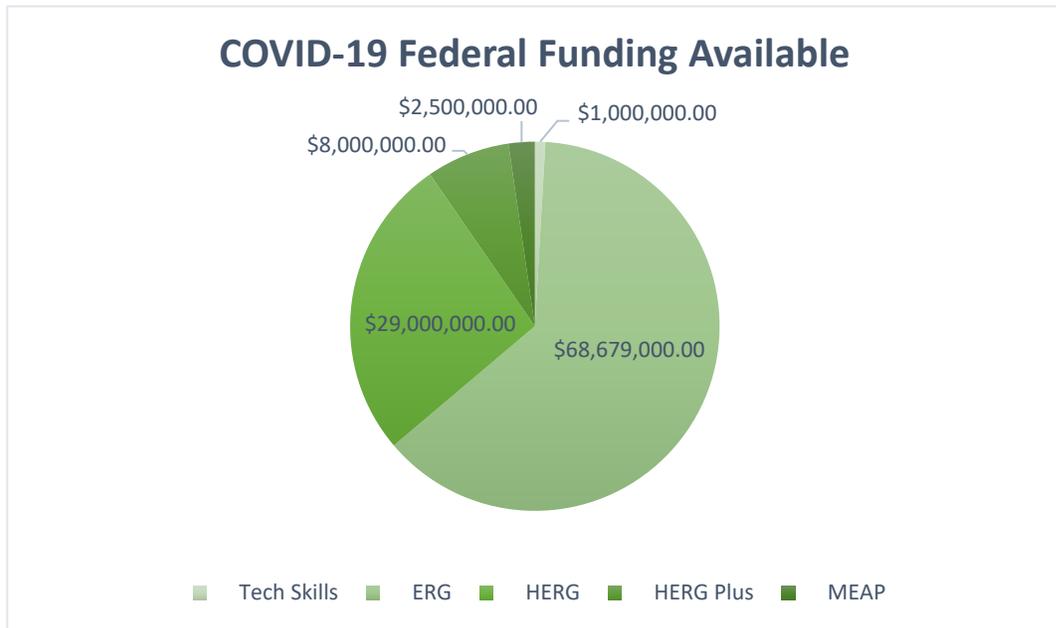
601 Department of Commerce

Biennium: 2021-2023

Description	Expenditures Prev Biennium 2017-2019	Legislative Base 2019-2021	2021-2023 Requested		Requested Budget 2021-2023	2021-2023 Recommended		Executive Recommendation 2021-2023
			Incr(Decr)	% Chg		Incr(Decr)	% Chg	
By Major Program								
Commerce Administration and Support	4,365,925	5,488,754	(1,048,254)	(19.1%)	4,440,500	(959,365)	(17.5%)	4,529,389
North Dakota Tourism	12,606,719	12,933,354	(1,828,104)	(14.1%)	11,105,250	461,156	3.6%	13,394,510
ND Workforce Development	4,325,600	5,498,612	(117,618)	(2.1%)	5,380,994	909,529	16.5%	6,408,141
Economic Development and Finance	20,965,208	11,880,824	5,858,868	49.3%	17,739,692	8,928,479	75.2%	20,809,303
Division of Community Services	43,592,999	51,188,470	7,915,190	15.5%	59,103,660	(365,435)	(0.7%)	50,823,035
Total Major Programs	85,856,451	86,990,014	10,780,082	12.4%	97,770,096	8,974,364	10.3%	95,964,378
By Line Item								
Salaries and Wages	11,646,114	13,217,286	(172,430)	(1.3%)	13,044,856	(275,425)	(2.1%)	12,941,861
Operating Expenses	13,793,460	14,873,203	(2,013,355)	(13.5%)	12,859,848	2,055,986	13.8%	16,929,189
Grants	50,389,468	52,638,527	6,343,803	12.1%	58,982,330	643,803	1.2%	53,282,330
Discretionary Grants	1,107,046	2,150,000	(600,000)	(27.9%)	1,550,000	(600,000)	(27.9%)	1,550,000
Flood Impact Loans/Grants	351,193	0	0	0.0%	0	0	0.0%	0
Grants-Tribal Colleges	498,200	0	0	0.0%	0	0	0.0%	0
Agric. Products Util. Comm. (APUC)	2,282,513	0	0	0.0%	0	0	0.0%	0
North Dakota Trade Office	2,000,000	1,600,000	0	0.0%	1,600,000	(850,000)	(53.1%)	750,000
Partner Programs	1,939,845	1,562,531	(234,380)	(15.0%)	1,328,151	0	0.0%	1,562,531
Entrepreneurship Grants	1,848,612	948,467	(543,556)	(57.3%)	404,911	0	0.0%	948,467
CARES Act Funding - 2020	0	0	8,000,000	100.0%	8,000,000	8,000,000	100.0%	8,000,000
Total Line Items	85,856,451	86,990,014	10,780,082	12.4%	97,770,096	8,974,364	10.3%	95,964,378
By Funding Source								
General Fund	31,035,415	32,866,722	(4,930,008)	(15.0%)	27,936,714	532,048	1.6%	33,398,770
Federal Funds	42,995,228	44,040,415	15,710,091	35.7%	59,750,506	8,111,877	18.4%	52,152,292
Special Funds	11,825,808	10,082,877	(1)	0.0%	10,082,876	330,439	3.3%	10,413,316
Total Funding Source	85,856,451	86,990,014	10,780,082	12.4%	97,770,096	8,974,364	10.3%	95,964,378
Total FTE	66.40	61.80	0.00	0.0%	61.80	(3.00)	(4.9%)	58.80

Federal Funding Relating to COVID - 19

CRF funding received through OMB	Available Total
	\$ 109,179,000.00
Tech Skills	\$ 1,000,000.00
ERG	\$ 68,679,000.00
HERG	\$ 29,000,000.00
HERG Plus	\$ 8,000,000.00
MEAP	\$ 2,500,000.00





FACTS

3RD IN
 NATION
 IN RURAL
 CONTRIBUTION
 TO STATE
 GDP

MORE THAN
 15,000
 RURAL BUSINESSES
 EMPLOY
 134,396

2ND IN
 NATION
 RURAL ANNUAL
 COMPOUND
 GROWTH RATE
 (2010-2018)

RURAL DEVELOPMENT COUNCIL (RDC)

The RDC is charged with facilitating collaboration among governments and the private and nonprofit sectors in the planning and implementation of programs and policies that have an impact on rural areas of the state. Members also monitor, report and comment on policies and programs aimed at addressing the needs of rural areas of North Dakota. The RDC unites the state's private and nonprofit sectors with state, federal, local and tribal governments to strengthen rural America.

THE RDC AND NORTH DAKOTA COMMERCE DEPARTMENT

In 2020, Commerce and the RDC prioritized and advanced several rural incentive and economic efforts. Much of this work was completed by the Commerce Main Street Initiative (MSI) team in collaboration with other state and private entities, maximizing resources and time.

Main Street Community network:

- Provides support and technical assistance to more than 230 people from 80 Main Street communities across North Dakota.
- Continues one-on-one visits with existing and new Main Street communities along with education, joint convenings and online resources.

Partners in Planning (PiP) Grant Program:

- Empowers communities to proactively plan their futures through comprehensive planning, economic development/diversification strategic plans or economic recovery plans.
- The PiP is a result of dialogue with the RDC and recommendations to support community planning efforts and the creation of actionable plans.

MSI Community Vibrancy Grant Program:

- Supports local efforts to increase community vibrancy with seed funding for a small project.
- Builds momentum and inspires additional projects with improved quality of life, attracting and retaining workforce and enhancing community pride.

Supporting statewide COVID-19 efforts:

- Implemented and conducted research and outreach education tools were undertaken supporting communities, small businesses and state leaders.
- COVID-19 webinars providing information for businesses and stakeholders across North Dakota, including resources available for small businesses, social distancing aspects and resources for businesses in rural areas related to online marketing.
- A business impact survey, conducted in partnership with the Greater Fargo Moorhead EDC, helped measure the impact of the pandemic on local businesses and gauge their needs and understand how to best direct resources.

2020-2021 APPOINTED MEMBERS

Teran Doerr of Bowman, executive director of the Bowman County Development Corp.

Janne Myrdal of Edinburg, a farmer and state senator

Luke Anderson of Forman, a farmer with Anderson Seed Farms Inc.

Gwendolyn Crawford of Kathryn, Lisbon auditor and economic development director

Jay Doan of McKenzie, a rancher with Black Leg Ranch

Antoinette Heier of Hazen, executive director of the Hazen Chamber of Commerce

Megan Laudenschlager of Minot, executive director of Strengthen ND

Lindsey Lipp of Casselton, associate scientist in process and product design at Aldevron

Dawn Mandt of Grafton, executive director of the Red River Regional Council

Joyce "Jt" Shining One Side of Dunseith, an educator at Dunseith Public School

Daniel Stenberg of Watford City, McKenzie County economic development coordinator

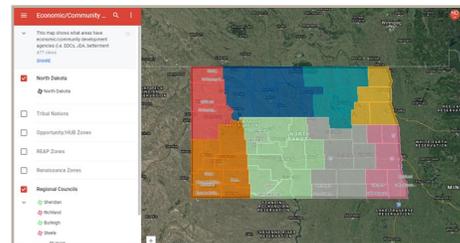
Shawn Wenko of Williston, director of the Williston Economic Development Corp.



Locations of Rural Development Council members.

Economic Development Ecosystem Mapping:

- The Economic Development Ecosystem Map provides a spatial representation of entities that do economic development work in North Dakota at the local, regional and state levels.
- The project emerged out of an RDC recommendation to document the organizations that support economic development work in North Dakota.



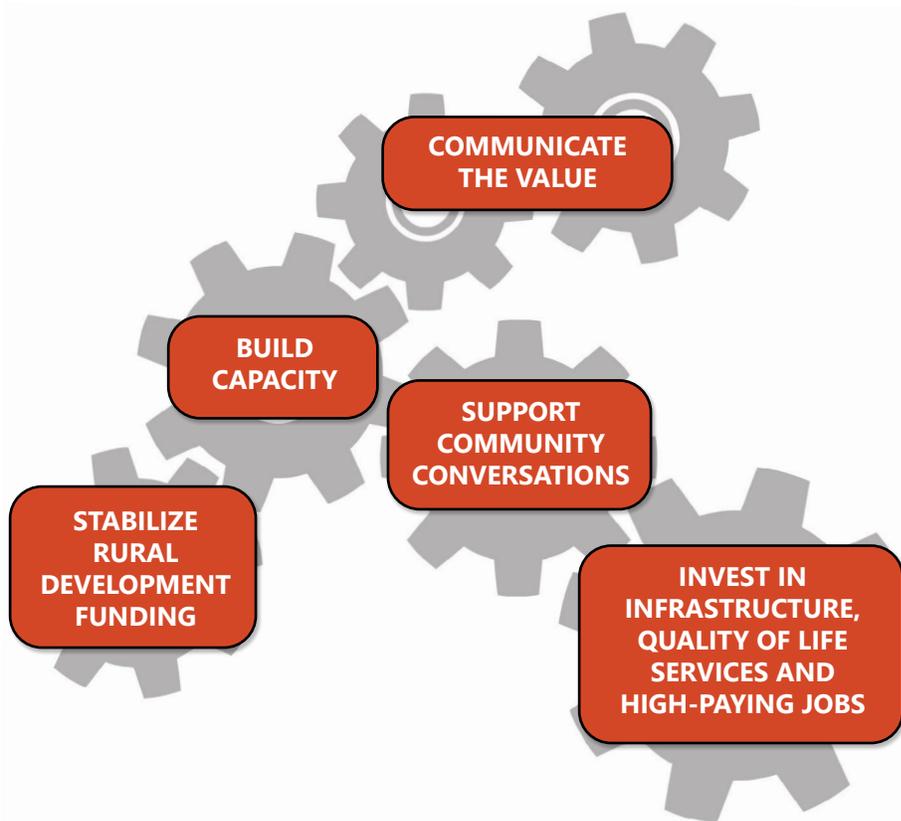
North Dakota New Development Budgeting Calculator (ND2C):

- The ND2C assists communities in estimating the long-term costs of new development with a specific focus on infrastructure.
- The technology helps communities understand the magnitude of a project's fiscal impact and compare infill vs. greenfield development more easily.

LOOKING AHEAD TO 2021

Continuing the strong momentum of the past year, future recommendations focus on communicating and developing strong networks between rural communities and regional and state leadership; advocating for opportunities in rural North Dakota; and providing resources and education to support smart, efficient instruction and continued quality of place.

THE FIVE FOCUS AREAS FOR 2021:





FACTS

85,699

PEOPLE
IMPACTED BY
CDBG AND
CSBG

12,137

FAMILIES AND
YOUTH SERVED
BY HOMELESS
GRANTS

CDBG AND
HOME FUNDS
REHABBED

134
HOMES

ASSISTED
30 ESG
AND
31 NDHG
RECIPIENTS

DIVISION OF COMMUNITY SERVICES

The North Dakota Department of Commerce Division of Community Services was established to provide technical assistance to local governments and state agencies in the areas of community and rural planning and development, policy research and development and grant program implementation.

PROGRAMS INCLUDE:

STATE ENERGY PROGRAM — Promoting Energy Conservation and Efficiency

The State Energy Program provides a range of energy conservation-related opportunities, including energy education, installation of energy efficient measures, transportation initiatives (alternative fuel vehicles and fueling systems) and renewable energy technologies (small scale wind turbines and solar technologies). The program's state energy plan is supported by financial and technical assistance through the U.S. Department of Energy (DOE).

COMMUNITY DEVELOPMENT BLOCK GRANT — Developing Vibrant and Sustainable Communities

The Community Development Block Grant Program (CDBG), provided through the U.S. Department of Housing and Urban Development (HUD), provides financial assistance to local governments in the form of grants and loans for public facilities, housing rehabilitation and economic development projects. The primary beneficiaries of these projects must be very low and low-income individuals.

EMERGENCY SOLUTIONS AND CONTINUUM OF CARE GRANTS — Working to End Homelessness

The Emergency Solutions Grant (ESG) and the Continuum of Care Grant are programs of the U.S. Department of Housing and Urban Development.

The Emergency Solutions Grant and ND Homeless Grant (NDHG) provides financial assistance to facilities and programs to identify sheltered and unsheltered homeless persons, as well as those at risk of homelessness, and provide services to help them quickly regain stability in permanent housing after experiencing homelessness. The North Dakota Department of Commerce currently awards grant funds directly to emergency/homeless shelters and agencies throughout the state for activities like operational expenses (utilities, insurance, furnishings, appliances, etc.) and essential services (case management, medical, laundry, transportation, etc.), homeless prevention, rapid rehousing and the Homeless Management Information System.

DID YOU KNOW



Community Services Block Grant impacted 41,546 low-income individuals, including 14,913 children, 6,283 persons with disabilities and 7,498 people who lacked health insurance.



Community Development Block Grant created 132 jobs and had \$1.39 million economic impact



The HOME Program assisted 400 families across North Dakota



The Low-Income Weatherization Assistance Program assisted 521 households

WEATHERIZATION/LIHEAP — Increasing Energy Efficiency for Low-Income Persons

The Weatherization Assistance Program and the LIHEAP Weatherization Program impact low-income individuals across the state to:

- Increase energy efficiency in homes
- Strengthen the health and safety of the home
- Reduce total residential energy expenditures
- Provide conservation measures

Since 2001, more than 10,000 homes have been equipped with energy-conserving measures. They are programs of the U.S. Department of Energy and the U.S. Department of Health and Human Services.

HOME PROGRAM — Creating Affordable Housing

The HOME Program is a U.S. Department of Housing and Urban Development program, designed to create partnerships among government entities and the private sector to make affordable housing available to low-income persons. The program has two primary activities: homeowner assistance and rental production/assistance. This is accomplished through five basic areas:

- Homeownership assistance
- Homeowner rehabilitation activities
- Rental rehabilitation or production
- Security deposits
- Rental assistance

COMMUNITY SERVICES BLOCK GRANT — Fighting Poverty in North Dakota

The Community Services Block Grant (CSBG) Program assists communities in implementing anti-poverty programs. The program administers funding from the U.S. Department of Health and Human Services through the state's seven Community Action Agencies (CAAs), providing various services to low-income persons, including:

- Emergency assistance
- Money management
- Housing counseling
- Self-sufficiency services
- Case management and outreach
- Referral services





FACTS

59

NORTH DAKOTA
CITIES
PARTICIPATE

1,850

PROJECTS
APPROVED

1,450

PROJECTS
COMPLETED

COMMUNITY
DEVELOPMENT
TOOL FOR
ANY SIZE
CITY

DEVELOPING DOWNTOWNS

The Renaissance Zone Program is a locally driven program that includes 59 cities across North Dakota. Since 1999, more than 1,850 projects have been approved and more than 1,450 have been completed. The Renaissance Zone Program helps create and retain jobs, businesses and residents.

The Renaissance Zone Program is a tool for community redevelopment and economic investment that incorporates tax incentives to business and residential properties. The Renaissance Act, created by the 56th Legislative Assembly, made it possible for North Dakota cities to create Renaissance Zones within their jurisdictions.

RENAISSANCE ZONE SIZES

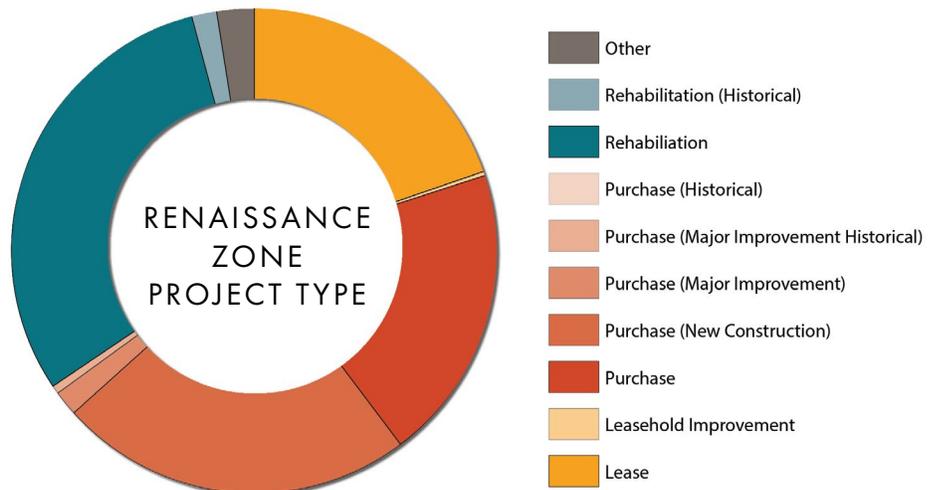
The size of the zone depends on city population.

- 34 city blocks in cities with a population of up to 5,000
- One additional block granted for each additional 5,000 in population
- Maximum size 49 blocks

PROJECT REQUIREMENTS

Development of a Renaissance Zone includes:

- A comprehensive or strategic plan
- Creation of a development plan
- Public input from at least one public hearing
- Letters of support from the county and school district
- A resolution adopted by the city to provide the tax exemptions and credits permitted in the program



TAX INCENTIVES

Up to \$500,000 of **income exempted** annually on income derived at an approved zone business project (5-year max)

Property tax exemptions for commercial and residential properties (5-year max)

Up to a \$10,000 tax credit per year for five years on qualified **single-family homes** (max \$50,000)

25% tax credit available for **historic property** on the amount invested (max \$250,000)

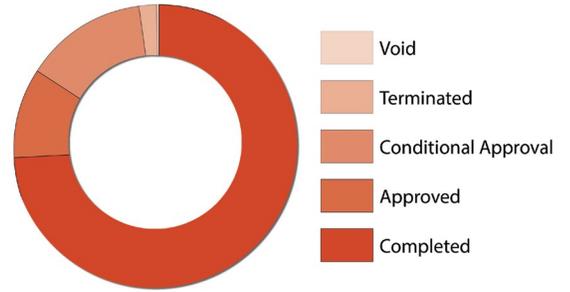
Transferable credits upon selling a single-family home

Transferable exemptions upon selling or leasing a business

SUCCESS STORIES

The city of West Fargo renewed the program for an additional five years in 2020. West Fargo started utilizing the Renaissance Zone Program in 2000 and has had 90 approved projects. Recent major projects include Restad Industrial Park in 2020 and Midcontinent Communications in 2017.

PROJECT STATUS

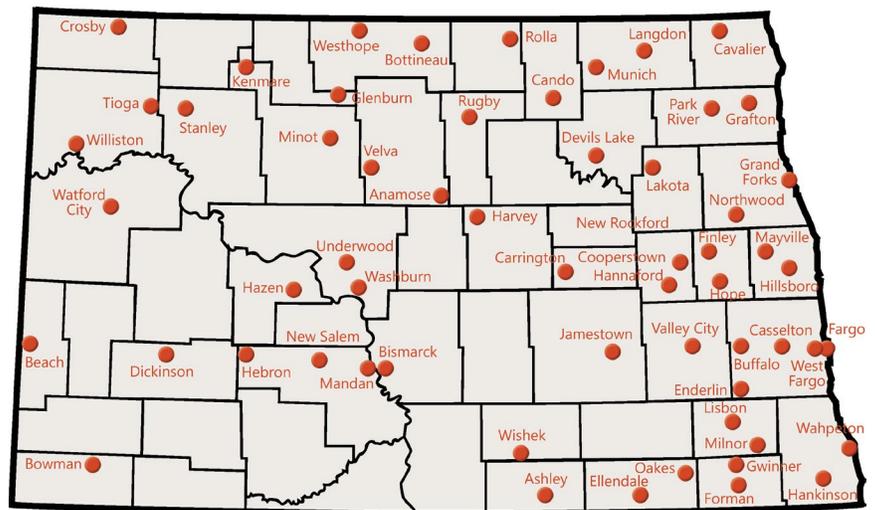


The city of Wahpeton renewed the program for an additional five years in 2018. Wahpeton started utilizing the Renaissance Zone Program in 2003 and has had 55 approved projects. Recent projects include Tractor Supply Company in 2017, Brew 2 Inc. in 2017, Grippers Sports in 2017 and Dakota Coffee Company in 2016.

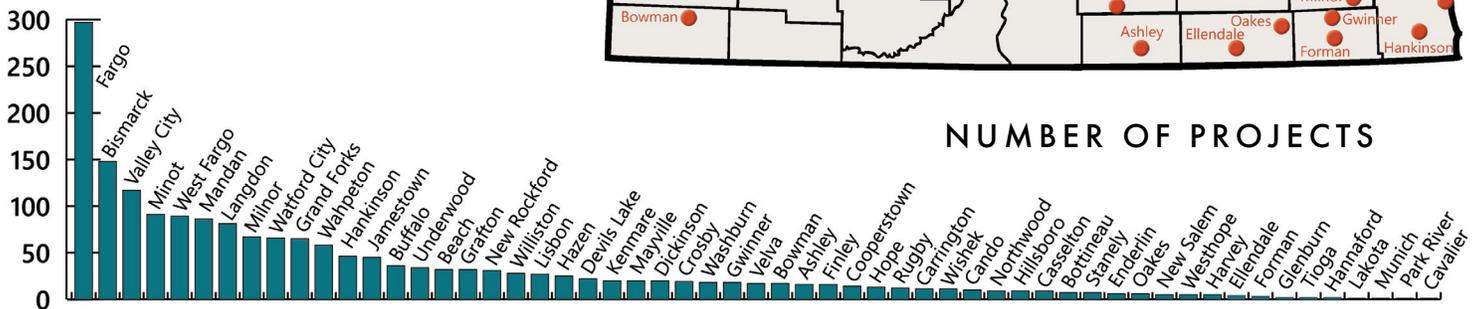
The city of Valley City renewed the program for an additional five years in 2020. Valley City started utilizing the Renaissance Zone Program in 2000 and has had 125 approved projects. Recent major projects include Brockopp Brewing LLC in 2020 and Valley Lumber Company in 2018.

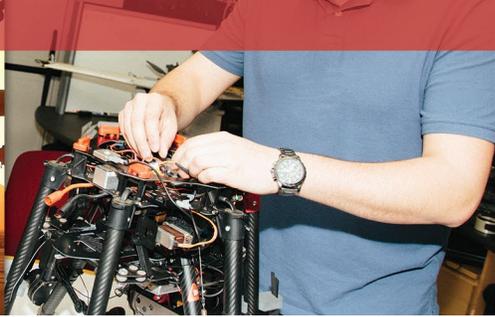
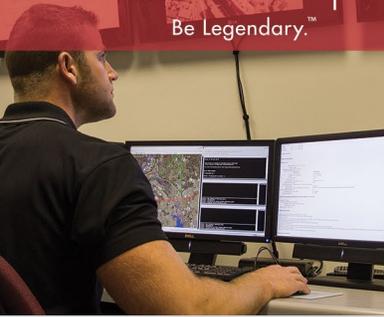
The city of Hazen renewed the program for an additional five years in 2018. Hazen started utilizing the Renaissance Zone Program in 2003 and has had 26 approved projects. Recent projects include Mandate Machinery in 2017 and Tractor Supply Company in 2017.

RENAISSANCE ZONE PARTICIPANTS



NUMBER OF PROJECTS





INDUSTRY FACTS

STATE
COMMITMENT
FOR NEW
INFRASTRUCTURE
**\$33
MILLION**

**\$77
MILLION**
TOTAL
INVESTMENT BY
THE STATE OF
NORTH
DAKOTA

THE
NATION'S FIRST
**BVLOS
SYSTEM**
VANTIS

1ST
UAV
TRANSATLANTIC
FLIGHT

NORTH DAKOTA UMANNED AIR SYSTEMS (UAS): THE NEXT GENERATION

North Dakota's unmanned systems sector continues to lead the nation in supporting the agricultural and energy industries, commercializing intellectual property and operationalizing federal requirements. To continue this growth and momentum, North Dakota must continue to invest in growing its Beyond Visual Line of Sight (BVLOS) network, support robust operations at the Northern Plains UAS Test Site (NPUASTS) and expand infrastructure at the Grand Sky UAS Park to support highly diverse and well-paying jobs as well as the national security mission.

GRAND SKY: THE NATION'S FIRST PRIVATE UAS PARK

Grand Sky, the nation's first UAS business and aviation park, is home for flight testing, UAS operations and research and development. Grand Sky offers build-to-suit locations and temporary facilities for commercial UAS development and testing, as well as defense-related operations support and has attracted more than \$100 million in private investment. Grand Sky offers access to secure defense networks, dark fiber, a 12,351-foot runway, uncongested airspace with less than 10 operations daily and more than 330 days of flying weather annually. Testing operations are supported with electronics component distributors, metal fabrication, 3D printing and equipment support for the most demanding test requirements. Grand Sky partners like the Northern Plains UAS Test Site can support airspace needs. Grand Sky is home to one of the nation's first commercial BVLOS system.

VANTIS

North Dakota leads in attracting companies and federal agencies to operationalize, commercialize and grow this sector by leveraging historic investments, utilizing existing resources, subject matter expertise and infrastructure to continue the growth trajectory, commercialization of new technologies, and well-paying jobs. North Dakota is using VANTIS and its subject matter experts at the test site on behalf of NASA, DoD, CBP and private industry. The Bakken capability will be deployed by Spring 2021. Commerce is recruiting new industries to assist in energy production and supporting small communities across the state. Autonomous development and the attraction of private equity throughout the agricultural sector continues at a rapid clip as well, including new start up activity from Plug and Play.

KEY NORTH DAKOTA GROWTH



\$400 million
in private sector
investment.



Almost 50 UAS
companies call North
Dakota home.



Over 1,000 people
employed by the
industry.



Federal partners
include DoD, CBP and
FAA.

INDUSTRY CLUSTERS

The North Dakota UAS entrepreneur cluster is larger than any other accelerator, incubator or entrepreneur center in the nation.

Almost all UAS companies operate in North Dakota, including:

- Northrop Grumman
- General Atomics
- Collins Aerospace
- L3 Harris Technologies
- Thales USA
- SkySkopes
- ISight RPV Services
- Botlink

SUCCESSES

- Participation in the FAA's BEYOND program which continues the partnership that was started through the UAS Integration Pilot Program
- Northrop Grumman endurance testing
- Department of Homeland Security Northern Border Airspace Domain Awareness Test Bed
- Four contracts awarded to support the United States Air Force Agility Prime program

PREMIER TEST SITE ADVANTAGES

- Strong industry support
- Open terrain
- Robust energy and agriculture industry clusters
- Broad infrastructure, including Grand Sky Business Park and Northern Plains Test Site
- Research through UND Research Institute for Autonomous Systems
- History and culture of aviation safety
- Uncongested airspace
- Climate diversity
- Unique testing locations and scenarios





FUND FACTS

18
PARTICIPANTS

MORE THAN
\$14
MILLION
IN LOANS AWARDED

NEW
IP
DEVELOPED
IN NORTH
DAKOTA

The Innovation Technology Loan Fund (LIFT) is an innovation loan fund to support technology advancement by providing financing for commercialization of intellectual property within the state of North Dakota. The following industries qualify for these funds:

- Advanced computing and data management
- Agriculture technology
- Autonomous and unmanned vehicles and related technologies
- Energy
- Health care
- Value-added agriculture
- Value-added energy
- Any industry or area specifically identified by the committee as an industry that will contribute to the diversification of the state's economy

The use of the loan funds are available to enhance capacity and to the extent possible, leverage state, federal and private sources of funding. Loan funds may be used to conduct applied research, experimentation or operational testing within the state. Loan funds may not be used for capital or building investments or for research, academic or instructive programming, workforce training, administrative costs, or to supplant funding for regular operations of institutions of higher education.

Approval for the LIFT applications shall be made by the LIFT Committee with consideration given to the following:

1. Deliver applied research, experimentation or operational testing in one or more of the diversification sectors to create information or data to enhance North Dakota companies or industries or companies making investments in North Dakota.
2. Lead to the commercialization or patent of an innovation technology solution.
3. Result in the development of a new company or expansion of an existing company that will diversify the state's economy through new products, investment or skilled jobs.

LIFT LOAN TERMS INCLUDE:

- Zero percent interest for the first three years of the loan
- Two percent interest for the next two years of the loan
- An interest rate equal to a standard Bank of North Dakota loan for all subsequent years

More info can be found by visiting [NDCC Chapter 6-09.18](#).

INDUSTRIES REPRESENTED



ADVANCED
COMPUTING
AND DATA
MANAGEMENT



AGRICULTURE
TECHNOLOGY



ENERGY
AND
VALUE-ADDED
ENERGY



HEALTH CARE



VALUE-ADDED
AGRICULTURE



UAS

LIFT SUCCESS EXAMPLES

Access Point Technologies EP Inc. — A global supplier of innovative medical devices focused on meeting the needs of the large and fast-growing electrophysiology (EP) market, estimated at \$5 billion today with an 11% CAGR. APT EP designs and develops new catheters and systems for treating cardiac arrhythmias. It is building a new R&D center in Horace ND which will be ready in Q1 2021 and plans to develop both catheters and systems in this new facility. In addition, the company plans to hire and train local engineering talent and partner with ND physicians to develop significant bioscience intellectual property (IP) in the state.



Checkable Medical Corp. — Developing an at-home strep test to be manufactured in North Dakota and launching an at-home rapid COVID-19 antibody test. LIFT support allowed it to move the founding team to the state and partner with a North Dakota clinical research partner to execute its trial. The company plans to create high-paying jobs in the bioscience industry in the next couple years.



First-I LLC (KSI Video) — Currently contracting its software services from a North Dakota company and recently established an office in Grand Forks as base for the development and manufacture of a new UAS product designed to assist first responders and emergency management personnel. The company is applying for matching funding from other sources and plans to have a commercially viable prototype available later in 2021. To date it has created one job in Grand Forks with plans for additional hires once it reaches commercialization.

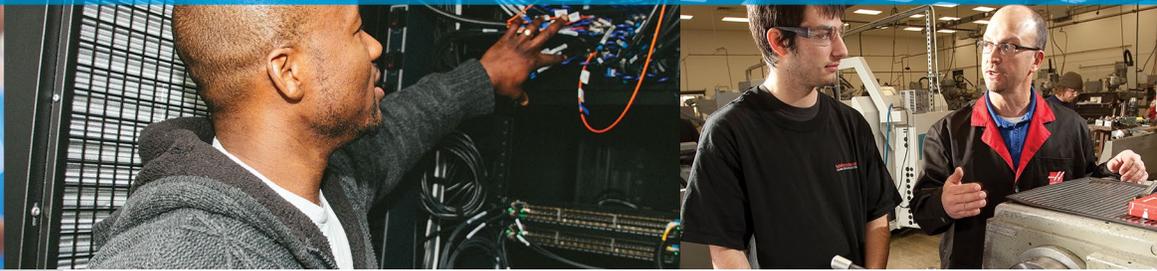


Three Farm Daughters — A value-added ag start-up creating high-fiber, low gluten food products utilizing GoodWheat varieties grown in the USA and milled at the North Dakota State Mill. Three Farm Daughters has launched three pasta products and a 100% wheat flour for sale online and in stores in North Dakota and Minnesota. In doing so, Three Farm Daughters utilizes three North Dakota logistics companies, a North Dakota food-grade warehouse facility and collaborates with a Grand Forks local chef for recipe development.



TracFrac Inc. — A Bismarck-based company developing a patent pending scheduling platform that coordinates activities between operators and service companies in the oil and gas industry. Currently working with two major energy companies in North Dakota, TracFrac adds reliability and automation to the oil and gas monitoring and notification system.





FACTS

79%
ND HIGH SCHOOL STUDENTS IN CTE COURSES

1,600
RELEASED ANNUALLY FROM ND CORRECTIONAL FACILITIES

23%
OF ND WORKFORCE IS LICENSED

12 PROGRAMS
SUPPORTED BY TECHNICAL SKILLS GRANT IN 2020

ROLE OF WORKFORCE DEVELOPMENT COUNCIL

The role of the North Dakota Workforce Development Council is to advise the governor and the public concerning the nature and extent of workforce development in the context of North Dakota's economic development needs, and how to meet these needs effectively while maximizing the efficient use of available resources and avoiding unnecessary duplication of effort.

The Workforce Development Council consists of more than 30 members, with representation from industry; K-12, post-secondary and career and technical education; organized labor; WIOA state workforce partners and local and state elected officials.

LETTER FROM THE CHAIR

As Chair of the North Dakota Workforce Development Council, I am pleased to forward 13 recommendations and two endorsements that the Council believes can help address the greatest workforce challenges faced by the state of North Dakota today and in the coming years. These recommendations fall under four themes that were previously identified in the Council's 2018 Report of Recommendations: earlier and more diverse career exploration and addressing the technical skills gap; removing barriers to employment; occupational licensing reform; and recruitment and retention of North Dakota workers.

David E. Inneworth

WDC MEMBER LOCATIONS



Council members represent large and small communities across the state.

Earlier & More Diverse Career Exploration and Addressing the Technical Skills Gap

- **The Council recommends** expanding Area Career & Technology Centers (ACTC) with a total investment of \$45 million to be awarded incrementally to multiple school districts through a competitive grant process to regions that demonstrate commitment to ensuring success through industry alignment and private sector match.
- **The Council recommends** that the North Dakota Department of Career and Technical Education (NDCTE) and North Dakota Department of Public Instruction (NDDPI) work collaboratively to promote and encourage increased opportunities for career explorations in our schools.
- **The Council recommends** expanding North Dakota Studies curriculum to highlight multiple industries and career opportunities.
- **The Council recommends** the development of a grant program to support the private sector in creating virtual examples of high demand careers in North Dakota for educators and students to access.
- **The Council endorses** utilizing a portion of ND Career Builders funding to promote the program to stakeholders, including businesses, employees, students, parents and educators.



Removing Barriers to Employment

- **The Council recommends** developing a job placement pilot program through a coordinated effort between Job Service North Dakota, Department of Corrections & Rehabilitation, local organizations that serve and support individuals with criminal backgrounds, and employers with a goal of placing recently or soon-to-be released individuals into in-demand positions in North Dakota.
- **The Council recommends** promoting the existing framework and service provided by the North Dakota Parole and Pardon Advisory Boards to allow individuals with criminal backgrounds participating in the job placement pilot program, as well as people preparing for parole, to have the opportunity to apply for a certificate to demonstrate their readiness for the workplace.
- **The Council recommends** developing a statewide marketing campaign to provide education around hiring individuals with criminal backgrounds with a goal of changing employer perceptions and hiring practices.

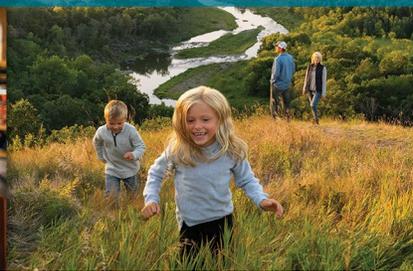


Occupational Licensing Reform

- **The Council recommends** removing vague or generic terms, including without limitation the phrases "moral turpitude" and "good character" from licensing board policies.
- **The Council recommends** establishing and making public criminal convictions that will disqualify an applicant from obtaining a license to practice, and implementing a pre-qualification process for applicants who have criminal convictions on their record in order to prevent the unnecessary expense of training and testing if a specific past conviction will disqualify an applicant from receiving a license to practice in North Dakota.
- **The Council recommends** establishing an ongoing system for data collection from licensing boards, commissions, and agencies so future reform efforts can be specific to evolving needs, barriers and opportunities.
- **The Council recommends** clearly defining who qualifies as a military spouse or dependent and including military personnel under the provisions of the military spouse licensure reciprocity bill (SB 2306) passed by the 66th Legislative Assembly.

Recruitment and Retention of Workers

- **The Council recommends** sustaining the Technical Skills Training grant created by the Department of Commerce with \$1 million of Coronavirus Aid, Relief and Economic Security (CARES) Act funding. This grant program provides matching dollars to help training providers develop or expand accelerated, skilled workforce training programs in targeted industries and in-demand occupations.
 - » **The Council endorses** the current \$2 million funding allocation for TrainND as determined in the North Dakota Department of Career and Technical Education budget for the 2021-2023 biennium and is supportive of TrainND serving as a key partner in providing training programs under the Technical Skills Training Grant, in addition to the private sector and other training providers.
- **The Council recommends** investing in a workforce recruitment campaign to support targeted industries in attracting workers to the state.



INDUSTRY FACTS

22
MILLION
ANNUAL
VISITORS

\$3
BILLION
IN VISITOR
SPENDING

MORE
THAN
3,000
RELATED
BUSINESSES AND
ORGANIZATIONS

MORE
THAN
42K
JOBS

TOURISM DIVERSIFIES NORTH DAKOTA'S ECONOMY

Tourism links communities, supports main streets, sparks economic diversification and defines our image – how we see ourselves and how others see us. It is a significant economic driver.

The sector employs more than 42,000 North Dakota citizens. Residents in every community, large and small, rural and urban, benefit from visitor spending and tourism activities.

North Dakota's tourism sector comprises five industries: accommodations, food and beverage, recreation and entertainment, transportation and retail. From restaurants to museums, service stations to golf courses, tourism benefits every county of the state.

TOURISM IS AN EXPORT COMMODITY

North Dakota's visitor economy grows when more people travel to and within the state, and visitors interact more with a destination. Shopping, dining, purchasing transportation and lodging, buying event tickets, attending galleries, performances and sporting events and other activities all contribute to a stronger visitor economy.

FAST FACTS ABOUT NORTH DAKOTA'S TOURISM INDUSTRY

REVENUE SOURCE

Tourism contributed \$3 billion in total traveler spending and \$300 million in visitor paid taxes to the state's economy in 2018.

SUPPORTS LOCAL BUSINESS

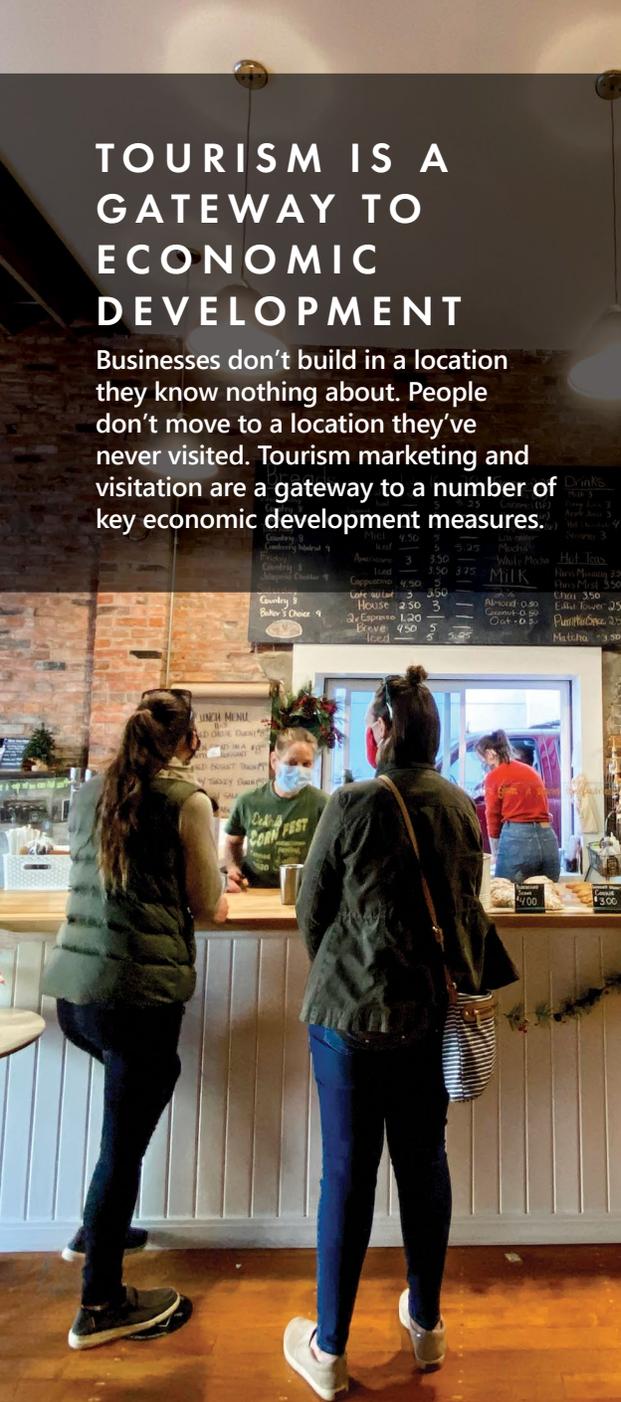
Tourism is a significant revenue source for hotels, lodges, restaurants, museums, art galleries, parks, fishing and hunting outfitters, casinos, sporting events, retail outlets, coffee shops, festivals, craft shops, golf courses and many other businesses. In 2018, there were more than 22 million visitors to and through North Dakota.

ECONOMIC DRIVER

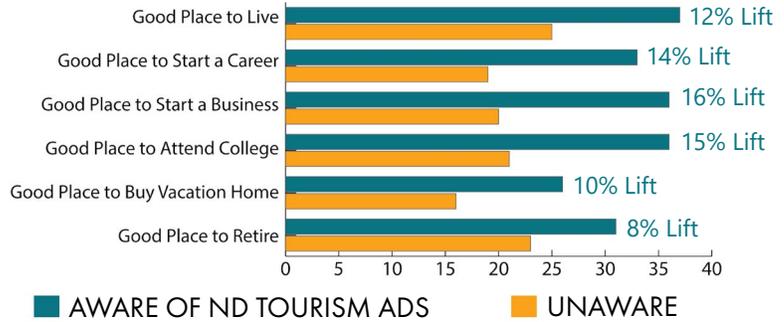
There are more than 3,000 businesses and organizations offering countless attractions, events and tourism-related activity in the state.

TOURISM IS A GATEWAY TO ECONOMIC DEVELOPMENT

Businesses don't build in a location they know nothing about. People don't move to a location they've never visited. Tourism marketing and visitation are a gateway to a number of key economic development measures.

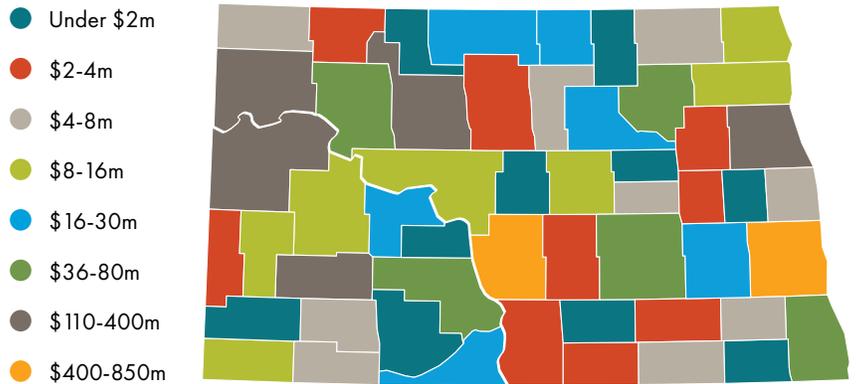


HALO EFFECT OF NORTH DAKOTA TOURISM MARKETING



Across the board, the advertisements done by North Dakota Tourism have a positive effect on how North Dakota is perceived.

VISITOR SPENDING BY COUNTY



Travel and tourism positively impacts every county in North Dakota, creating jobs and generating sales across dozens of sectors.

VISITOR SPENDING BRINGS OUTSIDE DOLLARS INTO NORTH DAKOTA'S ECONOMY, GENERATING TAX REVENUE, ADDITIONAL BUSINESS INCOME, JOBS AND A MORE DIVERSE ECONOMY.

\$522
MILLION
IN LODGING

\$900
MILLION
IN FOOD AND BEVERAGE

\$593
MILLION
IN TRANSPORTATION

\$383
MILLION
IN RECREATION

\$522
MILLION
IN RETAIL

Be Legendary.™



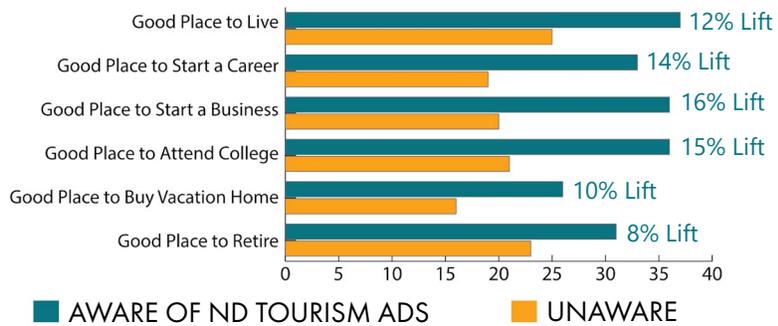
AD EFFECTIVENESS



TOURISM ADVERTISING ELEVATES
NORTH DAKOTA'S IMAGE

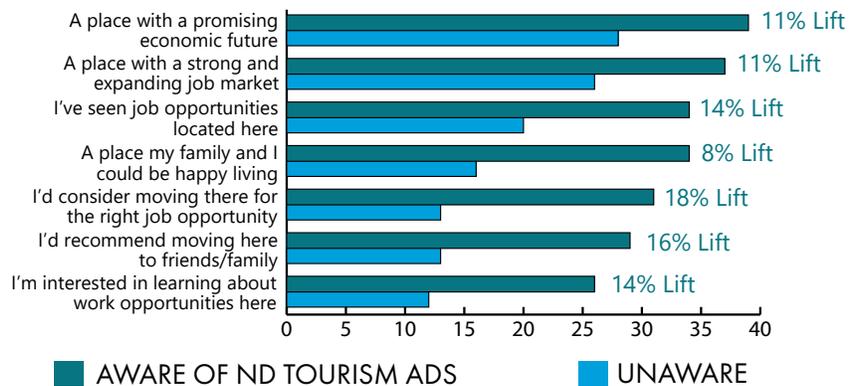
Advertising is a powerful tool with the ability to change perceptions, attitudes and behaviors. Research shows that North Dakota Tourism's promotional campaigns create a "halo effect" that lifts image and diversifies the economy through increased visitation and makes North Dakota a more favorable place to live, work, start a business, attend college, purchase a home and retire.

HALO EFFECT OF NORTH DAKOTA
TOURISM MARKETING



Awareness of North Dakota's advertising led to double-digit increases in positive impressions across economic development attributes, most notably the impression of North Dakota as a place to be happy living in, that would be considered moving to for the right job opportunity and willingness to recommend to friends and family.

TOURISM ADVERTISING IMPROVES IMAGE OF
ECONOMIC DEVELOPMENT ATTRIBUTES



WHY INVEST IN ADVERTISING?

Tourism advertising supports North Dakota entrepreneurs and businesses by raising awareness of North Dakota.

Every dollar invested in North Dakota Tourism advertising returns \$104 in incremental visitor spending.

Every dollar invested in North Dakota Tourism paid media returns \$5.90 in tax revenue resulting in \$300 million in visitor-paid taxes.

Tourism advertising supports North Dakota's Main Streets with visitation supporting communities of all sizes in every county in the state.

There are 45,646 visitor-supported jobs and 2,977 tourism-related businesses in North Dakota.

SOLID ADVERTISING OUTREACH

A 2020 study reinforces the impact of North Dakota Tourism advertising on economic development and image lift. Tourism advertising is the most visible and cost-effective tool for reaching those who can be motivated, not only to visit our state, but to consider North Dakota for relocation or business building. Here is how far the North Dakota Tourism campaign has reached over the last couple of years.



TV

67 MILLION (2019)
83 MILLION (2020)



PRINT

12 MILLION (2019)
12 MILLION (2020)



DIGITAL

112 MILLION (2019)
233 MILLION (2020)



OUT-OF-HOME

34 MILLION (2019)
85 MILLION (2020)



SOCIAL MEDIA

5.3 MILLION (2019)
23 MILLION (2020)

OPPORTUNITY AHEAD

North Dakota has an opportunity to use its valued competitive advantages now more than ever. Its safe, open, uncrowded, worry-free and affordable lifestyle is being sought out worldwide, as the post-COVID demographic shifts. With the world in transition, we need to showcase all the state's offerings to drive demand to businesses that put North Dakota on a growth track.



Testimony in support of SB 2018 - The Department of Commerce Budget

Given by
Brad Barth
Executive Director
Forward Devils Lake Corporation

Chairman Holmberg and members of the Appropriations Committee I am pleased to be able to offer my testimony today on behalf of the Department of Commerce.

The City of Devils Lake respectfully requests that you continue to support the Department of Commerce in their efforts to administer and manage the Renaissance Zone program. Devils Lake has successfully used the Renaissance Zone program to help with the revitalization of our downtown/RZ area over 20 times during the years we have had the RZ. The increased taxable property value for these projects is over \$8 million dollars - a significant increase for a City of our size.

We continue to use this program as one of the tools in our Economic Development incentives toolbox. In the two years I have been Economic Development Director for Devils Lake and Ramsey County, ND it has been a "go-to" incentive to help get buildings bought, refurbished, and used in our downtown revitalization area.

The need for a responsive timely administration team at the Department of Commerce is critical in getting businesses to use the Renaissance Zone program and we thank you in advance for meeting their needs.

Economic Development in rural areas like Devils Lake is difficult - but programs like the Renaissance Zone give rural cities and towns the capability to put incentive packages together that entice and encourage our existing entrepreneurs and would-be entrepreneurs to "take a chance" on a project that normally would not happen. Without these incentives, projects would not get done.

Thank you for your support.

Brad Barth

January 22, 2021

Senator Ray Holmberg and members of the Senate Appropriations Committee.

Mr. Chairman, my name is Dave Achtenberg and I am employed by Regency Hotel Management. We manage two properties in Bismarck, the Ramkota & Radisson Hotels as well as a property in Fargo. With 35 years in the hospitality business we have never experienced the challenges we have faced in the past ten months. In March when the Pandemic began we furloughed roughly 95% of our workforce company wide and have been slowly ramping back up as demand increases. Hotel occupancy in the Bismarck market has declined from 60.9% in 2019 to 42% in 2020. Total lodging revenue has declined from \$67,182,623.00 in 2019 to \$41,297,867.00 in 2020 in the Bismarck market. Almost all meeting and convention business in 2020 was cancelled and the first half of 2021 will be more of the same. The leisure market has begun a small rebound. Industry experts are predicting the rebound in groups and conventions may take 2 to 3 years.

We feel that there has never been a bigger need for increased tourism dollars and fully support the increases in the Governor's proposed budget for the Tourism Division. As lodging revenue has declined we have also seen a sharp decline in lodging tax revenues that fund many of our local Convention and Visitor Bureaus. The competition to attract and retain groups will be intense as many of our neighboring states already out spend us by large margins in Tourism Marketing. Our neighbors to the south doubled down early in the pandemic and enjoyed a fairly good tourist season. I believe the additional funding will benefit our state and local economies and help put people back to work.

Thank you for your time and I would be available to answer any questions you may have.

Sincerely,

Dave Achtenberg.



Mr. Chairman and members of the committee, my name is Kara Glenn. Silver Fox Pipeline and Facility Services Inc. is dedicated to our community and to growing the local workforce by preserving local jobs with local people who are committed to the community. Long before the pandemic hit, we were trying to figure out how to change the culture of work and keep construction crews here and working through the winter. Every year we go through our ups and downs, where guys and gals who are amazing workers face layoffs and unemployment. Currently, welders go back to their out of state homes when work is slow, and operators are hard to find in the winter.

We posed several questions. What if we could cross train employees that are traditionally seasonal? What if we could have veteran welders teaching and training new welders in the winter? What if experienced dozer operators could give hands on training to new operators? What if we could use this model to grow our local workforce and in doing so, support community resiliency? This is exactly what we did and how Trade Ready was formed. Based on the need to diversify and adapt workforce to the ups and downs, we established a training center and curriculum for safety, structural welding, pipe welding, and heavy equipment operator training.

Our first group of students hit the ground running on October 1st, 2020 in our structural and pipe welding course. Our students are all so unique with their stories and why they are taking the course. It was very important to us for our students to know we wanted them to succeed. From making sure we brought in a bilingual instructor, to finding the instruction time for single moms and dads who wanted to take the course, we have provided every opportunity for success that we could. Current oilfield workers who work nontraditional hours can schedule nontraditional times and take classes.

Students work on real projects such as pig pens, gates, supports and stairs. They also receive their required safety certifications. They receive hands on experience by working hand in hand with seasoned Silver Fox welders and operators, teaching practical skills that apply directly to real oilfield jobs.

We have an 11-student capacity for our both our Structural and Pipe Welding courses and both courses have a max capacity enrollment. All 11 students graduated the Structural portion of the course and moved to the pipe welding portion, 10 of the 11 students have already received jobs in some sort of welding/fabricating capacity. Our students have completed more than 250 hours of hands-on instruction and have completed real projects for companies like John Deere in Williston and Steve Sharp Crane in Watford City.

The Technical Skills Training Grant allowed us to purchase equipment, welding supplies, safety supplies and pipe for our students. We were also able to hold safety courses that are required for workers in the Oil and Gas industry, i.e., PEC Basic, First Aid/CPR and PEC H2S. The Technical Skills Training Grant allowed us to grow and keep our program going giving our students hope when times are rough. The Technical Skills Training Grant and the support of our local officials and community have allowed us to continue with our commitment to providing displaced workers with a new trade to reenter the workforce and keeping workers in North Dakota.

I'll now introduce Ray Berry, from Omnibyte Technology. Thank you!

Department of Commerce Testimony on SB #2018

January 25, 2021 9:00 am CT
Senate Appropriations Committee
Roughrider Room
Senator Ray Holmberg, Chairman

MEASURE: SB 2018

TITLE: OmniByte Technology Success and Support of Operation Intern Program

Chairman Ray Holmberg and Senate Appropriations Committee Members

My name is Ray Berry and on behalf of OmniByte Technology, I want to express our support and share a bit of our successes for the ND Workforce Operation Intern Program.

I am a Co-Founder and the CEO of OmniByte founded in 2015. We are a boot strapped company started in Fargo, ND to build a better mobile for field service personnel in the industries we serve like Electrical, HVAC, and Energy.

I have a lot of experience in building a successful internship program in companies starting back in 1998 and in fact I started out as an intern as well. I knew when we started OmniByte in 2015, we would need interns to be able to grow since we were small and had no outside funding. Our first employee at OmniByte in the Winter of 2015 was a Student from NDSU as an intern. Jordan Pansch. In 2015, we were not able to receive support from Operation Intern and that did not stop us from hiring interns.

In our five and a half years in business, OmniByte has had twenty-eight (28) internships. (see attached Addendum) This is made up of twenty-three (23) college students and five (5) unpaid high school STEM students. The majority of our internships have been with NDSU students.

We provide internships in technology, specifically Computer Science and Engineering as well as in Business, Marketing and Sales. We provide real world experiences to students as they learn to become professionals along with what it is like to work for a technology startup. The Operation Interns work on technology projects including software development, research, testing, installations, training and demonstration of solutions.

Without the support of Operation Intern we certainly would have struggled to grow our company in an industry very competitive for technologists. We could not afford top dollar however needed top talent.

Each intern has been important because they add value to our company at a lower cost to the organization not just in wages but benefits. It allows our team to evaluate talent and offer full time positions at OmniByte.

Since the beginning, OmniByte has offered seven (7) student interns full time positions and six (6) accepted. In the 20+ years I have supported internships not all work out but this low-cost access to talent reduces risk as well because at end of intern and transition to Full Time, the chances of it working

out is high and we understand fully that full time turnover is very expensive and impacts companies and teams. Of the 6 interns hired, one was known short-term (Military service) and we still have four of them working for us full-time as well as one paid Operation Intern on staff this semester.

Our goal from beginning, besides our mission to Improve the Safety and Work Lives of Field Service Personnel Through Technology, has been to create a great and successful company here in North Dakota using local talent to build and grow. I have said from the very beginning, the success and growth of OmniByte will be tied at least partially to young talent in the form on student interns as we build our own team.

Of the current fourteen (14) Full-Time employees at OmniByte, four (4) of them started as Interns, three (3) through Operation Intern. Several others have found jobs in North Dakota keeping our talent here in our state. Of those four interns, one of them was our very first paid intern who started with us in 2015.

Please support this bill and program as it not only helps small companies like OmniByte Technology start and grow here in our state, it provides opportunities to our students which otherwise would not exist. Without this program I am certain we would have had less than half the number of internships in the last 5.5 years. This is one of the great ways to keep the talent in North Dakota.

I will attend and present virtually and open to any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Ray Berry". The signature is fluid and cursive, with the first name "Ray" and last name "Berry" clearly distinguishable.

Ray Berry

CEO, President and Founder

OmniByte Technology

1854 NDSU Research Cir N

Fargo, ND 58102

Addendum A



* ND Operation Intern Funded
 ** NDSU RTP Scholarship Intern



* ND Operation Intern Funded
 ** NDSU RTP Scholarship Intern

TESTIMONY
SENATE APPROPRIATIONS COMMITTEE
SENATOR RAY HOLMBERG, CHAIRMAN

Mr. Chairman and members of the Committee, my name is Jim Poolman, it truly is a pleasure to be before the committee again, and it has been a long time since I was here to present the budget for the Insurance Commissioner. It's great to be back, even if it is only virtually.

Since my time as Insurance Commissioner, I have been involved in opening three restaurants, a hotel and other commercial real estate ventures. I wanted use my short time by expressing strong private sector support for the Department of Tourism budget, especially the one time funding for targeted destination marketing. These funds are going to be even more instrumental to get ND businesses a shot in the arm (pardon the pun) as the pandemic, hopefully, fades away to a bad memory. We know, as business owners that marketing dollars are important, and absolutely make a difference in keeping our business, or in this case North Dakota at top of mind for the buying public and will pay dividends for this modest investment.

I am probably not breaking any news to you but want to give you some anecdotal and specific figures about how the pandemic has affected our businesses. I want to be clear, I am not complaining, our businesses are going to be lucky and survive the pandemic, but some won't. I just want to give you an idea of the reality of the hand that's been dealt to us.

During the early stages of the pandemic the Blarney Stone Pubs in Bismarck and West Fargo voluntarily closed before the Governor's order, albeit not long because the Governor reacted so quickly, but our goal was to keep our customers as safe as possible. As you can imagine, the revenue decline because of the closure, subsequent capacity limits, social distancing protocols, and the general lack of traffic had a huge negative impact on our business. We injected extra personal capital to make sure employees got paid, payments were paid and we could bridge any gaps on financing.

At our hotel in Bismarck, pre-pandemic we were selling approximately 80 percent of our rooms per night, and even now the average occupancy rates are less than half that at 30 to 40 percent. People have not been traveling, not been eating out at the rate they were pre-pandemic, and certainly not staying in hotels. Both leisure travelers and business travelers are staying home. When the pandemic finally eases, we will certainly need a boost to make sure that North Dakota stays at the forefront of people's minds for a vacation TO North Dakota, or even a North Dakota "staycation" for those that want to support local business.

In my short time with you, I cannot stress enough how important our tourism industry is, and how imperative it is going to be to get kicked back into gear at the right time. Sara and her team have their work cut out for them, and with the additional resources in the Executive Recommendation, it will hopefully provide them the leverage they need to jump start tourism

and our economy post pandemic. The state needs it, your private sector needs it, and the citizens, I believe want it.

I am happy to answer any questions you may have.

January 21, 2021

Honorable Ray Holmberg
State Senator and Appropriations Committee Chair

Testimony before Senator Holmberg and Appropriations Committee Members, January 25, 2021

Good morning Senator Holmberg and Members of the Committee and thank you for this opportunity. My name is Charley Johnson, and I am the President and CEO of the Fargo-Moorhead-West Fargo Convention and Visitors Bureau. I'm here to wholeheartedly support—as a minimum—the Governor's proposed \$461-thousand increase in the Tourism Division Budget for the Biennium that begins next summer, and his proposal for an additional two-million dollars (\$2,000,000) for destination marketing. I say minimum because even the increase and the one-time marketing fund would still leave North Dakota well short of the tourism spending done by most of our competitors around the country, including those closest to us. The increased state expenditure is even more vital this year, as most of our local destination marketing budgets—largely dependent on the local lodging tax—have been devastated as Covid-19 curtailed all kinds of travel.

Many of you have heard me say this before, but it bears repeating—on their own, tourism & travel are probably the purest form of economic development, since visitors leave their money behind when they go home. But it's well-established that Tourism Marketing also lifts the national and international profile of the entire state, including for purposes of economic and workforce development. Very few people ever decide to move to a state to take a job unless they've had a chance to visit, first, and the visits that influence those decisions to move somewhere don't always come during a specific job search. Sometimes they come during a family vacation, or a trip to a conference, or to a Squirt Hockey Tournament. A visit is the "first date" of an economic relationship. People who visit ND for any reason whatsoever are far more likely to consider working, living, or starting a business here, and make no mistake about it—*marketing drives the vast majority of the first visits*. You have a great team in the Tourism Division of the Commerce Department, and I believe I can speak for all my travel, tourism and economic development colleagues around the state when I implore you to give them the tools—indeed, the funding—they need to raise North Dakota and all it has to offer to the place it deserves in the national consciousness. I would be delighted to answer any questions, either in person before your committee or via email or a phone call.

Sincerely,



**Fargo-Moorhead
Convention & Visitors Bureau**

2001 44th St S
Fargo ND 58103

800 • 235 • 7654

701 • 282 • 3653

(fax) 701 • 282 • 4366

info@fargomoorhead.org

www.fargomoorhead.org



President & CEO

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Testimony from Dave Farnsworth, Chair of the North Dakota Workforce Development Council to the North Dakota Senate Appropriations Committee, January 25, 2021

Thank you, Katie, for the introduction.

Chairman Holmberg and Members of the Senate Appropriations Committee:

As Chair of the North Dakota Workforce Development Council, I would like to provide some insight in the role that the Workforce Development Council serves and focus on its recommendations which the Council feels can most effectively meet the workforce needs of its citizens and advance its economy into the future.

The Workforce Development Council consists of over 30 members, with over half of its members coming from the key private sectors such as Energy, Manufacturing, Value-Added Agriculture, Suppliers, Health Care, and Information Technology. In addition, key stakeholder groups such as Higher Ed, K-12, Organized Labor, Career and Technical Education, Job Services, Vocational Rehabilitation, Commerce, and North Dakota Legislators help to make the Council a dynamic and knowledgeable team for identifying effective ways of meeting North Dakota's workforce needs.

The role of the North Dakota Workforce Development Council is 1) to advise the Governor and the State concerning the nature and extent of workforce development in the context of North Dakota's economic development needs, and 2) how to effectively meet these needs, while optimizing the use of available resources and avoiding unnecessary duplication of effort.

At the end of 2020 the Workforce Development Council issued a report in which the Council provided 13 recommendations and 2 endorsements that the Council strongly feels can help address the greatest workforce challenges that face the State of North Dakota today and in the coming years. These recommendations are built upon those issued in the Council's October 2018 report and further home in on specific actions that will have the biggest impact on addressing the State's workforce needs.

In summary, the recommendations revolved around 4 main areas of emphasis, which are included in your packet of information:

- **Earlier & More Diverse Career Exploration and Addressing the Technical Skills Gap.**
- **Remove Barriers to Employment**
- **Occupational Licensing Reform**
- **Recruitment and Retention of Workers**

In its deliberations this session, I know this Committee will be faced with a great array of requests and needs from many groups and citizens. I also know that growing and diversifying the State's economy and tax base is foremost in the Committee's mind. I would encourage the Committee members to look at those portions of the Commerce budget that will address the workforce needs the Council has identified and move them forward.

I am happy to answer any questions. [Pause for questions]. It is now my pleasure to introduce Kara Glenn of Silver Fox Pipeline and Facility Services.

Access Point Technologies EP Inc



ND LEGISLATIVE SESSION TESTIMONY

VERSION 0.0

1/22/2021

Presented by
Sean Carroll

ND Legislative Session Testimony

Access Point Technologies EP is a medical technology company focused on the treatment of cardiac arrhythmias. HQ in Rogers MN since 2003, the company manufactures and sells highly specialized catheters in more than 20 countries including, Japan, Korea and the USA. We partner with world leading physicians to identify unmet device needs in their field and then develop solutions they can use to improve the care for their patients.

Our company leadership team are named inventors on more than 100 issued US patents and have brought many medical devices to market. We understand how to take a project from concept & napkin sketch through the design, prototype, testing and commercialization process. As you all know, there are significant costs associated with taking an early-stage concept into a device that is ready for the market. The most significant barrier to efficient medical device development is access to the capital required to bring devices quickly through this design, development, and regulatory clearance.

We were attracted to ND by the LIFT funding program. This program helped us close a significant gap and fund testing and new technology development to move a new cryo technology forward. We are excited to expand our business in ND with the support of the commerce department programs, both because of programs like LIFT and because of the strong level of engineering talent coming out of the ND colleges. We initially planned to lease space in existing facilities but decided to make the commitment to purchase and build a custom facility for our Med Device R&D center in Horace ND. Let me be clear, we would not have made that commitment without the LIFT program funding.

We expect our new facility in Horace to be the cornerstone of a medical device development campus where we plan to design and develop several new systems and devices which we will plan to initiate in 2021 and 2022. These additional projects will also require funding and we hope and anticipate that the environment in ND will continue to support the development of these programs as we expand our base of operations in the coming months and years.

Thank you very much for the time to present. We are looking forward to growing our presence in Horace.

Thank You

Sean Carroll

President, APT EP Inc



Access Point Technologies EP Inc

Testimony
Senate Appropriations Committee
Senator Ray Holmberg, Chairman

Mr. Chairman and members of the committee, my name is Tyler Demars and I am the Program Director for the IDEA Center at CTB – one of four ND Certified Entrepreneurial Centers. The IDEA Center is located right here in Bismarck-Mandan and supports entrepreneurs across our state, focusing on Central and Western ND.

I am here speaking in support of funding Entrepreneurship Program Grant initiatives, specifically related to the Innovate ND program.

Entrepreneur Grants through Innovate ND is a high impact program with goals of diversifying ND's economy through entrepreneurship and innovation. The program has a strong track record of being successful, creating jobs and new revenue for ND, while supporting new ideas, innovation, and scale-able business startups.

Each of the four Certified Entrepreneurial Centers (located in Bismarck, Grand Forks, Fargo, and Jamestown) provide technical assistance to Innovate ND Clients and Program Grant Recipients all while carving out specific niches to remove chances of duplicative services which in turn promotes collaboration amongst the centers. Additionally, Innovate ND provides grant funding to entrepreneurs supporting prototyping, technology development, marketing strategy development, and intellectual property protection.

In our center at CTB we have 30 clients currently enrolled and have supported 60 Innovate ND clients in the current biennium. The entrepreneurs that we've assisted and surveyed over the past 2 years report that they have generated 52 FTE jobs and generated gross revenues totaling more than \$9 Million dollars. Again, these results are from our center alone and do not include results from the good work being done by our counterpart entrepreneurial centers and their clients in Grand Forks, Fargo, and Jamestown.

The funding support we receive through Innovate ND allows us to drive value beyond the work of our Innovate ND clients. Our team at CTB operates a full-service entrepreneurship center supported by a large referral resource partner network to minimize any duplicative services.

Our services include:

- Business advising available to all entrepreneurs and small business owners as they develop from idea stage to commercialization including coaching related to prototyping, market research, protecting intellectual property, operations planning, financial management, operational assistance, and access to capital.

- A full incubation space that allows new entrepreneurs affordable office space and professional amenities
- Conference room rental space for trainings, meetings, co-working spaces, and other business development activities
- Collaboration within our resource partner network to grow a thriving and supportive startup ecosystem primarily as lead organizers of 1 Million Cups Bismarck & Mandan and TEDx Bismarck. This ecosystem development work allows us to maintain a large, diverse network of mentors and experienced professional service providers that we leverage in support of our clients. We pride ourselves on helping our clients develop the supportive relationships and network needed to give them the best chance of success.

Some comments from entrepreneurs we've assisted through the InnovateND program:

"I can say confidently that I would not be where I am today with two successful entrepreneurial ventures, without the support from the Innovate ND program, and the leadership found at the IDEA Center."

"Innovate ND and the IDEA Center have been critical in providing my entrepreneurial vision with the support and guidance needed to build it into... the emergent and profitable business it is today".

"With support from the IDEA Center and InnovateND, our business has grown and been accelerated through some of the most vulnerable stages in a startup's life cycle."

"The entrepreneurial centers lower barriers to starting a business for people without entrepreneurial experience."

"The centers provide an important space where ideas can be explored and grown"

"The centers support success stories and entrepreneurial ambassadors which are critical to a strong startup ecosystem."

In closing, Entrepreneur Grants for InnovateND and Entrepreneurship Centers is one of the most successful Commerce programs and most importantly it impacts more entrepreneurs (emerging employers) than any other program. Thank you for your time and consideration to continue stable funding for Entrepreneur Grants and the Entrepreneurship Centers that provide the assistance.

I am happy to answer any questions you have.



NORTH DAKOTA
PETROLEUM
COUNCIL

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Senate Bill 2018

Testimony of Ron Ness

Senate Appropriations

January 25, 2021

Chairman Holmberg and members of the Committee, my name is Ron Ness, president of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents more than 650 companies in all aspects of the oil and gas industry, including oil and gas production, refining, pipeline, transportation, mineral leasing, consulting, legal work, and oilfield service activities in North Dakota. I appear before you today in support of **Senate Bill 2018**.

I am glad to stand in support of the Department of Commerce budget. The North Dakota economy and the business community has certainly taken a significant hit the past ten months and indications from the recent actions by the Biden Administration should be a warning sign of great challenges ahead. Nearly a year ago, the energy industry through the Empower Commission began discussing the tremendous shift that was occurring in investment firms, banks and various funds across the nation and globe in relation to investing in energy. Actions taken by the Trump Administration as recently as this January were efforts to stop the discriminatory lending practices that are becoming common practice of large banks refusing to provide financial backing to fossil fuel developers. The Department of Commerce was quick to engage and embrace the challenges facing our state's top industry and was extremely supportive in educating policy makers and the public on this challenge. North Dakota's economy has a long history of riding the up and downs of a market-based commodity economy, our state is going to face challenges and need innovation and diversification, Commerce plays a critical component in business attraction, retention, and growth. I urge you to find and adequately fund the divisions of Commerce that support our state's business community and our state's great future.

We therefore urge a **Do Pass** on **Senate** Bill 2018. I would be happy to answer any questions.

Testimony from Thomas Swoyer, Jr
Grand Sky Development Company LLC

Good Morning Chairman Holmberg and members of the committee. Thank you for the opportunity to be with you virtually. My name is Thomas Swoyer, Jr and I am the President of Grand Sky Development Company. I am with you today to advocate for continued investment in infrastructure at Grand Sky. My colleagues that have spoken before me and those that will speak after me will offer examples of success and opportunity in the Unmanned Systems industry in North Dakota and I appreciate this opportunity to share Grand Sky's story today.

Grand Sky is a public/private partnership between the US Air Force, Grand Forks County and my group, the Grand Sky Development Company. Together we have executed a 50-year agreement to develop 217 acres on Grand Forks AFB and turn it in to a state-of-the-art, commercial Unmanned Aircraft Airport and Business Park. Grand Sky is one of the only places that supports the commercial development and operations of the largest unmanned aircraft in the world. We're focused on developing the capabilities needed to support flight operations that span not only the upper plains but the entire United States. More recently, Grand Sky has supported international operations and has contributed to the growing national and international reputation of North Dakota's UAS industry. In fact, just this morning, in support of the North Dakota Trade Office, many of us joined in an hour-long pitch to representatives of over 50 European based companies looking for a place in the United States to bring their business. This October will mark the 10th anniversary of the Grand Sky's beginning. Over the past 10 years of our shared journey we have seen some incredible successes, but those successes would not have been possible if not for the investment in infrastructure from the State of North Dakota.

Last year, Grand Sky celebrated many successes, but I want to share two with you. Over the summer, Northrop Grumman conducted 10-weeks of flight test for their Firebird aircraft. This effort brought over 40 people representing multiple companies from around the United States. This team came to Grand Sky for more than 10 weeks of non-stop flight activity. While the pandemic ravaged many local businesses this flight test effort supported over 2,000 room nights and tens of thousands of dollars of catering that supported struggling restaurants. While hotel rooms and catering are all great, the real upside was the multiple federal agencies that came to Grand Forks to see the flight tests but left knowing that Grand Sky is a world-class test and evaluation center and will be looked to in the future for other flight tests.

Another important success revolves around the training of pilots and sensor operators for our NATO allies. Members of the Royal British Air Force came to Grand Sky to conduct multiple training classes. Word of the efficacy of these training sessions have resulted in agreements to bring members of the Air Forces of Belgium, Italy, Spain, India, Taiwan and Japan for weeks of training in 2021. The point I want you to leave with is that tests like this will renew in 2021 with the first flights scheduled in February. More training results in more investment in simulators, hangars, classrooms and other buildings to support it all. The investments made to date in Grand Sky are yielding consistent economic benefits for North Dakota.

The Firebird flight tests, and NATO training efforts are examples contributing to the larger economic development story. There are three key economic development metrics that I'd like to share with you. So far, Grand Sky produces roughly \$19.3M per year in wages from direct, indirect

and induced business activity. Roughly 175 people report to Grand Sky every day for work with another 167 that indirectly support Grand Sky. Another 400-600 people per year come to Grand Sky for training, official visits, flight operations and other reasons. These visits are as short as 2 or 3 days or, as we saw with the Firebird example, as long as 10 weeks or more. Perhaps the most important economic metric is the ratio of public to private investment at Grand Sky. We are grateful for the Legislature's vision and desire to invest in Grand Sky over the past decade. Over those 10 years, the Legislature has seen fit to appropriate \$21 million for infrastructure at Grand Sky. That investment has been used to repair and replace aircraft aprons, and to install new roads, electric lines, natural gas, water and sewer and security infrastructure necessary to attract the private sector investment that brings the jobs and economic activity. It is very important to note that none of the State's investment has gone to support private buildings. The appropriations have been used for investing in infrastructure like roads, utilities, aprons and similar necessities. The \$21M that has been appropriated has resulted in roughly \$70M in private sector investment in offices, hangars, labs, flight infrastructure and security. Grand Sky has leveraged more than \$3 of private sector investment for every \$1 of state investment. The benefit of the State's investment in Grand Sky is economic activity, jobs and private sector leverage. None of this is possible without the investment in the underlying infrastructure.

The final element that I would like to leave you with is an understanding of where we are headed. Grand Sky is growing. The funding we are requesting will go to extending infrastructure into the park to create more developable area. Grand Sky is moving into a new development phase. We have leased 35 of the 40 developable acres that have access to the runway, we need to create more. We are about to complete construction of our newest asset, our Multi-Tenant building called MT1. Grand Sky Development Company is the equity investor in MT1 which began in autumn of 2019 and is almost complete. While its not yet ready to move in, we have already executed tenant leases for three of its eight suites and are in negotiation with a single tenant for the remaining five. The \$7 million building will be totally leased up before it is complete. We're already planning for MT2 and MT3 and both of our anchor tenants have expansion plans to add more hangars, training space and other assets that will bring more flight test work, more employment and more business to North Dakota.

Thank you for your time and I will be available for any questions.

**TESTIMONY OF
NICHOLAS FLOM
EXECUTIVE DIRECTOR, NORTHERN PLAINS UAS TEST SITE
BEFORE THE
SENATE APPROPRIATIONS COMMITTEE
JANUARY 25, 2021
SENATE BILL NO. 2018**

Mr. Chairman and Members of the Committee:

I am Nicholas Flom, Executive Director of the Northern Plains Unmanned Aircraft Systems Test Site (NPUASTS). I have been the Executive Director since November of 2016 and have been a part of the Test Site since early 2014. I am testifying today in support of the Governor's funding request for the Unmanned Aircraft Systems Program under the Department of Commerce.

Background

On February 14, 2012 the Federal Aviation Administration Modernization and Reform Act (FMRA) was signed into law. This legislation required the FAA to choose six UAS National Test Sites (NTS). The NPUASTS was selected as one of six Test Sites on December 30, 2013 by the FAA following a nation-wide competition. The FAA Reauthorization Act of 2018 was passed by Congress on October 3, 2018 and signed by President Trump on October 5, 2018. This Act extends Congress's mandate to the FAA to continue the Test Site program through September 30, 2023.

Through an Executive Memorandum, on October 25th, 2017, President Trump directed U.S. Secretary of Transportation Elaine Chao to launch an initiative to safely test and validate advanced operations for drones in partnership with state and local governments in select jurisdictions. This UAS Integration Pilot Program (IPP) implements a directive with results that will be used to accelerate the safe integration of UAS into the national airspace and to realize the benefits of unmanned technology in our economy. The NPUASTS supported the North Dakota Department of Transportation (NDDOT), who was the lead applicant, on behalf of the state of North Dakota by providing our industry knowledge and industry to partners to participant on the team. Our strategy was to leverage the entire state of North Dakota and apply as a single state entity including state government, local communities and North Dakota's tribal nations. On October 25, 2020, the UAS IPP sunset, but on October 26, 2020 a new program called BEYOND was launched by the FAA. The BEYOND program continues the partnerships with eight of the nine IPP participants. BEYOND will focus on operating under established rules rather than waivers, collecting data to develop performance-based standards, collecting and addressing community feedback and understanding the societal and community benefits, and to streamline the approval processes for UAS integration.

The NPUASTS continues to be a leader in UAS both at industry and federal levels thanks in part to resources previously committed by North Dakota. We strive to continue to develop the commercial UAS industry and promote economic development in North Dakota. To meet the industry demands, the NPUASTS has been able to provide a research outlet while showing a direct path to commercialization.

Since there is no operational funding from the FAA for the NTS program, North Dakota's ability to maintain being a leader in the UAS industry would be dramatically diminished without state support. Therefore, the NPUASTS, in conjunction with the Governor, encourage you to continue to support the Unmanned Aircraft Systems Program proposed in Senate Bill No. 2018.

Northern Plains UAS Test Site

North Dakota, under the umbrella of the Department of Commerce, is one of seven states designated as a Test Site. The NPUASTS is comprised of formal team members including the University of North Dakota (UND); North Dakota State University (NDSU); the North Dakota Department of Commerce; the North Dakota Aeronautics Commission; and the Office of the Adjutant General. Additionally, we have participation from the North Dakota Department of Transportation and North Dakota Information Technology Department. The Northern Plains Unmanned Systems Authority, created by an executive order of the Governor on May 28, 2013, oversees the NPUASTS. The Authority is chaired by the Lieutenant Governor and is comprised of representation by the principle leadership of each team member as well as a representative from the North Dakota Aviation Council.

Status of the NPUASTS

The NPUASTS has continued to maintain a steady flow of work and contracts over this biennium. The private UAS industry is continuing to thrive. We are continuing to support Xcel Energy as they fly UAS this summer to inspect their transmission lines beyond visual line of sight. This summer they will fly about 3,000 miles of transmission line with a UAS and last summer about 2,500 miles. Having strong partners and working closely with the FAA to continue to move the ball forward has made for a steady 2020 even with the challenges of COVID-19.

As you are probably aware, in May of 2017 Governor Burgum designated myself as co-chair of the state's UAS Detection/Counter-UAS Task Force. The purpose of this Task Force was to explore government, business and research opportunities in this rapidly evolving field while also working to accommodate UAS operators who want to test UAS detection and countermeasures in North Dakota. Because of this pursuit, we have supported Customs and Border Protection with a project to detect low flying UAS and airplanes flying over the Canadian border in Northgate, ND in 2020 and in 2019 supported a similar operation at West Hope, ND. We are also entered into long term support contract with the Department of Homeland Security to test the detection of low flying UAS at Camp Grafton in early 2021 with more locations to follow later this spring.

The NPUASTS is also being recognized on a national level for our accomplishments and industry leadership. We represent the UAS Test Site program on the FAA's Unmanned Aircraft Safety Team which is an industry-government partnership committed to ensuring the safe operation of UAS. We have also been able to promote UAS in North Dakota by speaking at many national events including AUVSI's Xponential event which has attendance that exceeds 8,000 people. Even with the many conferences going virtual in 2020, the NPUASTS participated in many virtual panels and presented on the great work that is being accomplished in North Dakota.

Economic Impact

On December 28, 2020, the U.S. DOT issued two new drone rules to advance safety and innovation. The UAS industry is still rapidly growing and we have seen incredible advancements in the last 2

years. The FAA issued their first drone delivery certification in 2019 and in 2020 they released a list of 10 companies that are close to completing the certification process which will allow for more advanced operations following regulation and not being issued through waiver or exemption. North Dakota continues to play a key role in these advancements. One example is the leading effort that NPUASTS took to make operations over people with a parachute a standard approval. These approvals were pursued by the NPUASTS with the FAA and it benefits the entire UAS industry. By all accounts, UAS hold tremendous potential to serve the benefit of mankind in countless ways by creating lasting jobs, diversifying our economy, and further advancing North Dakota as a leader in technology and innovation. This is an area of economic development worthy of continued pursuit with everything that North Dakota has to offer this industry.

The NPUASTS continues to be the epicenter of UAS activities in North Dakota. Our role continues to promote and market the state's UAS activities and support private industry's research needs while pursuing opportunities to advance UAS efforts. In the cases where the Test Site does not have a direct role in a particular UAS endeavor, we believe many UAS operations are indirectly benefited from the North Dakota having a Test Site.

The types of economic impact that the NPUASTS provides to North Dakota includes support to multiple agencies, companies, events and personnel including:

- Privately Funded Projects
 - o Over the past two years, two major things have happened in regards to privately funded projects. The first is that we are seeing a great influx of the number of companies that are coming to us directly to work on their initiatives. Secondly, these projects are larger and have longer timelines associated with them. We are attracting companies from out of state to work in North Dakota because of the capabilities we possess like the ability to fly beyond visual line of sight and our reputation with the FAA.
- Federally Funded Projects
 - o Our Federally funded projects have really expanded of the past 2 years. We have worked directly for Customs and Border Protection, Department of Defense, FAA, and Department of Homeland Security. These projects not only benefit NPUASTS, but the benefit the North Dakota UAS ecosystem. Each Federal contract requires many subcontracts to be issued to North Dakota UAS operators, technology providers who are exposed to North Dakota's capabilities and our research universities. The relationships that the NPUASTS has gained with our Federal partners is truly paying dividends and is creating long term agreements with them.
- FAA University Research
 - o The NPUASTS is an industry partner that is affiliated with a core research university member, University of North Dakota, with the Alliance for System Safety of UAS through Research Excellence (ASSURE) Coalition under the FAA's UAS Center of Excellence program. We are currently under contract to participate on 4 projects under this program.
- UAS Integration Pilot Program/BEYOND
 - o The UAS IPP has provided collaboration opportunities to not only the state of North Dakota but also to our partners that are a part of the program. The UAS IPP has been able to support the flooding in the Red River Valley in both 2019 and 2020. The collaboration between NPUASTS and NDDOT has only gotten stronger and become incredible partners. NDDOT has grown their UAS division with the support from the NPUASTS. The UAS IPP has also supported our first responders in the state and multiple state agencies to achieve advanced UAS approvals like the ability to fly over

people. This program has since sunset, but a new initiative called BEYOND is now in its place. With the Department of Transportation, we will continue to work to commercialize UAS in North Dakota through this program.

Current Budget Status (2019-21)

The 66th Legislative Assembly appropriated a total of \$2,000,000, which included \$760,628 of carry-over from the 2017-2019 biennium funds, to support North Dakota's UAS program during the 2019-2021 biennium. The \$2,760,628 estimated operating budget for the NPUASTS for the 2019-2021 biennium relied heavily on external revenue from both private industry and Federal partners.

Even with the tough budget cuts made during this past legislative session, we believe that continued support to the Test Site program shows the dedication to UAS in North Dakota. This is important, as many other states across the country are trying hard to replicate our successes. The funds appropriated were used to support our personnel expenses, operating costs, equipment and our subcontractors. The Test Site is also starting to see a steady flow of private and Federal funding opportunities, which allows us to not fully rely 100% on our appropriated dollars.

The NPUASTS was able to take the \$2,760,628 from the state legislators and leverage that into an additional \$5,662,988 through external contracts to have a two budget of \$8,339,615. These external contracts allows us to bring on personnel to support operations that are not reliant on the appropriations. The state also has been able to acquire almost \$250,000 worth of equipment through these contracts. Most importantly is how the NPUASTS supports the ecosystem in North Dakota. We have \$2,444,324 under contract to 20 subcontractors to support operations. Of the 20 subcontractors, 16 of them are North Dakota companies.

2021-23 Biennial Budget Overview

The projected operating budget for the NPUASTS during the 2021-2023 biennium is estimated at \$3,000,000. The Governor's budget recommendation of \$2,000,000 plus the carry-over of unexpended 2019-2021 biennium funds would make it challenging to operate the NPUASTS during the coming biennium. Currently, the anticipated carry-over from the 2019-2021 biennium is between \$0 and \$150,000 which would potentially put a 28% reduction in the biennium budget compared to 2019-2021. The 2019-2021 included approximately \$500,000 of carry-over, which is not available this time. The request for \$3,000,000 would assure that the NPUASTS can continue to support other state agencies and their UAS initiatives and will allow the NPUASTS budget to maintain personnel between projects. Even with the challenges from April through July of 2020 associated with COVID-19, the NPUASTS was able to maintain our 2019-2021 budget that relied heavily on the challenges of external funding.

With the Test Site program extended through Congress until September of 2023, we are anticipating that these next few years will be key in our national efforts in UAS. As a result of receiving additional state funding to continue supporting baseline operations of the NPUASTS, we will be able to expand our already strong position in the national UAS integration efforts and stay ahead of the other states that have recognized the benefits of investing into UAS. The Test Site has had great success and we continue to find new and innovative ways to support industry by providing capabilities that cannot be found elsewhere. Even with our current successes, there are many opportunities in this space that we are just now trying to capture that will ensure our success in the years to come.

In 2020, the United States Air Force launched an initiative called Agility Prime. The purpose of Agility Prime was to bring together academia, private industry and the federal government to help bring their concept of advanced mobility and cargo delivery a reality. Since the inception of this program, the NPUASTS has been awarded three contracts and believe that leveraging Vantis for future efforts will solidify North Dakota's position as a leader for the DOD.

Without a doubt, the state of North Dakota is known as a leader in UAS. Our research universities, technical colleges, and even high schools help promote UAS for the state. UAS has been recognized by private industry as a way to save cost by increasing productivity and obtaining actionable data. The NPUASTS wants to make sure that all state agencies understand the benefits that UAS can bring to their organization. If that means NDDOT using UAS for infrastructure inspections or road condition analysis or ND Game and Fish using this technology to increase the effectiveness of their inspections, we want to enable this. We believe that with state agencies having full access to the Test Site for training, subject matter expertise, or even operations, we can help provide efficiencies to help save costs and increase productivity.

This past summer we demonstrated the ultimate value of North Dakota's UAS ecosystem. In August of 2020, Northrop Grumman flew their Firebird UAS out of the Grand Sky UAS Business Park with the NPUASTS getting the appropriate airspace approval to fly beyond visual line of sight without the use of a chase aircraft. This flight was originally going to be done at the DOD's Yuma Proving Ground in Arizona but was not going to get the priority it needed. Northrop Grumman reached out to the NPUASTS to conduct these endurance flights in North Dakota. The Firebird performed more than 70 hours of flights in 7 days, including nighttime operations. Firebird flew more than 36 hours in a single 38-hour period, with the first leg alone stretching more than 25 hours.

As I have alluded earlier, we are recognized leaders in UAS. Other states are taking notice and want to replicate what North Dakota has created. Without state resources to support the NPUASTS, North Dakota's economic development opportunities in the UAS arena would be adversely impacted. In order to continue our momentum and remain in a nationally recognized leadership position in UAS, we urge your full support of the Governor's request for the NPUASTS in Senate Bill No. 2018.

Mr. Chairman that completes my testimony. I ask for your favorable support of Senate Bill No. 2018 and I will be glad to answer any questions.