

Industrial Commission of North Dakota



Kelly Armstrong
Governor

Drew H. Wrigley
Attorney General

Doug Goehring
Agriculture Commissioner

Engrossed Senate Bill 2014

Testimony of Industrial Commission Executive Director Karen Tyler

Before the House Appropriations Government Operations Subcommittee

March 12, 2025

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

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

The Industrial Commission has a broad and diverse portfolio of authority including the oversight of our state-owned businesses, the Bank of North Dakota and the

State Mill and Elevator, the financing of water infrastructure and state buildings through the Public Finance Authority and Building Authority, the regulation of our oil and gas industry through the Department of Mineral Resources, supporting affordable housing programs through the Housing Finance Agency, overseeing highly impactful research and commercialization grant programs, and serving as the state's pipeline authority and transmission authority supporting the transport and transmission of our states abundant energy resources.

Inside the front cover of the testimony binders we have prepared for you is the Industrial Commission organizational chart.

For the IC Admin Office, as a starting point I want to remind the committee that there was a significant change that occurred last session with our budget, as we had previously been combined with the Department of Mineral Resources, and with the support of the legislature last session the Admin Office was separated into its own budget subsection. The goal was to, on paper, improve the clarity of this budget bill, and, in practice, for the agency to bring the execution of fiscal, HR, and technology related responsibilities into the Admin Office. This transition has gone well as a result of the resources provided to our office by the legislature as well as the invaluable support of the team at the DMR. So now in Subdivision 1

of Section 1 of SB 2014 you will find the appropriation for the Admin Office and Public Finance Authority, and DMR is now on its own as Subdivision 4 of Section 1.

The focus of the Admin Office over the last 18 months has been getting staffing in place and building work portfolios that make sense as we brought these new responsibilities into the admin office from DMR. Significant progress has been made on records management, and our most important technology project – a new grant management system is now in the production stage with our contracted vendor with a completion target date of October of 2025. You will find a project roadmap at the back of my written testimony.

All Industrial Commission grant rounds were executed in a timely and effective manner, and perhaps the most significant accomplishment for the Admin Office was managing the search process for hiring two key industrial commission executives – a new President and CEO for the Bank of North Dakota, Mr. Don Morgan, and a new executive director for the Department of Mineral Resources, Mr. Nathan Anderson, and the Commission is so pleased to have them both in their respective positions leading these hugely impactful agencies for the state.

Looking ahead, we have more key executive transitions to come in the 25-27 biennium, the deployment of the finished grant management system across our 5

grant programs to support the award of potentially \$84 million in new grants, and the management of 147 active projects and \$130 million in committed funding, and continued work on the dispositioning of decades of industrial commission records.

As mentioned, the budget for the Industrial Commission Admin Office is found within the appropriation presented in Section 1, Subdivision 1 beginning on page 1 of engrossed SB 2014. This Subdivision of the bill shows the combined appropriation for the Administrative Office and the Public Finance Authority. The Administrative Office budget is also referenced separately in Section 7 on page 6 – this section addresses the mechanism for funding the admin office budget, which is the transfer of funding from entities under the control of the Industrial Commission.

The 23-25 budget approved by the legislature included funding for 2 new FTEs for the Agency. One of those positions, our grant program administrative assistant, was filled in December of 2023. We anticipate the other position will be filled in the next 6 months. We are not asking for any additional FTEs in the 25-27 budget request.

Because most of the increases in our current biennium budget were one time funding increases, and many of our requests for the upcoming biennium relate to those one-time funding increases, I will cover the status of the one-time funding, the basis for our new requests, and the action taken by the Senate on each request.

Last session we were appropriated \$1,250,000 of special funds (\$250,000 from each grant program) to cover the cost of developing a customized grant management system for the Industrial Commissions grant programs which include our 3 research grant programs, (lignite, oil and gas, and renewable) the Outdoor Heritage Fund, and the Clean Sustainable Energy Authority. As previously mentioned, that project will be complete by October 2025. We are asking for \$275,000 of ongoing funding to cover the ongoing cost of supporting the new software system which is estimated to be approximately \$130,000 per year. The Senate included this funding, and this will be covered by assessments to each grant program the system supports. (\$52,000/program/biennium)

New Grant Management System Ongoing Support Costs	\$275,000
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The Industrial Commission is the North Dakota Transmission Authority. The Commission contracts with an Executive Director to carry out the responsibilities

of the Transmission Authority, and we are very pleased and fortunate to have Mr. Claire Vigesaa serving in this role. In early 2023 the Transmission Authority office was moved to the Administrative Office in the capitol and the funding source was changed from using grant program dollars to general fund dollars. One time funding of \$300,000 was appropriated last session. It has been exceedingly valuable and productive to have our Executive Director positioned with us and the Transmission Authority continues to see an increase in workload and an increase in demand for the expertise of the office as the resiliency of our electrical grid becomes increasingly challenged, and new developments such as Data Centers focus on locating in North Dakota. Our original request for the Transmission Authority was \$600,000 for increased workload and demand for expertise offered by the Transmission Authority and to cover the cost of expected studies. The Senate approved \$400,000. Jordan will provide more information on the work of the Transmission Authority, studies conducted and our budget request this afternoon.

On-Going Funding for Transmission Authority

\$400,000

For the first half of this biennium salary cost savings were achieved as I was taking less than half of the executive director's salary. Because the agency did not

receive any equity funding from the equity package approved last session, some of this salary savings was utilized to give equity pay increases to other team members. To restore the executive director's salary and plan for future succession events for both the Industrial Commission Executive Director and the Public Finance Executive Director an on-going increase of \$350,000 was included by both Governor's in their executive budgets and was included by the Senate.

IC and PFA Exec Director Salary Restore/Increase	\$350,000
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You will be hearing more about the Infrastructure Investment and Jobs Act Grid Resiliency Grant Program from Jordan this afternoon. Our last budget included \$8,623,893 related to this program which reflects the federal dollars (\$7,499,037) plus required 15% state match (\$1,124,856) which came from the general fund. For this upcoming biennium we are asking for the spending authority for the federal component and the 15% state match and this totals \$13,668,089. This is \$11,885,295 in federal funding and \$1,782,794 in state matching funds. The Senate provided the federal funds spending authority and included the state match and used SIIF as a funding source instead of general funds.

IIJA Grid Resiliency Federal and State Components	\$13,668,089
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Last session \$3,000,00 of general fund dollars was added to the Admin Office budget for the purpose of paying for lignite litigation related expenses. To date over \$2.7 million has been spent and we anticipate the remaining balance will be depleted by the end of the biennium. We are asking that the legislature consider appropriating an additional \$3,000,000 in one time funding for the same purpose, as we will continue to have costs associated with the ongoing litigation and can reasonably expect new litigation activity in the future. A table showing payments to law firms and the various matters they are handling can be found at the back of my written testimony. The Senate included \$3 million and the funding source used is SIIF.

Lignite Litigation Funding

\$3,000,000

We are asking for ongoing funding for inflationary costs related to office rent, IT expenses, software licensing and agency assessments of \$100,305. The Senate included \$50,000.00

Inflation

\$100,305

We are asking for ongoing funding for professional development that covers costs associated with travel and participation in industry events that support education

related to industry innovation, regulatory developments, and public policy, and the Senate included this funding request.

Professional Development

\$15,200

Historically this budget has been funded exclusively with special fund sources, however, similar to last biennium we have general fund dollars for the Transmission Authority contract and currently there are SIIF dollars included for litigation funding and the IJA grid resiliency grant state match.

Requested Correction

I need to request the correction of an error in our budget that I did not catch until the Senate footnotes were completed. We aren't clear on how or why it happened but \$581,000 was transferred from our salary line to our operating line. This is a very large number for our small agency. We think a contributing factor to the error may be the fact I was taking less than half of the executive director's salary when starting point numbers were pulled for building this budget. We would request that \$500,000 be moved back to our salary line from operating.

Product Roadmap 1.10.2025

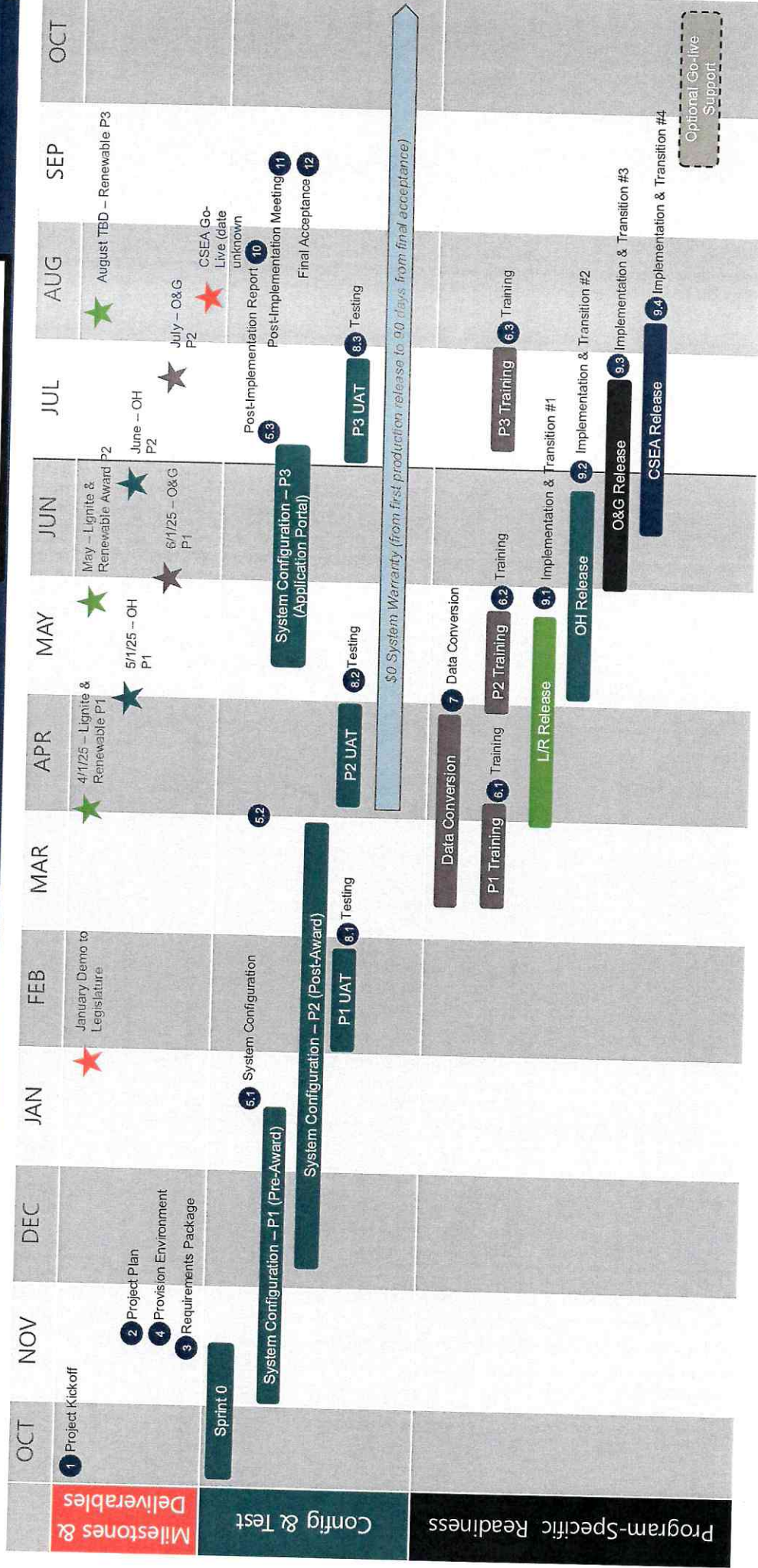
Legend:

SOW Deliverable

★ Program / NDIC Milestone



North Dakota Industrial Commission



LIGNITE LITIGATION EXPENSES
2023-25 Biennium

Funds:

IC \$3M appropriation

	Bev & Diam & Cons McC EPA	Greenberg Traurig EPA	Beatty & Wozniak EPA	Jackson Walker EPA	Winthrop & Weinstine (?) MN	Always On Energy Resear EPA	Beatty & Wozniak EPA	Monthly Total
	Mercurey & Air Toxins	Regional Haze	Combustion Coal	Greenhouse Gas (Methane)	100% Carbon Free 2040	Miso & SPP Carbon Rule	State Permitting Lawsuit	
Jul-23								\$0.00
Aug-23								\$0.00
Sep-23								\$0.00
Oct-23								\$0.00
Nov-23								\$0.00
Dec-23	\$74,806.89	\$3,270.00						\$0.00
Jan-24	\$24,195.00	\$31,367.50						\$78,076.89
Feb-24								\$55,562.50
Mar-24								\$0.00
Apr-24	\$56,865.00				\$48,511.00	\$65,000.00		\$0.00
May-24	\$56,685.00	\$68,259.30						\$170,376.00
Jun-24	\$305,342.14	\$25,888.60			\$13,338.00	\$245,000.00		\$124,944.30
Jul-24			\$59,125.05	\$338,630.00	\$11,370.00			\$987,323.79
Aug-24			\$51,288.50	\$57,858.00				\$120,516.50
Sep-24			\$3,115.50					\$3,115.50
Oct-24	\$213,118.97			\$6,088.50				\$6,088.50
Nov-24	\$543,008.00	\$14,325.00	\$2,829.00	\$42,696.00				\$255,814.97
Dec-24	\$27,733.40	\$53,233.30	\$43,856.00	\$38,651.50	\$300.00			\$560,162.00
Jan-25	\$128,960.00	\$2,145.00	\$579.42	\$22,311.00	\$9,708.00			\$163,774.20
Feb-25					\$6,262.00		\$7,239.50	\$170,942.92
Mar-25								\$6,262.00
Apr-25								\$0.00
May-25								\$0.00
Jun-25								\$0.00
Jun A/B								\$0.00
Total	\$1,430,714.40	\$198,488.70	\$160,793.47	\$506,235.00	\$89,489.00	\$310,000.00	\$7,239.50	\$2,702,960.07