2025 HOUSE EDUCATION

HB 1265

2025 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

HB 1265
1/27/2025

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund; to provide for a transfer; and to provide an appropriation

2:36 p.m. Chairman Heinert called the hearing to order.

Members Present: Chairman Heinert, Vice Chairman Schreiber- Beck, Representatives, Conmy, Hager, Hatlestad, Heilman, Hauck, Jonas, Longmuir, Maki, Marchall, Morton, Novak, Osowski

Discussion Topics:

- A.I. Technology
- Data science
- Machine learning
- Quantum computing
- Cyber Security

2:36 p.m. Representative Christy introduced the bill.

2:43 p.m. Marc Wallman, Vice President for Information Technology, NDSU, testified in favor and submitted testimony. #31684

2:48 p.m. Representative Christy answered questions for the committee.

2:54 p.m. Jerry Rostad, Vice Chancelor, NDUS, testified in favor and submitted testimony. #31754

3:02 p.m. Andy Armacost, President of the University of North Dakota, testified in favor and submitted testimony. #31846

3:06 p.m. Chairman Heinert closed the hearing.

Leah Kuball, Committee Clerk

NDSU NORTH DAKOTA STATE UNIVERSITY

Date: January 27, 2025

To: House Education Committee (69th Assembly)

From: Marc Wallman, Vice President for Information Technology and CIO

RE: Testimony in favor of HB 1265

Chair Heinert, members of the committee, for the record, my name is Marc Wallman. I serve as the Vice President of Information Technology and Chief Information Officer at North Dakota State University. I am here to offer support for the concept of the state information technology research center outlined in House Bill 1265, and to offer some information on what NDSU could bring to the table in support of the State's efforts.

The state information technology research center, outlined in House Bill 1265, can serve as a North Dakota hub for initiatives in advanced information technologies such as artificial intelligence, cybersecurity, data analysis, data science, digital literacy, machine learning, quantum computing, and software engineering. It will coordinate the efforts of researchers in areas like agriculture, agribusiness, bioinformatics, digital healthcare, energy, engineering, and transportation to maximize the value of their activities to North Dakotans. It will lead efforts to drive private sector economic growth in these areas, foster the creation of technology-based startups, and drive productive collaboration between academic researchers/educators and industry in the State to ensure a prosperous future for North Dakota in a world that is growing evermore technology-reliant.

NDSU, through its proven track record in research and education and its existing advanced research infrastructure, is uniquely positioned to support the State's efforts through such a research center. The university's strategic partnerships with industry and federal agencies and commitment to innovation make it the ideal entity to drive exploratory, transformative, and innovative research and development in the above-mentioned areas.

Below, I would like to expand on NDSU's key contributing strengths:

Nationally and Internationally Recognized Research Excellence

NDSU, an R1 institution, ranks in the top 100 public universities for research expenditures. It is well supported by federal agencies like DoD, DOT, NSF, and USDA. Dozens of NDSU researchers are among the top 2% of the most cited scientists globally. NDSU excels in data science, data analysis, software engineering, advanced information technology, artificial intelligence (AI), machine learning (ML), quantum information science (which includes quantum computing), and cybersecurity. At least 65 research groups at NDSU are currently involved in AI-related research. Examples include the application of AI/ML in

VICE PRESIDENT FOR INFORMATION TECHNOLOGY
NDSU Dept 4500 | PO Box 6050 | Fargo ND 58108-6050 | 701.231.5646 | Fax 701.231.8541 | www.ndsu.edu/vpit

agricultural data analytics and crop prediction, business analytics, disaster mitigation, healthcare, genomics and bioinformatics, materials design, and smart infrastructure.

NDSU researchers interact and are leveraging partnerships with industry through the NDSU Office of Research and Creative Activity, the NDSU Research and Technology Park, and the NSF Engine: North Dakota Advanced Agriculture Technology Engine.

Comprehensive Academic and Training Programs

NDSU offers degree programs and certificates relevant to data science, AI/ML, data analysis, software engineering, advanced information technology, digital literacy, and cybersecurity. This includes 13 bachelor's, 7 master's, 4 Ph.D.'s, and numerous undergraduate and graduate certificates. These programs meet industry demand and prepare graduates to lead in an AI-driven economy and facilitate research.

Together with many other programs in related fields, they provide high-quality students for research projects as well as leverage research activities to improve student training.

Advanced Research Infrastructure and Robust Research Support

Founded with approval from the SBHE in 2003 and supported over the years by the North Dakota Legislature, the Center for Computationally Assisted Science and Technology (CCAST) is currently North Dakota's largest academic supercomputing facility with over 13,000 CPU cores and 100 NVIDIA GPUs. It advances research and education by developing and managing computing resources, supporting and facilitating research, and offering rigorous training and internship programs.

In the past five years, CCAST has become a regional resource, providing research computing resources to faculty, staff, and students across NDUS campuses and the tribal colleges in the State. It currently supports nearly 100 research groups in data science, AI/ML, quantum information science, cybersecurity, and other research areas.

In addition, the new Richard Offerdahl '65 Engineering Complex at NDSU, authorized by the State Legislature during the 2023 session, is another state-of-the-art facility that will house cutting-edge research and teaching infrastructure and serve as a hub for interdisciplinary collaboration. This complex enhances NDSU's capabilities in computational sciences and positions the university as a leader in advanced technology research and innovation.

Thank you for providing the opportunity to testify today. With that, I would be happy to answer any questions you might have

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NORTH DAKOTA
UNIVERSITY SYSTEM
ACCESS. INNOVATION. EXCELLENCE.

House Education Committee
January 27, 2025
Jerry Rostad, Vice Chancellor, NDUS
701.969.9229 | jerry.rostad@ndus.edu

Chair Heinert and members of the House Education Committee. My name is Jerry Rostad and I serve as a Vice Chancellor of the North Dakota University System (NDUS). On behalf of the North Dakota University System and its 11 institutions, I am submitting testimony in support of HB 1265, a bill to create a state information technology research center, advanced technology review committee, a compute credits grant program, and an advanced technology grant fund.

One has to look no further than last week's news to understand the transformation that is taking place with artificial intelligence (AI) and machine learning technologies. Last Tuesday, President Trump announced his support for Stargate – a joint, public/private venture that will potentially invest up to $500 billion for infrastructure tied to AI. The CEO of Open AI, Sam Altman, said this will be the most important project of this era.

It is imperative for North Dakota to get in the game with HB 1265 or we risk being left behind while losing the talent we do have to Stargate or other states that are developing AI.

The State Board of Higher Education is finishing an 18-month strategic visioning study called Envision 2035. Nine separate study groups ranging from ag, energy, and other North Dakota industries to teachers, students, and infrastructure of the future all concluded that AI and emerging technologies will overwhelmingly impact every aspect of society in the next 10 years.
The idea of a unified, statewide approach to AI was initially discussed with then Governor Doug Burgum about a year ago. Further discussions with business and industry leaders across the state yielded positive support to continue with the unified approach.

Last summer, the Governor created an AI task force to further flesh out a unified approach to the emergence of AI. Committee members from across the spectrum of government participated. State agencies, higher education, and K-12. Five working groups studied AI governance, a future ready workforce, statewide infrastructure, legislative/policy, and organizational structure. Representative Josh Christy provided significant leadership to this entire effort.

The study produced a cohesive, statewide AI strategy. HB 1265 is one of the first bills that begins to launch the North Dakota AI investment strategy.

I would respectfully propose a couple of amendments to the bill. On page one, line nine, I would suggest we remove at the University of North Dakota and then later on line 12, I would insert the state information technology research center will be a collaborative virtual center. Additionally on page two after line 28, I would suggest inserting "the chief technology officer or designee within North Dakota State University, the chief information officer or designee within the University of North Dakota, and the executive director or designee within the Dakota Digital Academy."

Not one organization can do this alone and a unified public/private collaboration has already demonstrated positive success in North Dakota. Back in the late 90s as the demand for the Internet started to explode, the state and local telcos collaborated to create STAGENet, a single enterprise that provided networking for all of state government, higher education, and K-12, while also providing on-ramps for local businesses in communities across the state. HB 1265 parallels that brilliantly successful model.

In summary, AI tools and developments are advancing at lightning speed. At least six states already have developed collaborative approaches with their AI strategy. California has an AI Task Force that has developed several initiatives aimed at creating a robust ecosystem for AI research, development, and policy. Texas has taken unified actions, particularly around education, workforce development, and fostering innovation in AI. With a biennial legislature here in North Dakota, we cannot afford to wait two years before investing in AI technologies. It's critical for the state to get a foothold now and I strongly urge a do pass on HB 1265.

Testimony for the 69th Legislative Assembly – House Education Committee
January 27, 2025
Andy Armacost, President, UND
andrew.armacost@UND.edu | 701.777.2121

Bill: HB1265
Position: In Support

Chairman Heinert and members of the House Education Committee,

My name is Andy Armacost, and I serve as the President of the University of North Dakota. I am here to offer my strong support for Bill 1265 and a number of others put forth by Representative Christy related to state funding for advanced computational technology initiatives.

Representative Christy and I served together on a voluntary group of members from K-12, higher ed, industry, and state government agencies to create a plan for how the state of North Dakota should position itself to adopt these critical new technologies in education, government functions, and industry partnerships.

I also served as the co-chair of the North Dakota University System's subcommittee on digitization and AI. This work pre-dated the state-wide effort. Each of our higher education leaders recognized the impact of AI on workforce preparation, educational delivery, and campus operations. We must make sure our graduates are prepared for the workforce in the face of the opportunities and challenges posed by AI. Our K12 schools and our colleges must be well-prepared to deliver that education to make sure our students are, themselves, well-prepared.

This bill provides an important infrastructure that will be vital to achieving these goals. Every industry and every student in the state has the potential to benefit from this investment. It will enable strong support from higher ed and state agencies to deliver technical expertise to the challenges faced by the state and our industry partners. It will serve as an attractor to new firms looking for a home state with a supportive technological environment, where they can take advantage of advanced computing and people with the expertise to help them succeed.

You will ask, "Why do we need this in a rural state?" First, our existing primary industries, agriculture, and energy, will become increasingly reliant on advanced technologies and AI. We must support them with both a workforce and a technology infrastructure that allows them to capitalize on these advanced technologies. Our small businesses in any industry do not have their own expertise or technology to pull this off, and this initiative will allow them to do so. New industries that we have not considered in the state of North Dakota will find our state to be supportive of their adoption of advanced technologies, and our investment in this technology will help attract them. Finally, the way we operate our state, our hospitals, both in metro areas and in rural locations, and our other industries will be able to do more with the limited number of professionals they have. Workforce shortages will be helped using technology, and this investment will allow that to happen.

Rural America has birthed incredible minds and startling inventions that have benefited the world. Our hard work and inventiveness are legendary. Investing in advanced computational technologies, including Artificial intelligence, will provide direct benefits to our state and our people. Better service, better healthcare, better education. This is the science of better, and it is a bet we should be willing to take. Thank you.

2025 HOUSE STANDING COMMITTEE MINUTES

Education Committee
Coteau AB Room, State Capitol

HB 1265
1/29/2025

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund; to provide for a transfer; and to provide an appropriation

4:15 p.m. Chairman Heinert called the hearing to order.

Members Present: Chairman Heinert, Vice Chairman Schreiber- Beck, Representatives, Conmy, Hager, Hatlestad, Hauck, Heilman, Jonas, Longmuir, Maki, Marchall, Morton, Novak, Osowski

Discussion Topics:

- Committee action

4:27 p.m. Representative Hauck proposed removing the University of North Dakota from page 1 line 9 and adding "collaborative virtual center" to line 12.

4:28 p.m. Representative Heilman seconded the motion.

Representatives	Vote
Representative Pat D. Heinert	Y
Representative Cynthia Schreiber-Beck	Y
Representative Liz Conmy	Y
Representative LaurieBeth Hager	Y
Representative Patrick R. Hatlestad	Y
Representative Dori Hauck	Y
Representative Matthew Heilman	Y
Representative Jim Jonas	Y
Representative Donald W. Longmuir	Y
Representative Roger A. Maki	Y
Representative Andrew Marschall	Y
Representative Desiree Morton	Y
Representative Anna S. Novak	A
Representative Doug Osowski	Y

Motion carried: 13-0-1

4:29 p.m. Representative Marschall moved a Do Pass as amended and rereferred to the appropriation committee.

4:30 p.m. Representative Heilman seconded the motion.

Representatives	Vote
Representative Pat D. Heinert	Y
Representative Cynthia Schreiber-Beck	Y
Representative Liz Conmy	Y
Representative LaurieBeth Hager	Y
Representative Patrick R. Hatlestad	Y
Representative Dori Hauck	Y
Representative Matthew Heilman	Y
Representative Jim Jonas	Y
Representative Donald W. Longmuir	Y
Representative Roger A. Maki	Y
Representative Andrew Marschall	Y
Representative Desiree Morton	Y
Representative Anna S. Novak	A
Representative Doug Osowski	Y

Motion carried: 13-0-1

Bill carrier: Representative Heilman

4:31 p.m. Chairman Heinert closed the hearing.

Leah Kuball, Committee Clerk

25.0918.01001
Title.02000

Adopted by the Education Committee

January 30, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO

1-30-25
JB3
1086

HOUSE BILL NO. 1265

Introduced by

Representatives Christy, Foss, Hanson, Stemen, Toman, Warrey, O'Brien

Senators Meyer, Sickler, Davison

A BILL for an Act to create and enact a new section to chapter 15-11 and a new chapter to title 54 of the North Dakota Century Code, relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund; to provide for a transfer; and to provide an appropriation.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 15-11 of the North Dakota Century Code is created and enacted as follows:

State information technology research center - Report.

1. The state information technology research center ~~at the university of North Dakota~~ is created to conduct exploratory, transformational, and innovative research to promote the development of data science, data analysis, software engineering, and advanced information technology in the state.
2. To carry out the purposes of this section, the state information technology research center must operate as a collaborative virtual center. The state information technology center may:
   a. Select the research topics and projects to be pursued;
   b. Enter contracts or agreements with other North Dakota institutions of higher education, the information technology department, and federal, private, and nonprofit organizations to support research topics and projects;

HB 2006

c. Assist in the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives;

d. Encourage the establishment of data centers in the state to enhance advanced technology products and initiatives;

e. Use existing staff resources, to the extent authorized by legislative appropriations, between participating state agencies for the purpose of advancing research and development of projects selected under this section; and

f. Accept donations, grants, contributions, and gifts from any source to carry out the selected research topics and projects, which must be deposited in the advanced technology grant fund.

3. The state information technology research center shall report all research activities and accomplishments by October first of each year to the legislative management's information technology committee. Upon request, the state information technology research center shall report all research activities and accomplishments to the appropriations committees of the legislative assembly.

SECTION 2. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions

In this chapter, unless the context otherwise requires:

1. "Chief information officer" means the chief information officer of the information technology department.
2. "Commissioner" means the commissioner of the department of commerce.
3. "Committee" means the advanced technology review committee.
4. "Department" means the information technology department.
5. "Vice chancellor for information technology" means the chief information officer and vice chancellor for information technology of the North Dakota university system.

Advanced technology review committee - Membership - Meetings.

1. The advanced technology review committee consists of:
   a. The chief information officer or a designee within the information technology department;

HB 3004

b. The vice chancellor for information technology or a designee within the North Dakota university system;

c. One individual from the private sector with significant information and advanced technology knowledge, appointed by the governor;

d. One individual from the private sector with significant information and advanced technology knowledge, appointed by the majority leader of the house of representatives;

e. One individual from the private sector with significant information and advanced technology knowledge, appointed by the majority leader of the senate; and

f. The commissioner, or a designee within the department of commerce, who shall serve as a nonvoting member of the committee and provide recommendations to the committee regarding grant awards.

g. The executive director of a digital academy administered by the North Dakota university system.

2. By July first of each odd-numbered year, the chief information officer and vice chancellor for information technology shall compile a list of individuals with significant private sector information and advanced technology knowledge working within the state to be forwarded to the governor and the majority leaders of the house of representatives and senate. The governor and the majority leaders of the house of representatives and senate must consider the listed individuals for committee membership appointments.

3. The chief information officer, vice chancellor for information technology, and commissioner are permanent members of the committee. The term of office of the members of the committee appointed from the private sector is four years except the initial term of office of the individual appointed by the majority leader of the senate is three years and the initial term of office of the individual appointed by the governor is two years. Each term of office commences on August first. Members serve at the pleasure of the appointing entity and may be reappointed for additional terms. By August first of each year, the chairman of the legislative management shall select one of the appointed members to serve as the chairman of the committee. The chairman of the committee shall select a vice chair. If a committee member ceases to qualify as a

HB 4406

member of the appointing entity, that individual's membership on the committee ceases immediately and the appointing entity shall appoint a new member to the committee for the remainder of the term.

4. A committee member representing the private sector is entitled to receive compensation in an amount not exceeding one hundred thirty-five dollars per day and travel and expense reimbursement as provided by law for state officers for attending meetings of the committee, to be paid by the department within the limits of legislative appropriations.

5. The committee shall meet at the call of the chairman to review and approve grant applications from entrepreneurs, startup companies, and small businesses that are in the initial phases of advanced technology product research, development, and innovation and are unable to access financial resources for prototype product development.

Compute credits grant program - Eligibility - Use of funds.

1. The department shall administer the compute credits grant program to provide grants for activities identified in this chapter. The department shall provide administrative support for the program, including the drafting of application forms, receiving applications, reviewing applications for completeness and compliance with committee policy, and forwarding complete applications to the committee in accordance with the guidelines established by the committee.

2. The committee shall establish guidelines for entities to qualify for a compute credits grant under this section.

3. In determining whether to approve an application for grant funding, the committee shall consider the extent to which the applicant's proposal will support the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives. The committee shall give priority to applications with a greater likelihood of attracting other information technology businesses to the state. The committee shall consider and process applications in a timely manner to allow applicants an opportunity to leverage other funds.

4. Grant recipients shall use funding awarded under this section for the cost of increased compute credits and central processing unit storage capacity that promotes the program requirements in subsection 3 of this section. An entity receiving a grant under this section may not use the funds for capital or building investments or other activities not identified in this chapter. The funds may not be used for administrative costs or to supplant funding for regular operations of the entity. If an entity awarded a grant no longer conducts its activities in the state, the entity must repay the awarded grant funding to department.

Advanced technology grant fund.

The advanced technology grant fund is a special fund in the state treasury administered by the department. Moneys in the fund must be used for providing grants and for the payment of committee and department administrative expenses incurred related to the requirements of this chapter, subject to legislative appropriations. Interest earned on moneys in the fund must be credited to the fund.

Compute credits grant program - Post-award monitoring

Upon completion of work performed from funding provided by a compute credits grant or research completed by state information technology research center, the department shall conduct an independent review of the results. Evaluation criteria may include how the work performed has:

1. Promoted the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives;
2. Enhanced the ability of a company to make investments in the state, or otherwise enticed a company to invest in or move to the state;
3. Led to a patent or research that is commercially viable; or
4. Positively affected workforce in the state.

SECTION 3. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO ADVANCED TECHNOLOGY GRANT FUND. The office of management and budget shall transfer $5,000,000 from the strategic investment and improvements fund to the advanced technology grant fund during the biennium beginning July 1, 2025, and ending June 30, 2027.

SECTION 4. APPROPRIATION - INFORMATION TECHNOLOGY DEPARTMENT - COMPUTE CREDITS GRANT PROGRAM - ONE-TIME FUNDING. There is appropriated out of any moneys in the advanced technology grant fund in the state treasury, not otherwise appropriated, the sum of $5,000,000, or so much of the sum as may be necessary, to the information technology department for the purpose of the compute credits grant program, for the biennium beginning July 1, 2025, and ending June 30, 2027. This funding is considered a one-time funding item.

REPORT OF STANDING COMMITTEE
HB 1265

Education Committee (Rep. Heinert, Chairman) recommends **AMENDMENTS (25.0918.01001)** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1265 was placed on the Sixth order on the calendar.

2025 HOUSE APPROPRIATIONS

HB 1265

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1265
2/13/2025

A BILL for an Act to create and enact a new section to chapter 15-11 and a new chapter to title 54 of the North Dakota Century Code, relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund; to provide for a transfer; and to provide an appropriation.

8:58 a.m. Chairman Vigesaa called the meeting to order.

Members Present: Chairman Vigesaa, Vice Chairman Kempenich, Representatives Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Mitskog, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Sanford, Stemen, Swiontek, Wagner

Discussion Topics:

- AI Technology
- New Committee for AI

8:58 a.m. Representative Heinert introduced the Bill.

9:14 a.m. Jerry Rostad, North Dakota System Vice Chairman of Strategy, testified in favor and answered questions.

9:26 a.m. Chairman Vigesaa closed the meeting.

Sierra Schartz, Committee Clerk

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1265
2/14/2025
Subcommittee

A BILL for an Act to create and enact a new section to chapter 15-11 and a new chapter to title 54 of the North Dakota Century Code, relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund; to provide for a transfer; and to provide an appropriation.

8:04 a.m. Chairman Bosch called the meeting to order.

Members Present: Chairman Bosch, Representatives Hanson, Louser, Nathe, Stemen

Discussion Topics:

- Technology in Universities
- North Dakota Universities
- AI technology

8:08 a.m. Jerry Rostad, North Dakota University System Vice Chancellor of Strategy, answered questions.

8:14 a.m. Representative Bosch submitted testimony #37700.

8:25 a.m. Chairman Bosch closed the meeting.

Sierra Schartz, Committee Clerk

PROPOSED AMENDMENTS TO COMBINE ELEMENTS OF HB 1265 INTO HB 1448

Page 1, line 17 insert:

"g. "Executive Director for Dakota Digital Academy" means the Executive Director for the Dakota Digital Academy of the North Dakota University System."

Page 2, line 9 insert:

The Executive Director of the Dakota Digital Academy administered by the North Dakota University System.

Page 2, line 16:

After "information technology" insert "Executive Director of the Dakota Digital Academy"

Page 3, Line 20:

Delete current section 3 and replace it with page 3 section 3 from HB 1265

Beyond those specific elements, I propose two other areas for consideration in the section of Advanced technology grant program – Eligibility – Use of funds:

1. The bill should spell out who is eligible to apply for a grant. Maybe something on the order of:

   "The Advanced Technology Grant Program is open to North Dakota organizations and individuals who demonstrate the capacity to advance technological innovation and digital transformation in the state. Eligible applicants include business and industry, individual applicants, public sector organizations, and non-profit organizations."

2. The bill needs to spell out a reporting cycle. Maybe something on the order of:

   The committee shall annually prepare a report of the projects that were funded to include a description of the project, the dollar amount funded, the success of the project and any other related information and deliver it to legislative council by <date>.

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations - Education and Environment Division
Prairie Room, State Capitol

HB 1265
2/18/2025
Subcommittee

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund.

8:36 a.m. Chairman Bosch Opened the meeting.

Members present- Chairman Bosch, Representatives Nathe, Hanson, Louser, and Steman

Discussion Topics:

- Bill Combination

8:36 a.m. Chairman Bosch- Explains that they will combine HB 1265 with another bill and not move forward with HB1265.

8:37 a.m. Chairman Bosch- Adjourned the subcommittee meeting.

Steven Riehl, Committee Clerk by Risa Berube

2025 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1265
2/21/2025

A BILL for an Act to create and enact a new section to chapter 15-11 and a new chapter to title 54 of the North Dakota Century Code, relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund.

3:38 p.m. Chairman Vigesaa opened the meeting.

Members Present: Chairman Vigesaa, Representatives Anderson, Berg, Bosch, Brandenburg, Fisher, Hanson, Louser, Martinson, Meier, Monson, Murphy, Nathe, Nelson, O'Brien, Pyle, Richter, Stemen, Swiontek, Wagner

Members Absent: Vice Chairman Kempenich, Representatives Mitskog, Sanford.

Discussion Topics:

- Committee Action

3:49 p.m. Representative Bosch moved to amend to remove sections 3 and 4 relating to funding.

3:50 p.m. Representative Monson seconded the motion.

3:51 p.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	AB
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	AB
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y

Representative Mark Sanford	AB
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

3:50 p.m. Motion passed 20-0-3.

3:51 p.m. Representative Bosch moved a Do Pass as Amended.

3:51 p.m. Representative Stemen seconded the motion.

3:51 p.m. Roll Call Vote

Representatives	Vote
Representative Don Vigesaa	Y
Representative Keith Kempenich	AB
Representative Bert Anderson	Y
Representative Mike Berg	Y
Representative Glen Bosch	Y
Representative Mike Brandenburg	Y
Representative Jay Fisher	Y
Representative Karla Rose Hanson	Y
Representative Scott Louser	Y
Representative Bob Martinson	Y
Representative Lisa Meier	Y
Representative Alisa Mitskog	AB
Representative David Monson	Y
Representative Eric J. Murphy	Y
Representative Mike Nathe	Y
Representative Jon O. Nelson	Y
Representative Emily O'Brien	Y
Representative Brandy L. Pyle	Y
Representative David Richter	Y
Representative Mark Sanford	AB
Representative Gregory Stemen	Y
Representative Steve Swiontek	Y
Representative Scott Wagner	Y

3:51 p.m. Motion Passed 20-0-3.

3:51 p.m. Representative Bosch will carry.

3:52 p.m. Chairman Vigesaa closed the meeting.

Krystal Eberle for Sierra Schartz, Committee Clerk

RS 2/24/25
1 of 6

25.0918.02001
Title.03000

Prepared by the Legislative Council staff for House Appropriations Committee
February 21, 2025

Sixty-ninth
Legislative Assembly
of North Dakota

PROPOSED AMENDMENTS TO FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1265

Introduced by

Representatives Christy, Foss, Hanson, Stemen, Toman, Warrey, O'Brien

Senators Meyer, Sickler, Davison

A BILL for an Act to create and enact a new section to chapter 15-11 and a new chapter to title 54 of the North Dakota Century Code, relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund~~; to provide for a transfer; and to provide an appropriation~~.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. A new section to chapter 15-11 of the North Dakota Century Code is created and enacted as follows:

State information technology research center - Report.

1. The state information technology research center is created to conduct exploratory, transformational, and innovative research to promote the development of data science, data analysis, software engineering, and advanced information technology in the state.
2. To carry out the purposes of this section, the state information technology research center must operate as a collaborative virtual center. The state information technology center may:
   a. Select the research topics and projects to be pursued;
   b. Enter contracts or agreements with other North Dakota institutions of higher education, the information technology department, and federal, private, and nonprofit organizations to support research topics and projects;

c. Assist in the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives;

d. Encourage the establishment of data centers in the state to enhance advanced technology products and initiatives;

e. Use existing staff resources, to the extent authorized by legislative appropriations, between participating state agencies for the purpose of advancing research and development of projects selected under this section; and

f. Accept donations, grants, contributions, and gifts from any source to carry out the selected research topics and projects, which must be deposited in the advanced technology grant fund.

3. The state information technology research center shall report all research activities and accomplishments by October first of each year to the legislative management's information technology committee. Upon request, the state information technology research center shall report all research activities and accomplishments to the appropriations committees of the legislative assembly.

SECTION 2. A new chapter to title 54 of the North Dakota Century Code is created and enacted as follows:

Definitions

In this chapter, unless the context otherwise requires:

1. "Chief information officer" means the chief information officer of the information technology department.
2. "Commissioner" means the commissioner of the department of commerce.
3. "Committee" means the advanced technology review committee.
4. "Department" means the information technology department.
5. "Vice chancellor for information technology" means the chief information officer and vice chancellor for information technology of the North Dakota university system.

Advanced technology review committee - Membership - Meetings.

1. The advanced technology review committee consists of:
   a. The chief information officer or a designee within the information technology department;

b. The vice chancellor for information technology or a designee within the North Dakota university system;

c. One individual from the private sector with significant information and advanced technology knowledge, appointed by the governor;

d. One individual from the private sector with significant information and advanced technology knowledge, appointed by the majority leader of the house of representatives;

e. One individual from the private sector with significant information and advanced technology knowledge, appointed by the majority leader of the senate; and

f. The commissioner, or a designee within the department of commerce, who shall serve as a nonvoting member of the committee and provide recommendations to the committee regarding grant awards.

g. The executive director of a digital academy administered by the North Dakota university system.

2. By July first of each odd-numbered year, the chief information officer and vice chancellor for information technology shall compile a list of individuals with significant private sector information and advanced technology knowledge working within the state to be forwarded to the governor and the majority leaders of the house of representatives and senate. The governor and the majority leaders of the house of representatives and senate must consider the listed individuals for committee membership appointments.

3. The chief information officer, vice chancellor for information technology, and commissioner are permanent members of the committee. The term of office of the members of the committee appointed from the private sector is four years except the initial term of office of the individual appointed by the majority leader of the senate is three years and the initial term of office of the individual appointed by the governor is two years. Each term of office commences on August first. Members serve at the pleasure of the appointing entity and may be reappointed for additional terms. By August first of each year, the chairman of the legislative management shall select one of the appointed members to serve as the chairman of the committee. The chairman of the committee shall select a vice chair. If a committee member ceases to qualify as a

member of the appointing entity, that individual's membership on the committee ceases immediately and the appointing entity shall appoint a new member to the committee for the remainder of the term.

4. A committee member representing the private sector is entitled to receive compensation in an amount not exceeding one hundred thirty-five dollars per day and travel and expense reimbursement as provided by law for state officers for attending meetings of the committee, to be paid by the department within the limits of legislative appropriations.

5. The committee shall meet at the call of the chairman to review and approve grant applications from entrepreneurs, startup companies, and small businesses that are in the initial phases of advanced technology product research, development, and innovation and are unable to access financial resources for prototype product development.

Compute credits grant program - Eligibility - Use of funds.

1. The department shall administer the compute credits grant program to provide grants for activities identified in this chapter. The department shall provide administrative support for the program, including the drafting of application forms, receiving applications, reviewing applications for completeness and compliance with committee policy, and forwarding complete applications to the committee in accordance with the guidelines established by the committee.

2. The committee shall establish guidelines for entities to qualify for a compute credits grant under this section.

3. In determining whether to approve an application for grant funding, the committee shall consider the extent to which the applicant's proposal will support the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives. The committee shall give priority to applications with a greater likelihood of attracting other information technology businesses to the state. The committee shall consider and process applications in a timely manner to allow applicants an opportunity to leverage other funds.

4. Grant recipients shall use funding awarded under this section for the cost of increased compute credits and central processing unit storage capacity that promotes the program requirements in subsection 3 of this section. An entity receiving a grant under this section may not use the funds for capital or building investments or other activities not identified in this chapter. The funds may not be used for administrative costs or to supplant funding for regular operations of the entity. If an entity awarded a grant no longer conducts its activities in the state, the entity must repay the awarded grant funding to department.

Advanced technology grant fund.

The advanced technology grant fund is a special fund in the state treasury administered by the department. Moneys in the fund must be used for providing grants and for the payment of committee and department administrative expenses incurred related to the requirements of this chapter, subject to legislative appropriations. Interest earned on moneys in the fund must be credited to the fund.

Compute credits grant program - Post-award monitoring

Upon completion of work performed from funding provided by a compute credits grant or research completed by state information technology research center, the department shall conduct an independent review of the results. Evaluation criteria may include how the work performed has:

1. Promoted the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives;
2. Enhanced the ability of a company to make investments in the state, or otherwise enticed a company to invest in or move to the state;
3. Led to a patent or research that is commercially viable; or
4. Positively affected workforce in the state.

~~**SECTION 3. TRANSFER - STRATEGIC INVESTMENT AND IMPROVEMENTS FUND TO ADVANCED TECHNOLOGY GRANT FUND.** The office of management and budget shall transfer $5,000,000 from the strategic investment and improvements fund to the advanced technology grant fund during the biennium beginning July 1, 2025, and ending June 30, 2027.~~

~~**SECTION 4. APPROPRIATION - INFORMATION TECHNOLOGY DEPARTMENT - COMPUTE CREDITS GRANT PROGRAM - ONE-TIME FUNDING.** There is appropriated out of any moneys in the advanced technology grant fund in the state treasury, not otherwise appropriated, the sum of $5,000,000, or so much of the sum as may be necessary, to the information technology department for the purpose of the compute credits grant program, for the biennium beginning July 1, 2025, and ending June 30, 2027. This funding is considered a one-time funding item.~~

REPORT OF STANDING COMMITTEE
ENGROSSED HB 1265

Appropriations Committee (Rep. Vigesaa, Chairman) recommends **AMENDMENTS (25.0918.02001)** and when so amended, recommends **DO PASS** (20 YEAS, 0 NAYS, 3 ABSENT OR EXCUSED AND NOT VOTING). HB 1265 was placed on the Sixth order on the calendar.

2025 SENATE EDUCATION

HB 1265

2025 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1265
3/26/2025

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund.

9:00 a.m. Chairman Beard called the hearing to order.

Members Present: Chairman Beard; Vice-Chairman Lemm; Senators: Boschee, Gerhardt

Members Absent: Senators: Axtman and Wobbema

Discussion Topics:

- Combine private sector and ND University System
- Workforce, education, research, policy and safety
- Overall AI strategy
- Implementation in daily life
- Power sources
- Improve teaching methods

9:00 a.m. Representative Warrey, District #22, introduced the bill.

9:09 a.m. Jerry Rostad, Vice Chancellor for Strategy and Strategic Engagement ND University System, testified in favor and submitted testimony #43822.

9:16 a.m. Ryan Adams, Dean, College of Engineering and Mines University of ND, testified in favor and submitted testimony #43806.

9:37 a.m. Marc Wallman, Vice President for IT and CIO ND State University, testified in favor and submitted testimony #43805.

9:43 a.m. Alan LaFave, President, Valley City State University, testified in favor an submitted testimony #43774.

9:46 a.m. Mark Hagerott, Chancellor, ND University System, testified in favor.

9:52 a.m. John Nagel, citizen and technologist, testified in opposition and submitted testimony #44391.

9:59 a.m. Nick Phillips, Executive Vice President of External Affairs Applied Digital, testified in opposition and submitted testimony #44321.

Additional written testimony:

Delore Zimmerman, Executive Director, Valley Prosperity Partnership, submitted testimony in favor #44120.

Andrew Armacost, President, University of ND, submitted testimony in favor #44114.

10:02 a.m. Chairman Beard closed the hearing.

Susan Helbling, Committee Clerk

VALLEY CITY STATE UNIVERSITY

HB 1265
Senate Education Committee March
26, 2025

Alan LaFave, President
701-845-7102; alan.lafave@vcsu.edu

Chairman Beard and members of the Senate Education Committee. Thank you for the opportunity to speak on behalf of Valley City State University concerning House Bill No. 1265. VCSU stands in support of HB 1265.

Valley City State University has a long and distinguished history in preparing teachers and leading in innovation. We are uniquely positioned to provide leadership in preparing the teacher workforce by partnering with the Department of Public Instruction, Department of Career and Technical Education, and other system institutions to train and upskill current K-12 educators and provide learning opportunities in the advanced technology and artificial intelligence arena. Valley City State University has 1,526 alumni, teaching in 346 different schools in 154 different communities across North Dakota. Additionally, the State Board of Higher Education designated VCSU as a center of excellence in the application of instructional technology in 1996 when the campus became the first in the state and second in the nation to provide laptop computers for all students. This practice continues today, and our commitment to innovation, education, instructional technology leadership, and high impact practices ensures student learning remains a top priority.

If you vote to support HB 1265 and include grant funding, VCSU can readily identify several projects that it would submit to the grant committee.

VCSU proposes to establish the state's premier "Advanced Technology AI (Artificial Intelligence) Institute for Teaching and Learning," dedicated to shaping the future of K-12 education and the VCSU learning experience through AI integration. Our institute will focus on:

1. **Teacher Training:** Offering comprehensive AI training programs for K-12 educators and VCSU faculty, ensuring they are equipped with the necessary skills to navigate the AI-driven future of education.
2. **Career-Ready Graduates:** Providing all graduates with the expertise needed to thrive in an AI-centric world, fostering innovation and adaptability.
3. **Creating Personalized Learning Pathways:** Spearheading research initiatives to develop and implement new educational paradigms empowered by AI and learning science to enhance student learning outcomes and teaching effectiveness.
4. **AI Engagement and Excellence:** Incentivizing AI engagement among educators, staff, and students, fostering a culture of inclusion and excellence in AI education.
5. **Ubiquitous Access:** Ensuring widespread access to AI tools and resources for employees and students, leveling the playing field and promoting inclusivity in AI education.

6. **Model Institution:** Providing AI expertise for North Dakota employees by creating a model institution for the responsible and effective deployment of AI across the entire organization, setting standards for AI integration and ethical usage.

The integration of advanced technologies and AI can significantly enhance our educational programs and improve student outcomes in all areas on campus. Teachers can leverage resources to enhance learning experiences, personalize instruction, and improve efficiency.

Our Kinesiology and Human Performance (KHP) department is one area of campus that is already using AI tools. Through the development of personalized and adaptive learning materials, AI-driven platforms can create tailored exercise programs for students in our Strength and Conditioning and Exercise Science and Rehabilitative Studies programs. Currently, students in the therapeutic exercise course use AI to create comprehensive patient profiles and rehabilitation protocols. Additional potential applications in the KHP department include:

1. Virtual rehabilitation programs providing personalized protocols and real-time feedback to patients.
2. Incorporating adaptive technology and AI powered devices for anatomy and physiology content learning, such as robotic exoskeletons or Anatomage software.
3. Data analysis in all KHP programs, covering topics such as biomechanics, exercise physiology, patient vital signs, and various sport leadership and management concepts.
4. Create realistic case studies for developing lesson plans.
5. AI-powered wearable devices which can track athletes' performance metrics such as heart rate, speed, distance, and muscle activity. This analyzed data can help customize training programs, monitor workload, and prevent injuries.
6. Assist with game strategy analysis of game footage and player statistics to facilitate predictive analytics outcomes and help make data informed decisions.

Incorporating AI into education offers teachers powerful tools to enhance personalized learning, streamline administrative tasks, and engage students in new and interactive ways. By leveraging AI for adaptive instruction, automated assessments, and differentiated learning support, educators can create more effective classrooms. Additionally, AI-driven analytics and professional development resources help teachers refine their strategies and improve student outcomes.

As adaptive technologies and AI continue to improve, its thoughtful integration into education can lead to more dynamic, efficient, and personalized learning experiences for all. For us to implement and lead in this effort, funding and resources will allow us to make these tools available for teachers across North Dakota by providing continuing education opportunities and preparing the next generation of the teacher workforce.

Valley City State University will collaborate and work closely with our partner institutions and state agencies to create and develop these training opportunities for faculty, staff, students, and industry, through the establishment of the Advanced Technology AI Institute for Teaching and Learning.

Thank you, sincerely, for your consideration.

NDSU NORTH DAKOTA STATE UNIVERSITY

Date: March 26, 2025

To: Senate Education Committee (69th Assembly)

From: Marc Wallman, Vice President for Information Technology and CIO

RE: Testimony in favor of HB 1265

Chair Beard, members of the committee, for the record, my name is Marc Wallman. I serve as the Vice President of Information Technology and Chief Information Officer at North Dakota State University. I am here to offer support for the House Bill 1265, and to offer some information on what NDSU could bring to the table in support of the State's efforts.

The state information technology research center, outlined in House Bill 1265, can serve as a North Dakota hub for initiatives in advanced information technologies such as artificial intelligence, cybersecurity, data analysis, data science, digital literacy, machine learning, quantum computing, and software engineering. It will also provide new opportunities for private sector economic growth in these areas, foster the creation of technology-based startups, and drive productive collaboration between academic researchers/educators and industry in the State to ensure a prosperous future for North Dakota in a world that is growing evermore technology-reliant.

The university's proven track record in research and education, along with its advanced infrastructure, makes NDSU uniquely positioned to support the State's efforts. Strategic partnerships with industry and federal agencies and a commitment to innovation enable the university to drive transformative research and development in the mentioned areas.

VICE PRESIDENT FOR INFORMATION TECHNOLOGY
NDSU Dept 4500 | PO Box 6050 | Fargo ND 58108-6050 | 701.231.5646 | Fax 701.231.8541 | www.ndsu.edu/vpit

Summary of Support Resources

Research Strengths

1. Top 100 public universities in research funding
2. About 65 research groups focusing on AI related projects
3. Many industry partnerships

Computing Resources

1. SBHE established research computing center since 2003.
2. Over 13,000 CPU cores and 100 NVIDIA GPUs.

Human Resources

1. 13 bachelor's, 7 master's, 4 Ph.D.'s, programs, and numerous certificates in data science, AI/ML, etc.
2. Regular training on research computing.
3. Research facilitation to effectively connect the science and the computing.

Below, I would like to expand on these contributing strengths at NDSU:

Nationally and Internationally Recognized Research Excellence

NDSU is an R1 institution, ranking among the top 100 public universities for research funding. It receives support from federal agencies such as DoD, DOT, NSF, and USDA. Many NDSU researchers are among the top 2% of the most cited scientists worldwide. The university excels in data science, data analysis, software engineering, advanced IT, AI, quantum computing, and cybersecurity. **Currently, about 65 research groups at NDSU focus on AI-related projects**, including agricultural analytics, business, disaster management, healthcare, genomics, materials design, and smart infrastructure.

NDSU researchers interact with and are leveraging partnerships with industry through the NDSU Office of Research and Creative Activity, the NDSU Research and Technology Park, and the NSF Engine: North Dakota Advanced Agriculture Technology Engine.

Comprehensive Academic and Training Programs

NDSU offers degree programs and certificates relevant to data science, AI/ML, data analysis, software engineering, advanced information technology, digital literacy, and cybersecurity. This includes 13 bachelor's, 7 master's, 4 Ph.D.'s, programs and numerous undergraduate and graduate certificates. These

programs meet industry demand and prepare graduates to lead in an AI-driven economy and facilitate research.

Together with many other programs in related fields, they provide high-quality students for research projects as well as leverage research activities to improve student training.

Advanced Research Infrastructure and Robust Research Support

Founded with approval from the SBHE in 2003 and supported over the years by the North Dakota Legislature, the Center for Computationally Assisted Science and Technology (CCAST) is currently North Dakota's largest academic supercomputing facility with over 13,000 CPU cores and 100 NVIDIA GPUs. It advances research and education by developing and managing computing resources, supporting and facilitating research, and offering rigorous training and internship programs.

In the past five years, CCAST has become a regional resource, providing research computing resources to faculty, staff, and students across NDUS campuses and the tribal colleges in the State. It currently supports nearly 100 research groups in data science, AI/ML, quantum information science, cybersecurity, and other research areas.

In addition, the new Richard Offerdahl '65 Engineering Complex at NDSU, authorized by the State Legislature during the 2023 session, is another state-of-the-art facility that will house cutting-edge research and teaching infrastructure and serve as a hub for interdisciplinary collaboration. This complex enhances NDSU's capabilities in computational sciences and positions the university as a leader in advanced technology research and innovation.

Thank you for providing the opportunity to testify today. With that, I would be happy to answer any questions you might have

Readying the State Workforce

- Professional development
- Access to software tools
- Collaborative opportunities

Educational Impact

- Designing new AI ed programs
- Embedding AI into every discipline
- Impacting the way we teach

Bill 1265 – Enables the state to prototype/pilot these ideas

Computational Infrastructure

- Key partnerships
- State investment
- Date centers and energy

Consulting

- Leveraging expertise in support of state government
- Improving effectiveness and efficiency of state operations

Future funding would enable a broader set of activities to support the ND AI economy

Daily Office Use of AI

- Summarize long documents
- Generating meeting notes
- Drafting and refining emails
- Drafting documents
- Searching through documents and emails
- Drafting presentations
- Language translation
- Comparing documents
- Conducting market research
- Analyzing data and reporting

From New Era Technology: Microsoft 365 Copilot Use Cases | 10 Cases to Reveal it's Potential

Broad applications of AI

- **Health care:** diagnostics, drug discovery, personalize medicine
- **Customer service:** chatbots and personalized assistants
- **Finance:** fraud detection, algorithmic trading, credit scoring
- **Manufacturing:** maintenance, supply chain, robotics
- **Transportation:** self-driving vehicles, traffic management
- **Ag:** monitor crops, predict yields, pest management
- **Retail:** inventory management, targeted marketing
- **Education:** adaptive learning, personal assistants
- **Energy:** smart grids, demand mgt, prediction of usage
- **Human resources:** resume screening, recruitment, performance monitoring
- **Security:** facial recognition, biometric security
- **Entertainment:** game design, virtual concerts
- **Legal services:** contract reviews, document reviews, mediation
- **Space exploration:** navigation, imaging, mission planning, tracking

Summarized from Forbes article: 15 Amazing Real-World Applications Of AI Everyone Should Know About

Bill 1265 Funding Profile

- $3 million to provide access to Advanced IT Technologies for NDUS, DPI, and State Agencies
  - Pilot for 10% of ND workforce
- $1.5 million for professional development and training
  - Target 500 training opportunities through conference/workshop attendance – create the internal catalysts for change
  - AI Conference and User Groups – bring people together for sharing of best practices and discoveries
- $500K for Institutional and Student Support

Leverages Existing Centers and Initiatives at UND and NDUS such as

- Artificial Intelligence Research (AIR) Center – Center Directed by Naima Kaabouch
- Center for Cyber Security Research (C2SR) – Center Directed by Prakash Ranganathan
- AI and the Humanities - Initiative led by Emily Cherry Oliver in Theater Arts
- AI in Medicine - Initiative led by Marjorie Jenkins in the Medical School
- Dakota Digital Academy – NDUS organization

NORTH DAKOTA
UNIVERSITY SYSTEM
ACCESS. INNOVATION. EXCELLENCE.

Senate Education Committee
March 26, 2025
Jerry Rostad, Vice Chancellor, NDUS
701.969.9229 | jerry.rostad@ndus.edu

Chair Beard and members of the Senate Education Committee. My name is Jerry Rostad and I serve as a Vice Chancellor of the North Dakota University System (NDUS). On behalf of the North Dakota University System, I am submitting testimony in support of HB 1265, a bill to create a state information technology research center, advanced technology review committee, a compute credits grant program, and an advanced technology grant fund.

I need to go back and lay some groundwork to help set the context as to why I would encourage this committee's support for HB 1265.

A year and a half ago, the State Board of Higher Education started a strategic planning process called Envision 2035. Nine separate study groups ranging from ag, energy, and other North Dakota industries to teachers, students, and infrastructure quickly determined that emerging technologies and artificial intelligence (AI) will overwhelmingly impact every aspect of North Dakota society. From there, the idea of a unified, statewide approach to AI was presented to then Governor Doug Burgum, with positive support from business and industry leaders across the state.

As a result, the Governor created an AI task force last summer to further flesh out this unified approach to emerging technology and AI. Committee members represented state agencies, higher education, and K-12 education. Five working groups studied AI governance, a future-ready workforce, statewide infrastructure, legislative/policy, and organizational structure.

The study produced a cohesive, comprehensive statewide AI strategy. It included elements that addressed workforce, education, research, policy, and safety. Labeled as the Dakota AI Collaborative or DAIC, the vision focused on developing AI talent and compute resources, creating baseline funding that focused on state impact, and producing stakeholder governance.

Representative Josh Christy was actively engaged throughout all of this. He provided leadership to the digitization study group of the Envision 2035 strategic planning process. He provided direct

leadership to the Governor's AI taskforce. He understood that AI and emerging technology was already rapidly evolving and having a transformational effect on our state.

Representative Christy personally introduced four AI-related bills that all emanated from the DAIC strategic work. Two bills were tied to AI safety issues. HB 1386 addresses computer-generated images depicting sexual conduct by minors and is working its way through the Senate. HB 1320 focused on deep fakes but failed to pass the House.

Meanwhile, HB 1448 and this bill, HB 1265, are two additional pieces of legislation that both tie to the overall AI strategy that Christy has championed.

HB 1265 will provide grants to study research trials or pilot projects that will demonstrate the potential effectiveness that AI will bring to K-12 education, higher education, and workforce. Potential use case scenarios HB 1265 could fund include:

- Better K-12 Outcomes: Focused research on AI tool effectiveness for tutoring or student learning in ND K-12 schools.
- Better Community College Outcomes: Focused research on AI tool effectiveness in ND trade education to identify and disseminate best practices.
- Better Higher Ed Outcomes: Shared infrastructure and software across the NDUS for AI assisted assessment and curriculum development, leveraging scale and cost reduction for the 11 institutions.
- More Effective and Efficient Workforce: Workflow automation for state employees allows staff to do more with less cost.

In summary, AI tools and developments are advancing at lightning speed. At least six states already have developed collaborative approaches with their AI strategy. California has an AI Task Force that has developed several initiatives aimed at creating a robust ecosystem for AI research, development, and policy. Texas has taken unified actions, particularly around education, workforce development, and fostering innovation in AI. With a biennial legislature here in North Dakota, we cannot afford to wait two years before investing in AI technologies. The original HB 1265 started with a $5 Million fiscal note attached to it. I respectfully request that $5 Million be amended back into the bill with a do pass on HB 1265.

Testimony for the 69th Legislative Assembly – Senate Education Committee
March 26, 2025
Andy Armacost, President, UND
andrew.armacost@UND.edu | 701.777.2121

Bill: Engrossed HB 1265

Chairman Beard and Members of the Senate Education Committee

My name is Andy Armacost, and I serve as the President of the University of North Dakota. I am writing to offer my strong support for Engrossed House Bil 1265 with an amendment to fund the original $5 million requested in the original bill draft.

Artificial Intelligence is a field that involves the use of algorithms, data, and computers to help people make decisions. The use of the term “intelligence” can be off-putting to some as it implies human-like intelligence. Today, I make no such claims, but we do know that computers and smart algorithms can do things that humans cannot, and humans can certainly do many things that computers cannot.

One giant leap in AI and in how people interact with AI tools came in November 2022, with OpenAI’s launch of a tool called ChatGPT. Even before ChatGPT, in the period between the late 90s and the early 2020s, we saw development of AI tools and improvements in computing power happening at a blistering pace. Whether being used to make better decisions in medicine, transportation, image processing, or manufacturing, AI was making a real splash, even before ChatGPT. In fact, AI tools and their creators were recently awarded two Nobel Prizes for key discoveries in physics and in chemistry, which shows the impact of the field of AI.

What does this mean for North Dakota? Our industries, our state government, our workers, and our students from kindergarten through college are facing an existential challenge and opportunity. Other states are heavily investing in the development and use of AI as part of their daily work, and each day we are falling farther behind.

I participated in two major studies about how we must respond to this new world. The first began in May 2022 and was part of the North Dakota University System’s strategic planning effort called Envision 2035. The second was a state-wide task force on AI initiated by Governor Burgum, which led to the creation of two bills to help North Dakota get started. Those are HB 1448 and this bill, HB 1265.

Our ask is to invest a modest amount of funding to enable initial work across state agencies, K-12, and higher ed. This will enable the use of key tools that can support office operations, improve student education and workforce preparation, and allow us to start examining broader, enterprise-wide solutions for how our agencies and industry partners might operate more efficiently and effectively using AI. To give you a better sense of the expense, typical commercially available AI software runs $30 per person per month. $3 million, for example, would only fund a small fraction of the state's workforce and student body over the biennium for this pilot study. We would report back in two years with our findings and with a blueprint for continued work.

There are other important discussions happening in this Legislative Assembly regarding data centers and energy, which are two critical pieces of the AI puzzle. Yet, we must not forget the most important piece of this puzzle -- the essential task of preparing our citizenry for a world in which AI plays a role in our daily lives and in the economy of the state.

Key technology pundits and leaders continue the clarion call for action – this technology is, in fact, so game changing, that society must move forward to both adopt these technologies and to carefully examine the role of technology in support of humans and humanity.

I ask you to support the funded version of this proposal with a DO PASS vote. Thank you.

Testimony
Senate Education Committee
HOUSE BILL NO. 1265
March 17, 2025

Chairman Beard and members of the Senate Education Committee. The Valley Prosperity Partnership (VPP) is a membership organization led by business executives – joined by economic development, chamber of commerce, and higher education leaders – to advance and advocate for shared strategic economic development opportunities for the Red River Valley region and for North Dakota.

The VPP supports House Bill 1265's establishment of a state information technology research center to conduct exploratory, transformational, and innovative research to promote the development of data science, data analysis, software engineering, and advanced information technology in the state.

This research center is very important for North Dakota to remain competitive in key sectors of our economy and is vital for innovation in economic opportunities yet to come. The VPP is particularly in support of efforts to:

1. Assist in the development of advanced technology solutions, including artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives.
2. Encourage the establishment of data centers in the state to enhance advanced technology products and initiatives.

Thank you for your consideration.

Valley Prosperity Partnership Steering Committee

Chris Wolf, North Valley Market President, Alerus Financial*

Mike McLean, Principal JLG Architects Vice Co-Chair*

Shannon Roers Jones Roers Construction & Development Vice Co-Chair*

Andrew Armacost, President University of North Dakota

Paige E. Bjornson, Northern Region President. Dacotah Bank

Steve Burian, President & CEO Burian & Associates

Dan Conrad, President & CEO Blue Cross Blue Shield North Dakota

David Cook, President North Dakota State University

Tim Curoe, CEO RD Offutt Company

Mylo Einarson, President & CEO Nodak Electric Cooperative

Chad Flanagan, Partner Eide Bailly

Rod Flanigan, President North Dakota State College of Science

Todd Forkel, CEO Altru Health System

Shannon Full, President/CEO Fargo Moorhead West Fargo Chamber of Commerce*

Shawn Gaddie, Director of Infrastructure Management Services, AE2S

Kevin Hanson, President & CEO Gate City Bank

Brian Johnson, CEO, Choice Bank, Co-Chair Valley Prosperity Partnership*

Tiffany Lawrence, CEO & President Sanford Fargo

Keith Lund, President & CEO Grand Forks Region EDC*

William C. Marcil, Sr. Chairman Forum Communications Company

Paul Matthy, CEO Cass County Electric Cooperative

Pat McAdaragh, President & CEO Midco

Jeff Melgaard, Vice President Construction Engineers

Joe Raso, President & CEO Greater Fargo Moorhead EDC*

Jason Seger, President Border States Electric

Barry Wilfahrt, President & CEO The Chamber Grand Forks/East Grand Forks*

Delore Zimmerman, Executive Director*

* Member Executive Committee

Chairman Beard and Senate Education Committee Members,

I write today in follow up to the brief testimony allotted today to encourage a do not pass vote on House Bill 1265.

I had the pleasure to spend some time with Representative Christy in 2022 and 2024 about a variety of topics. Unfortunately, this bill was unable to make it to a place where I believe it is a good use of tax payer funds. With a crunch to make the budget work, it is not feasible in my view to make this work.

Applied Digital is a leader not only in North Dakota but also globally. While all of our facilities are located here, in North Dakota, we also run some of the fastest super computers on the planet. With billions of dollars committed to North Dakota projects, which will eventually employ hundreds of North Dakotans, we live in the tough work of recruiting and training the workers to support the revolutionary technology and breakthroughs enabled by AI.

While we believe it is vitally important to engage with the university system to get our students acquainted with these new technologies, this bill does not accomplish the goal that the university system exists for, which is to provide a well rounded education and bring additonal skill sets to the workforce we badly need. The urgency surrounding workforce development and innovation cannot be met through the language in this bill.

Private industry can, is, and will continue to solve the immediate needs today and we need the university system to focus on preparing the next generation of workers for the new world AI and other technologies bring. Specifically, this means building a comprehensive education plan for individuals who will enter the workforce in 10 to 15 years, not issuing grants for use of expensive technology today, that is also available in an open-source, cost-free environment. Beyond access to software, we have said before and say again now, we are willing to engage with the university system in a variety of ways to get low-cost access to compute for students.

There are already groups within the university system doing the needed work, private industry does not need this effort, the tax payers will not see adequate returns or value for this bill's cost, and there are already ample opportunities for public-private partnership without tax payer funds to accomplish more appropriate goals for the university system.

I urge the committee to vote no on this bill and am available for questions as needed.

Thank you,

Nick Phillips

EVP External Affairs

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Date: March 26, 2025

Testimony In OPPOSITION To House Bill 1265

Senate Education Committee
North Dakota 69th Legislative Assembly

John Nagel, President CyberNet Security
Testifying As A Citizen And Tax Payer Of North Dakota
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Overview

HB 1265 seeks to establish a new "State Information Technology Research Center" at the University of North Dakota, coupled with an advanced technology grant program. While seemingly beneficial, careful analysis reveals several fundamental flaws and risks, including fiscal uncertainty, duplication of efforts, potential conflicts of interest, negative impacts on innovation, exclusion of broader economic interests, and the inherent risk of investing heavily in rapidly changing technology.

Key Points of Opposition

1. Fiscal Uncertainty and Sustainability:

- HB 1265 allocates a one-time $5 million appropriation from the Strategic Investment and Improvements Fund (SIIF). The SIIF currently holds approximately $1.07 billion. However, this initial funding covers only the 2025-2027 biennium.

- Crucially, the bill does not outline a clear long-term funding mechanism. What happens when this initial funding runs out? How will the state sustain the center indefinitely?

- Without clear sustainability plans, the legislature risks committing North Dakota to ongoing expenses, potentially requiring further appropriations and creating fiscal liabilities for future assemblies.

2. Duplication of Existing Efforts:

- North Dakota already has robust technology research infrastructure at its major universities (UND, NDSU). Both institutions actively engage in research and maintain extensive public-private partnerships.

- **“Currently, about 65 research groups at NDSU focus on AI related projects, including agricultural analytics, business, disaster management, healthcare, genomics, materials design, and smart infrastructure.” Marc Wallman, VP IT and CIO NDSU**

- Creating another state-funded research center risks unnecessary duplication and administrative overhead. Instead, strengthening existing university programs and infrastructure would be more efficient and fiscally responsible.

3. Committee-Driven Conflicts and Innovation Risks:

- HB 1265 relies heavily on an Advanced Technology Review Committee composed of public officials and private-sector representatives. This structure risks creating inherent conflicts of interest.

- Committee members tied to specific industries or technologies will likely favor established technologies over emerging innovations, effectively picking winners and losers in the technology marketplace.

- This approach risks North Dakota missing out on new, unforeseen technological breakthroughs, placing the state at a significant competitive disadvantage nationally.

4. Risks of Investing in Rapidly Changing Technology:

- Investing heavily in specific, established technologies—often termed "hard tech"—is inherently risky given the rapid pace of technological change.

- Recent developments in fields such as artificial intelligence highlight the unpredictable nature of technology breakthroughs, with new advances quickly rendering existing investments obsolete.

- A static investment approach assuming stability or predictability in technology trends risks locking North Dakota into outdated technologies, wasting resources, and missing opportunities presented by rapidly evolving tech innovations.

5. Negative Impact on Broader Economic Interests:

- HB 1265, as structured, primarily benefits businesses aligned with university systems and state politics. Companies employing existing technologies to deliver products or enhance services—critical to North Dakota's broader economic health—are less likely to receive direct benefits.

- This creates an economic imbalance by favoring politically connected entities and neglecting the majority of technology businesses contributing significantly to the state's economy.

Recommended Alternative Approach

- Implement policies encouraging broad-based technology growth without selecting specific technologies or companies for state-favored treatment.
- Foster university-industry partnerships that directly shape research aligned with industry needs.
- Regularly review and optimize North Dakota's regulatory and business environments to remain nationally competitive, a proven model for technological growth as demonstrated by successful tech regions like Silicon Valley.

Conclusion

HB 1265's intentions are commendable, but its structure, funding uncertainty, potential conflicts, negative impact on broader economic interests, and risk of stagnation outweigh potential benefits. North Dakota should instead adopt an open, flexible framework for fostering innovation, relying on existing institutions and
market-driven growth, thereby securing long-term competitive advantages in technology and innovation.

Fact-Check: Claims About North Dakota HB 1265 (Advanced Technology Grants)

Bill Structure and Committee Composition

Claim: *HB 1265 creates an insider-dominated committee (Advanced Technology Review Committee) with authority over grants.*

Findings: The bill **does establish an "Advanced Technology Review Committee"** and defines its makeup. By statute, the committee includes the state Chief Information Officer (CIO) of the Information Technology Department, the North Dakota University System (NDUS) Vice Chancellor for IT, **and three private-sector members** with tech expertise appointed by the Governor, the House majority leader, and the Senate majority leader (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The state Commerce Commissioner (or designee) sits on the committee as a **non-voting advisor** on grant awards (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). This means **two permanent public-sector members (CIO and NDUS IT head)**, plus **three voting members from the private sector chosen by political leaders**, constitute the decision-making core (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The

committee's **authority is to review and approve grant applications** under the new program (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The bill explicitly calls for the committee to "meet at the call of the chairman to review and approve grant applications" for advanced tech R&D projects (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). In short, the **committee is indeed powerful** (choosing who gets grants) and **its composition is as described** – a mix of state IT officials and politically appointed private experts.

However, the appointments are not entirely unchecked: **by July 1 of each odd-numbered year, the CIO and NDUS IT Vice Chancellor must compile a list of qualified private-sector tech experts in the state for consideration** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The Governor and legislative leaders "*must consider*" these candidates when making their appointments (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). This provides a pool of experts, but ultimately the selections are made by those three officials. The **private members serve four-year terms (initial appointments staggered at 2–4 years) and at the pleasure of the appointing authority** (meaning they can be replaced by those who appointed them) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). **Conclusion:** The claim about the committee's structure is **mostly accurate** – it's a small committee led by state IT and NDUS officials with politically appointed industry experts. It will indeed have significant authority to approve grants.

Administrative Roles of UND, NDUS, and IT Department

Claim: *The program will be run by UND/NDUS insiders, limiting access to politically connected or university-tied businesses.*

Findings: UND (University of North Dakota) is given a key role in HB 1265 – the bill **establishes a "State Information Technology Research Center" at UND** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). This center is tasked with conducting innovative research in data science, software engineering, and other advanced IT fields (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). UND would host this center and potentially coordinate research projects (and it can partner with other ND colleges, the IT Department, private entities, etc. as allowed by the bill (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000)). **NDUS (the university system)** is involved primarily through the vice chancellor for IT sitting on the review committee as a permanent member (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). NDUS's IT leader helps screen applicants for committee appointment (as noted above) and participates in grant decision-making. **The state Information Technology Department (ITD)** is assigned the administrative side of the grant program: the bill says "the department shall administer the compute credits grant program," handling application forms, intake, and compliance checks (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). ITD's CIO also sits on the committee and essentially co-leads it. In summary, **UND hosts the research center, NDUS has**

representation on the committee, and ITD runs the grant program's day-to-day operations – these roles are explicitly laid out in the bill.

Does this structure limit eligibility to insiders? Not according to the text. **Eligibility for grants is defined by business characteristics (startups in early-stage R&D lacking prototype funding), not by affiliation**. The committee is to consider applications from "**entrepreneurs, startup companies, and small businesses**" in the *initial* phases of advanced tech product R&D **who lack access to prototype development funds** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). There is **no requirement in the bill that an applicant be tied to a university or to state government**. In fact, the intent is to reach companies that *don't* have other resources. The **claim that access is limited to university or political circles is not supported by the bill's language**. Any North Dakota early-stage tech business meeting the criteria could apply. That said, because UND and NDUS are involved in the governance, they may naturally publicize and network the program within academic circles – but **no formal preference for university-affiliated ventures exists in HB 1265's text**.

Technology Focus and Possible Favoritism

Claim: *The bill favors certain technologies or business categories (picking winners) and could exclude "general" tech businesses.*
Findings: HB 1265 does emphasize **specific advanced technology areas.** When evaluating grant applications, the committee **"shall consider" how a proposal supports development of advanced tech solutions, *including* **artificial intelligence, machine learning, quantum computing, digital literacy, and cybersecurity initiatives** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). This list is introduced with "including," which means it's not an exhaustive mandate, but it signals the **priority tech domains** envisioned. The bill also directs that **priority be given to applications likely to attract other IT businesses to North Dakota** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). There's no outright ban on other types of IT projects, but a startup doing something outside these highlighted fields (for example, a standard e-commerce software startup or non-"high tech" app) might not score well if it's not considered "advanced technology." **In effect, the program steers funds toward the trending tech fields** (AI, cybersecurity, etc.). This is **explicit in the bill's criteria** and supports the claim that certain categories are favored (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). So, a **"general" tech business not working in those areas could indeed find itself at a disadvantage**, even if not formally disqualified.

As for favoritism or conflicts of interest: The **selection process for committee members** does involve political appointments, which could introduce bias. The **three private-sector experts are appointed directly by elected officials** (Governor, House and Senate majority leaders) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). Those

appointees might be industry figures who are known to the appointing authorities. While they are required to have "significant information and advanced technology knowledge," there's no further restriction preventing them from having ties to companies that might seek grants. **No specific conflict-of-interest provisions (like recusal requirements) are written into HB 1265** for committee members. This means the **potential for conflicts exists** – e.g. an appointee could conceivably have a stake in a tech firm or favor a particular sector. The **Commerce Commissioner's role is non-voting**, perhaps to avoid direct conflict since that department is involved in business recruitment (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). But for voting members, **their impartiality is largely left to general ethics**. It's worth noting North Dakota's Legislature recently grappled with conflict-of-interest rules broadly (the Senate resisted stricter rules in Dec 2024) (North Dakota Senate rejects conflict of interest rules while House adopts modified version • North Dakota Monitor) (North Dakota Senate rejects conflict of interest rules while House adopts modified version • North Dakota Monitor), so this is a known concern. In committee hearings on HB 1265, university and state IT officials spoke in favor, whereas some legislators voiced caution. **Critics worried that a small, hand-picked committee could end up "picking winners and losers" among tech startups** – a classic concern whenever government funds are targeted to select industries. While we did not find a verbatim academic testimony raising this issue (the academic voices were largely supportive (Wallman-NDSU-Testimony-HB1265-2025-01-27d) (Wallman-NDSU-Testimony-HB1265-2025-01-27d)), the **risk of favoritism has been raised in legislative debate and commentary**. For example, North Dakota's earlier **Bioscience Innovation Grant program became controversial, with lawmakers noting issues in how grants were awarded**, prompting an attempt to overhaul that program this session (SB 2328: Senate Defeats Bioscience Re-Brand And Expansion Bill). This context supports the idea that without careful safeguards, **insiders or established players might benefit disproportionately**. In summary, **HB 1265 does explicitly favor certain "advanced" tech sectors**, and the structure **relies on appointed experts' judgment without clear conflict-of-interest rules**, validating concerns about potential favoritism to some extent.
However, it does **not explicitly exclude companies outside the university or political sphere** – any eligible startup can apply, though those in the bill's priority fields are more likely to be approved.

Conflict-of-Interest and Oversight Considerations

Claim: *The bill creates conflict-of-interest risks by involving private-sector appointees who might steer funds to themselves or their associates.*
Findings: As discussed, the **committee's private members could potentially face conflicts**. They are meant to be tech experts, likely drawn from industry, and **appointed by political leaders** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The bill itself **does not spell out any recusal process** if a committee member's company (or a partner) applies for a grant. Typically, one would expect ethical guidelines to prevent a committee member from voting on a grant where they have a direct interest, but HB 1265 is silent on this. This omission was **flagged as a concern by opponents in the Senate** – the idea that **an appointed industry member might**

have undue influence or even a vested interest in certain applications. The risk is not just hypothetical: **North Dakota has experience with advisory boards for grant programs where industry influence became contentious.** For instance, the **Bioscience Innovation Grant program** (focused on biotech startups) relied on an industry-linked committee and faced scrutiny for conflicts. In fact, in 2025 the Senate defeated a proposal to expand and re-brand that program, partly due to these concerns – the bill to create a new Life Science council and fund (SB 2328) failed by a 21–24 vote (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy) (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy), with senators calling the existing bioscience grant setup "controversial." This precedent shows lawmakers are wary when **private appointees or associated groups might benefit from public funds**.

In HB 1265's case, **the committee makeup tries to balance public and private input**, but it does consolidate decision power in a small group. The **Information Technology Department (ITD)** is given an administrative (non-discretionary) role – it processes applications and ensures they meet guidelines (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000), but **final approval lies with the committee** of five (with four voting members). Three of those four votes are from the politically appointed private-sector members. **This could tilt influence toward the private appointees' perspectives or networks.** The **claim of conflict-of-interest risk is therefore valid**: the structure inherently trusts these members to act impartially, and any bias or self-interest would be hard to detect without transparency. It's worth noting the bill requires an **annual report of research activities to legislative committees** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000), and the IT Department must conduct **post-award reviews to evaluate results** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). These oversight measures focus on outcomes (did the grants produce tech solutions, jobs, etc.) but **not on monitoring the selection process itself for conflicts**. So, while there is oversight of performance, there's little spelled out to prevent or manage conflicts in awarding grants. **Bottom line:** The opposition's warning about conflict-of-interest is **credible** – the committee structure does pose such risks, and similar programs have encountered those issues. This is an area where the bill's text doesn't provide safeguards, so it would rely on general ethics and the integrity of appointees.

Risk of Narrow Tech Focus and Obsolescence

Claim: *Public investments defined too narrowly (e.g. focusing only on certain tech trends) can become rapidly obsolete or leave the state behind new tech developments.*

Findings: Technology evolves quickly, and policy experts often caution against chasing the hype of the moment at the expense of broader innovation. In the context of HB 1265, the **targeted fields (AI, quantum computing, etc.) are indeed cutting-edge in 2025 (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000)**, but the concern is whether locking funds into today's "hot" topics might cause North Dakota to miss tomorrow's wave. **Expert commentary supports this concern:** Analysts of tech investment warn that **getting caught up in**

hype cycles can "blind" policymakers to other emerging technologies (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business). In other words, if a state channels all its support to a predefined set of trendy technologies, it may fail to recognize or invest in the next innovation that doesn't fit the pre-approved list. A recent analysis of global tech trends noted that not all over-hyped technologies eventually succeed; some simply fade away (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business). The *danger*, one expert wrote, is focusing so much on a much-publicized tech (like generative AI, as an example) that it **"massively overstates its potential, blinding [one] to other approaches and technologies."** (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business) This warning applies to governments as well: a state could pour resources into, say, quantum computing, but neglect another sector that later turns out to be more impactful. We can also look at **precedents in North Dakota and other states**. North Dakota's own **bioscience grant initiative** from a few years ago could serve as a cautionary tale. It was designed to boost one sector (biosciences) with state funds. Over time, it struggled to meet expectations and was viewed as too narrow and perhaps influenced by a small group. In 2023–2024, as the industry and state needs shifted, lawmakers felt the program wasn't delivering as hoped. The attempt to revamp it in 2025 (by broadening it into a "Life Science" council and fund) implicitly acknowledged that the original narrow focus had limitations (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy). Ultimately, the Senate chose not to continue that approach (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy), effectively sunsetting the targeted program. This suggests that **if a state's targeted tech investments don't keep pace with changing science or market conditions, they risk becoming obsolete or inefficacious.** Another example outside North Dakota: Utah's USTAR initiative (Utah Science Technology and Research) in the late 2000s aimed to jump-start specific high-tech research and commercialization. Years later, audits found it **overstated its results and had oversight issues**, leading to reforms (Audit: USTAR revenue, jobs reports were overstated and inaccurate ...). Such cases show that **narrow programs can underperform or quickly become outdated if not well-managed and adaptable.** In the case of HB 1265, the **fields listed (AI, ML, cybersecurity, etc.) are broad but do reflect the tech zeitgeist**. It's possible that in a few years, new innovations (for example, in biotechnology, clean tech, or something unforeseen) might rise in importance. If the program's mindset remains fixed on the initial list, North Dakota could indeed be "left behind" in those new areas. On the other hand, the bill does use inclusive language ("including" those fields), which gives the committee latitude to support other advanced tech as they see fit (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The research center at UND also has flexibility in choosing research topics (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000), so it could pivot to new technologies if needed. The **key will be implementation** – whether the committee remains open-minded or sticks rigidly to a few favored tech buzzwords. **Conclusion:** The claim that narrow tech investments risk obsolescence is **well-founded in principle.** History and expert analysis show that tech hype comes in waves, and a public investment program must be agile to avoid being stuck with yesterday's "next big thing." There is **supporting evidence** that blindly chasing a tech trend can cause missed opportunities in other areas (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business). HB 1265's design tries to focus on where the cutting edge is now, but it will need prudent management to ensure it adapts as the tech landscape evolves.

Conclusion

In summary, our fact-check finds that the **structural elements of HB 1265 are accurately described** by the opposition: it does set up a small committee of state IT officials and politically appointed tech experts with significant authority over a grant fund (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). **UND, NDUS, and ITD each have formal roles** administering or guiding the program, but **there is no explicit restriction in the bill that only companies tied to those entities or to state insiders can benefit** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). The **program is open to North Dakota startups** in the defined stage, although by **prioritizing certain advanced tech fields, it inherently favors those sectors** (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000). Concerns about **conflicts of interest or favoritism** are not directly addressed in the bill's text – the oversight relies on ethical conduct rather than clear rules, so the risk exists and is similar to issues seen in other state tech funding efforts. Finally, the caution that a **narrowly focused tech investment could become obsolete** is supported by expert observations on tech hype cycles (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business) and by real examples where targeted programs had to be retooled or scrapped when they didn't keep up with changing trends (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy) (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy).

Sources: Key provisions of HB 1265 (bill text) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000) (House Bill No. 1265 - Sixty-ninth Legislative Assembly of North Dakota - LC Number 25.0918.01000); Legislative testimony and analyses (Wallman-NDSU-Testimony-HB1265-2025-01-27d) (SB 2328: Senate Defeats Bioscience Re-Brand And Expansion Bill); Expert commentary on technology policy (Viewpoint: Europe must stop chasing US technology hype cycles | Science|Business); and relevant state program precedents for context (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy) (Bill tracking in North Dakota - SB 2328 (69 legislative session) - FastDemocracy).

2025 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1265
4/1/2025

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund.

11:12 a.m. Chairman Beard called the hearing to order.

Members Present: Chairman Beard; Chairman Beard; Vice-Chairman Lemm; Senators: Boschee, Gerhardt and Wobbema

Members Absent: Senators: Axtman

Discussion Topics:

- Innovation of young people
- Solutions in classrooms

11:12 a.m. Chairman Beard opened committee discussion on AI research and to add 5

million into the program.

11:23 a.m. Chairman Beard closed the hearing.

Susan Helbling, Committee Clerk

2025 SENATE STANDING COMMITTEE MINUTES

Education Committee
Room JW216, State Capitol

HB 1265
4/1/2025

Relating to the state information technology research center, advanced technology review committee, compute credits grant program, and advanced technology grant fund.

2:40 p.m. Chairman Beard called the hearing to order.

Members Present: Chairman Beard; Vice-Chairman Lemm; Senators: Axtman, Boschee, Gerhardt and Wobbema

Discussion Topics:

- Fund dollar amount

2:41 p.m. Chairman Beard opened the hearing up for discussion.

2:50 p.m. Senator Wobbema moved Do Not Pass.

2:50 p.m. Senator Axtman seconded the motion.

Senators	Vote
Senator Todd Beard	Y
Senator Randy D. Lemm	N
Senator Michelle Axtman	Y
Senator Josh Boschee	N
Senator Justin Gerhardt	N
Senator Mike Wobbema	Y

Motion Failed 3-3-0

2:51 p.m. Senator Gerhardt moved Without Committee Recommendation.

2:51 p.m. Senator Axtman seconded the motion.

Senators	Vote
Senator Todd Beard	Y
Senator Randy D. Lemm	Y
Senator Michelle Axtman	Y
Senator Josh Boschee	Y
Senator Justin Gerhardt	Y
Senator Mike Wobbema	Y

Motion Passed 6-0-0

Senator Beard will carry the bill.

2:54 p.m. Chairman Beard closed the hearing.

Susan Helbling, Committee Clerk

REPORT OF STANDING COMMITTEE
REENGROSSED HB 1265 (25.0918.03000)

Education Committee (Sen. Beard, Chairman) recommends the measure **BE PLACED ON THE CALENDAR WITHOUT RECOMMENDATION** (6 YEAS, 0 NAYS, 0 ABSENT OR EXCUSED AND NOT VOTING). Reengrossed HB 1265 was placed on the Fourteenth order on the calendar. This bill does not affect workforce development.