



DEPARTMENT OF COMMERCE TESTIMONY

NOVEMBER 9, 2021 9:50 AM

INTERIM SENATE APPROPRIATIONS COMMITTEE

ROUGH RIDER ROOM

SENATOR RAY HOLMBERG, CHAIRMAN

Good Afternoon Chairman Holmberg and members of the Appropriations Committee. For the record, my name is Shawn Kessel and I serve as the Deputy Commerce Commissioner for the State of North Dakota.

Just three years ago, North Dakota's Department of Commerce had slightly over \$1 billion worth of projects in queue. Today, after a few years of adopting a new strategic approach for development and deployment, our Economic Development and Finance Division is now working on more than \$25 billion in projects. This brings our capital expenditures at a level not seen anywhere in the nation, with a value of nearly half of our state's entire economy. This is due to amazing legislative and executive leadership that has established and enabled industry growth to historic heights.

To secure this growth trajectory for future generations and to enable North Dakotans to find and sustain great jobs, as well as live in amazing and healthy communities, we believe that the solution lies in going big on workforce development programming and doubling down on programs that have proven effective. We need to go big on growing existing industries while diversifying into the next generation economy.

Simultaneous to our GDP amelioration in projected projects, North Dakota is also delivering robust economic diversification initiatives in the realms of unmanned air systems, technology, defense, and biomanufacturing. We recently saw proof with an almost \$10 billion purchase of a homegrown company. These levels of growth will bolster economic resilience during commodity downturns.

North Dakota currently has 30,000 open jobs and is projected to have more. To address this, our Workforce Division will have to go big and bold, as we did with economic development by following an unconventional approach to attract top talent.

In addition to workforce, we have also seen a rapid shift in our demography. In response to recent Census 2020 results, Commerce became more proactive to community needs by working closely with other state agencies, regional development organizations, and the Rural Development Council. Through community development efforts, Commerce has the vision to empower communities to attract and retain a long-term workforce that meets the economic development needs in the state.

Below are specific requests of the Department of Commerce that were also generated by private industry and the Workforce Development Council. These requests will fit into a broader request for meeting workforce demands while being proactive for the next several years. Notice that these requests create the requisite infrastructure for companies across the state to recruit and retain top talent.

Workforce Specific Programs Request

Regional Workforce Impact Program: (\$25,540,000; 10% match)

Lack of available workforce is arguably North Dakota's greatest problem and it's one that looks different in each part of the state. A "one size fits all" solution is neither realistic nor feasible for addressing workforce. As with any problem, it is best solved at the local level and workforce is the same; however, we don't have a mechanism to support the initiatives that communities and regions need to deploy to address their workforce needs.

By creating a one-time funding model to support localized workforce initiatives, we give local and regional representatives the opportunity to articulate their needs and access to funding to address them quickly.

All proposals must be sustainable and should align with a strategic plan in addition to addressing how each project will attract and/or retain talent in the area. Some examples of investments for which these funds could be used, include:

- Upskilling and/or re-skilling initiatives for in-demand jobs (these programs can include educational classes and on-the-job training).

- Investments in childcare or related supportive services to assist employees in accessing new training opportunities and/or expanding and supporting their participation in the labor force.
- Providing career counseling or coaching services that aid employees in pursuing new training and employment opportunities.
- Renovating space to transform into a training facility.

We are requesting \$25,540,000 to support localized ideas and efforts to address workforce development on a regional level. To ensure local commitment to a project, all applicants will be required to contribute a match totaling 10% of their overall ask. This match amount is equitable as each community is resourced differently and reflects the size and scope of each individual project.

Statewide Workforce Incentive Program: (\$10,000,000; 1:1 match)

The pandemic exasperated an existing workforce shortage in North Dakota and the bottom line is that we need to recruit more people to the state to fill the job openings we have now and those that will be created. Cities and states across the nation are incentivizing people to relocate, which means talent attraction has become a “pay to play” space. Job seekers are becoming accustomed to incentives that will ease the stress of moving, help acclimate to a community, or temporarily assist with living expenses when accepting a new role. Businesses are recognizing this and stepping up to the plate out of necessity. For example, we recently became aware of a business in Western North Dakota that offered approximately 30 jobs to out-of-state workers in the last four weeks. Of those offers, 17 applicants were offered moving and housing incentives; all accepted their job offers. The company was not able to offer this to all applicants and those who did not receive an additional incentive did not accept their job offer. If we want to remain competitive in recruiting top talent to the state, we need to support businesses by decreasing the financial burden of providing incentives that attract top talent.

Our lack of available workforce is already a hindrance to business growth, recruitment, and economic prosperity. We cannot afford to lose out to other states if we want to remain competitive in a global marketplace. By creating an incentivization package, we can provide matching grants to businesses by helping them fill their vacancies, resulting in more efficient operations and greater support for the local economy.

Cities and states that are offering a similar program are providing roughly \$10,000 in incentives. Our program will provide a dollar-for-dollar match up to \$12,000 per new employee who is relocating to North Dakota from another state or country, upon

signature of a three-year contract with the company. A similar program specific to nurse recruitment already exists in Commerce but, the need to recruit workers exists in every industry. Many businesses across the state are already exploring how they can incentivize potential employees and we are requesting \$10 million to support that effort.

Technical Skills Training Program: (\$3,240,000; 1:1 match)

In July 2020, Commerce launched the Technical Skills Training Grant through Coronavirus Relief Funds. This program was designed to support the launch or expansion of accelerated skilled workforce training programs to help displaced workers develop the skills needed to pursue jobs in new fields. Although this program continues to successfully meet this need by supporting nearly 20 programs to date, many employers have inquired about the ability to use this program to establish programs for internal training which is not included in the intent of the Technical Skills Training Grant as it's currently written. These dollars could also be used for incoming worker training as many companies provide onsite training regardless of educational background and experience, in addition to safety training; a need that was further emphasized by the pandemic.

We are requesting \$3.24 million to expand our Technical Skills Training Grant program to include use for upskilling, onboarding, and safety training, in addition to accelerated re-skilling programs which will increase skilled workforce throughout North Dakota, create a pipeline for internal advancement and entry level job openings, offset the cost of training new and existing workers, and enhance workplace safety. Each company will be eligible for up to \$50,000 in matching funds (1:1) per training program with multiple opportunities to apply within the window of availability for these funds.

Workforce Innovation Program: (\$10,000,000)

In conjunction with the statewide workforce incentive and the Regional Workforce Impact Grant, the Workforce Innovation Program will focus on attracting skilled workers from across the nation and globe. We must get serious about in-migration for skilled workers or we risk losing to other states. By targeting communities in Canada and Mexico, North Dakota can build on the success of the TN Visa to attract workers and families for 60 approved occupations. This program will also provide community liaisons to support new residents assimilating to North Dakota and attract citizens from other nations and urban centers across the U.S. Private industry will drive this requirement through specific skill set or aptitude requests. Commerce will contract across the country and in nations where we can find workers to meet the needs and work with industry to onboard new residents. This program intends to attract 5,000 workers within 12-18

months to give the state an immediate workforce boost. For perspective, North Dakota grew by almost 10,000 per year over the last decade; as such, approach would augment existing in-migration by roughly 25% per year to provide workforce relief for industry. A proposed framework includes:

Going big on TN Visa Program

This program only allows skilled workers to remain in state for three years plus an option to extend. Commerce would likely contract offices in Canada and Mexico for federally approved 60 occupation types. The majority of the focus would be on Alberta due to similar climate and proximity to North Dakota. Alberta also has a high unemployment rate.

Approximately \$3 million would be dedicated to this effort as we would contract firms to find critical workers that can come to the U.S. in fewer than four weeks following a job offer from an industry partner (per the federal program).

Our focus will be on the energy patch and specific occupations proposed by industry in North Dakota. Initial target would be up to 2,000 workers focused on central and western North Dakota based companies.

Unconventional precision recruitment for in-migration

Other states, including many in the Midwest, such as Oklahoma and Nebraska, are taking advantage of a workforce where many of these individuals stood alongside our military for years, sometimes decades, to help our military do the job that they were tasked within Afghanistan. The same occurred with the Kurds in Iraq in the fight against the Hussein Regime and ISIS; Tennessee has been highly adept putting our allies to work as well. Many don't know this but over 400 Kurdish families call Fargo-Moorhead home. Over the last 20 years, these folks have built companies, bought homes, and have created an amazing workforce pool for companies like Cardinal Glass. This is why most people didn't know there were 400 families, integration and assimilation were swift.

Kurdish and Afghan refugees given their experience working with American contractors, rapid assimilation into American society as well as specific skill sets in industries would be of major benefit to the state.

Note that this program will be 100% industry driven based on job requirements established by companies. Commerce will set up job fairs across military bases in the

U.S. and overseas to find well qualified workers that meet these criteria. Commerce will contract offices to perform credentialing overseas where opportunities exist to locate highly valuable skill sets.

Double credentialing – A first of it's kind and game changer

This concept will be the first of its kind in the nation; U.S. State Department and U.S. Homeland Security credential for health and security. North Dakota will credential workers based on skill sets and experience. **North Dakota will do everything possible to verify that the federal government meets vetting standards.** This would have to be done in conjunction with federal authorities and non-profits due to how existing programs work. Commerce would work with the U.S. government to try and limit random relocations and focused on skilled workers instead.

Approximately \$3 million will be dedicated toward this effort. Note that non-profits make requests to the state. As such, these groups would also screen North Dakota for readiness to accept new semi-skilled and skilled workers. Up to 2,000 workers; 100% based on industry requests. Note that 2,000 workers would reflect an influx of workers that North Dakota absorbed in the mid-2010s. As such, it will not strain the system within approved areas. The only difference would be precision recruitment to reflect the needs of industry. Other states are rapidly moving in this direction and we can't miss out on a well-trained workforce

Community liaisons will be required to expedite assimilation. The liaison services would cost approximately \$1.5 million for three years and would cover both the eastern and western regions. The funds would allow liaison services that ensure a smooth transition for new North Dakotans. The liaisons will also provide a basic education campaign for impacted communities and a smoother transition for current residents.

Domestic targeting

We have opportunities beyond foreign workers but given the strains on workforce nationally, a domestic campaign will occur with fewer expected people.

First, we will go big on bringing North Dakotans home through a diaspora targeting campaign. Using approximately \$500,000, we will go after 500 workers using a come home campaign based on top 10 cities where people go. This will be data driven using high demand NAICS codes.

Simultaneously, we will take an urban approach given the out-migration of some cities. We will invest \$300,000 and focus on semi-skilled and NAICS established by industry offsite. We will also examine the potential for investing this money into U.S. territories to determine which workers can be leveraged most expeditiously. Target will be 500 workers. We will also examine areas with high unemployment or cost of living in the U.S. with messaging that focuses on the quieter life.

We will also go big on a Native American Workforce Initiative. Teaming up with the Executive Director of the Indian Affairs Commission Nathan Davis, Commerce will invest \$400,000 in developing a path forward for increased workforce participation. We will develop a framework for joint business development based on tribe-based needs and requirements.

Rural Workforce Housing Program: (\$21,075,000)

When visiting communities in North Dakota the three most consistent hurdles to growth they mention are: not enough workforce, not enough or the right kinds of housing for workforce, and not enough quality day care. The Rural Workforce Housing Program is designed to meet the needs of these communities. Local governments will have the opportunity to partner with the private sector in multiple ways to create housing that meet the workforce housing demand identified by the community through utilizing existing infrastructure and driving property tax values up!

Communities win in several ways:

- Create a minimum of five new housing structures to meet one of most identified hurdles across North Dakota cities.
- Elimination of blighted property throughout the community.
- Increase in overall property values and therefore property tax revenue for the community.
- Increase in community pride and population gain.

The local government will be responsible for obtaining a housing study (funds will be available to defray most if not all this cost) with a focus on workforce and simultaneously identifying blighted properties in the community. The community shall be provided funding which will be utilized to acquire the identified blighted property (if needed), remediate any hazards, and then remove the blighted structure or remediate any hazards and refurbish the structure so that it meets building codes and can be occupied.

In either case once the remediation of hazards is complete, the land and/or building/s must be transferred to a private builder/developer for a nominal fee. The grant can be used for equipment acquisition, operational costs or fixtures. The program would apply to communities that have a population of 5,000 or less.

Corresponding administrative request to workforce needs

1. \$1,740,000 admin support including five temp FTEs to facilitate program management and one temp FTE for strategy and project management.
 - a. Break down:
 - i. One manager.
 - ii. Two program managers.
 - iii. Two community workforce development specialists.
 - iv. One finance admin specialist (fiscal team) to focus on community needs and liaise with new federal and new state workforce programming efforts.
 - b. Temp for up to 36 months.
 - c. Includes miscellaneous expenditures.
 - d. Support to managing each program above.

Economic Development Programs Request

Hydrogen development grants: (\$20,000,000; match 1:1)

To advance and accelerate the newly established hydrogen industry in North Dakota, Commerce will provide \$20 million in 1:1 matching grants to private industry. These grants can be utilized to accelerate investment into the new industry, build out needed infrastructure necessary to redevelop facilities, and/or retain and grow jobs. Put simply, hydrogen is among several major transformative energy investments that will grow the economy while ensuring that existing industry grows simultaneously.

Autonomous Agriculture Matching Grant/Grand Farm: (\$10,000,000; match 1:1)

With the vision of creating the first fully autonomous farm in the world, the Grand Farm Initiative is accelerating research and innovation to develop technologies for the farm of the future. Grand Farm is the nexus point for industry, producers, higher education, and government to collaborate on autonomy and advanced agriculture technology. The

resulting projects are testing innovations, providing demonstrations, and showcasing integrations that amplify the technologies in North Dakota and attract businesses from around the world.

The proposed \$10 million match grant will leverage federal American Rescue Plan Act funds with private investments to establish a permanent, world-class destination innovation facility in North Dakota for advanced agricultural technology. It would enable robust project management capabilities for the building and operations of the facilities, ecosystem, and farm projects. It will make possible expanded workforce development offerings beyond the existing software development bootcamp into cyber security, embedded software, and more.

This funding would be directed towards:

- Grand Farm Innovation Facility planning and development.
- Project management.
- Workforce development in advanced technology in agriculture.

Innovators who use the space will be able to immediately test their products in the fields that surround this hub, empowering the creators to investigate their product performance in a highly capable, real-world environment. The proximity of the facility to the testing area, small businesses, corporations, and startups, as well as larger farm equipment companies, will allow the participating entities to quickly transform their ideas into viable and commercializable products.

Funding for project management will be spent on the work done to build-up to the launch of the innovation facility. Each element will supplement the phases of facility construction. These elements include:

1. Construction management
2. Legal work and permit acquisition
3. Project development
4. Stakeholder input gathering
5. Contract development

Project funding will also be used for critical workforce development through the expansion of the Emerging Digital Academy and the diversification of the offerings.

To raise the matching funds for this project, Grand Farm will develop and launch a capital campaign. This capital campaign will bring in investments from individuals, philanthropic organizations, and corporations from a global setting – many of which have already expressed their interest in supporting the development of this facility

Vantis: (\$10,000,000)

The intent of the Vantis request is to leverage the opportunities beyond the program, to implement a commercialization plan in a new phase of the existing program. The commercialization plan is broken down into five key initiatives that result in “Connected Communities” across the state. In the past we bought infrastructure, now we are buying commercialization and the ability for communities across the state to leverage the network.

1. Certified UAS (Unmanned aircraft systems)
 - a. This will incentivize UAS manufacturers in North Dakota to produce certified UAS that can be commercially used and serve for governmental purposes.
2. Electrification
 - a. To enable the advanced operations, drone ports will be deployed across the state. With the movement towards highly electrified vehicles, the need to new fuel sources will be explored and implemented. These hubs will increase access for rural North Dakota.
3. Vantis
 - a. Although Vantis is not a new opportunity, we must understand its impact from the state’s \$48 million investment. This infrastructure will support drone ports and will provide the operations center for UAS flights to be conducted.
4. UAS operator services
 - a. This will incentivize UAS operators to use the Vantis services. This will not only support commercial operators but also support public use cases.
5. Training/Education
 - a. This new opportunity will reimagine the future workforce. We know there is going to be demand for training for UAS services that will need to reach into university programs, and STEM in K12 and beyond.

These five initiatives make up the future “Connected Communities” of North Dakota and will boost our industrial productivity.

The \$10MM will be invested in deploying the training and education campaign, supporting public use cases such as search and rescue and flood operations, the creation of drone ports in strategic corners of the state, and the creation of an incentive program to drive more UAS manufacturers to the state,

Innovation Technology Loan Fund (LIFT) (\$15,000,000)

The LIFT program is perhaps the best tool we have in our toolbox when it comes to recruiting innovative companies to North Dakota and expanding companies that are already doing great things here. Businesses participating in LIFT added and/or retained over 300 jobs in the state, with an additional projected increase of 45% in 24 months. Commerce utilized the Regional Economic Model Policy Insight (REMI PI+) to forecast the economic impacts of LIFT from 2020-2024. The projected economic impacts include increases to the state’s economy (as measured by the state GDP and output); payroll creation (as measured by wages and salaries); and new jobs created (as measured by employment). The estimates were adjusted for inflation using the 10-year inflation rate projections reported by the Congressional Budget Office on Feb. 1, 2021. The analysis projected that from 2020-2024, the average annual economic impacts from LIFT for North Dakota in a year would be:

- An increase in the size of the state economy of \$168 million in economic output and \$104 million in the state GDP.
- An increase of 828 jobs across all industries, with 772 jobs occurring in the private non-farm industries and 60% of those occurring in the technology industry. This estimate consists of full-time and part-time workers.
- The LIFT Committee has received over \$32 million in requests from over 30 companies this 2021-23 biennium. To date, the committee has awarded \$3.5 million leaving \$11.5 million yet to be distributed. The committee continues to see interest with new applications coming in weekly. During the 2019-21 biennium, the LIFT Committee awarded \$14.57 million of the appropriated \$15 million to 20 companies.

North Dakota Development Fund (NDDF) (\$15,000,000)

The NDDF is front and center as we grow the states' economy. When there is a gap between North Dakota landing a project and another state getting it, the NDDF is the final factor in many cases that swing things in North Dakota's favor.

NDDF investments have contributed to 12,403 primary sector jobs and 677 companies have been funded.

The NDDF has remaining cash in the amount of \$13,682,628 if the current pipeline and unfunded projects are funded. Further, there is an anticipated influx in applications with requests in excess of \$10 million in the next three to five months. Given the rate of acceleration of projects and the size of the requests, the NDDF will need to be recapitalized in the next six to eight months in order to continue investing in North Dakota businesses.

Corresponding administrative request to economic development needs

1. \$800,000 admin support including 3 temp FTEs to facilitate.
 - a. Break down:
 - i. Two program managers for large infusion of capital (both state and federal).
 - ii. One finance admin specialist to augment fiscal team
 - b. Temp for up to 36 months.
 - c. Includes miscellaneous expenditures.
 - d. Support to managing each program above.

Community and Tourism Development Programs Request

Infrastructure grants for community attractions and outdoor recreation businesses: (\$10,000,000)

To attract and retain workforce, North Dakota communities must offer the amenities, entertainment, and outdoor recreation opportunities desired by residents. The activities visitors enjoy also add to our quality of life. Interest in outdoor recreation is at an all-

time high, partially due the pandemic. Visitors and residents are also looking for less-crowded places to recreate, which differentiates us from other states.

In North Dakota much of our outdoor recreation is "do-it-yourself" meaning you need to own your equipment to participate. There are opportunities for businesses to provide recreational rentals, guided trips, and packages to allow more people the ability to participate.

Our entertainment offerings are limited in some communities and many areas have few entertainment offerings in the winter. This grant will serve as start-up grant and enhancement grants for entertainment and outdoor related businesses who see an opportunity to take advantage of the travel trends while also enhancing the quality of life for residents and providing more to offer new recruits.

Corresponding administrative request to tourism needs

1. \$250,000 admin support
 - a. Break down:
 - i. One temp FTE.
 - b. Temp for up to 36 months.
 - c. Includes miscellaneous expenditures.
 - d. Support to managing each program above.