

## Third Day of Legislative Organizational Session

## JOURNAL OF THE HOUSE

## Sixty-second Legislative Assembly

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Bismarck, December 8, 2010

The House convened at 8:30 a.m., with Speaker Drovdal presiding.

The prayer was offered by Pastor Keith Ritchie, Cornerstone Community Church, Bismarck.

The roll was called and all members were present except Representatives Dahl, R. Kelsch, and Zaiser.

A quorum was declared by the Speaker.

**MOTION**

**REP. VIGESAA MOVED** that the House stand in recess until 9:10 a.m., which motion prevailed.

**THE HOUSE RECONVENED** pursuant to recess taken, with Speaker Drovdal presiding.

**ANNOUNCEMENT**

**SPEAKER DROVDAL ANNOUNCED** that the House would be on the Seventh Order of business.

The Chief Clerk read the Committee on Committees assignments.

**2011 HOUSE STANDING COMMITTEES**  
**Appropriations Committee**

Committee Chairman - Jeff Delzer

Vice Chairman - Keith Kempenich

**Education and Environment Division**

Committee Chairman - Bob Skarphol

Clark Williams

Vice Chairman - Kathy Hawken

Dave Monson

Mark Dosch

Bob Martinson

**Government Operations Division**

Committee Chairman - Blair Thoreson

Eliot Glassheim

Vice Chairman - Matt Klein

Joe Kroeber

Keith Kempenich

Mike Brandenburg

Stacey Dahl

**Human Resources Division**

Committee Chairman - Chet Pollert

Lee Kaldor

Vice Chairman - Larry Bellew

Ralph Metcalf

Gary Kreidt

Jon Nelson

Alon Wieland

**Education Committee**

Committee Chairman - RaeAnn Kelsch

Lyle Hanson

Vice Chairman - Lisa Meier

Bob Hunsakor

Brenda Heller

Corey Mock

Dennis Johnson

Phillip Mueller

Karen Karls

David Rust

Mike Schatz

John Wall

Joe Heilman

Karen Rohr

Mark Sanford

**Finance and Taxation Committee**

Committee Chairman - Wesley Belter

Scot Kelsh

Vice Chairman - Craig Headland

Shirley Meyer

Glen Froseth

Lonny Winrich

Bette B. Grande

Steven Zaiser

Dave Weiler

Dwight Wrangham

Mark Owens

Pat Hatlestad

Roscoe Streyle

Wayne Trottier

**Human Services Committee**

Committee Chairman - Robin Weisz

Tom Conklin

Vice Chairman - Vonnie Pietsch  
Chuck DamschenRichard Holman  
Robert Kilichowski

Curt Hofstad

Todd Porter

Bill Devlin

Gary Paur

James Schmidt

Scott Louser

Dick Anderson

#### **Industry, Business and Labor Committee**

Committee Chairman - George Keiser

Bill Amerman

Vice Chairman - Jim Kasper

Ed Gruchella

Donald Clark

Marvin Nelson

Nancy Johnson

Tracy Boe

Dan Ruby

Gary Sukut

Don Vigesaa

Bob Frantsvog

Curt Kreun

Mike Nathe

#### **Judiciary Committee**

Committee Chairman - Duane DeKrey

Lois Delmore

Vice Chairman - Lawrence Klemin

Ron Guggisberg

Randy Boehning

Kathy Hogan

Joyce Kingsbury

Kenton Onstad

Kim Koppelman

William Kretschmar

Andrew Maragos

Vicky Steiner

Thomas Beadle

Roger Brabandt

#### **Agriculture Committee**

Committee Chairman - Dennis Johnson

Tom Conklin

Vice Chairman - Joyce Kingsbury

Richard Holman

Wesley Belter

Phillip Mueller

David Rust

Tracy Boe

Mike Schatz

John Wall

James Schmidt

Wayne Trottier

Craig Headland

Dwight Wrangham

**Government and Veterans Affairs Committee**

Committee Chairman - Bette Grande

Bill Amerman

Vice Chairman - Randy Boehning

Ron Guggisberg

Glen Froseth

Lonny Winrich

Karen Karls

Lisa Meier

Mark Sanford

Vicky Steiner

Roscoe Streyle

Karen Rohr

Gary Paur

**Natural Resources Committee**

Committee Chairman - Todd Porter

Lyle Hanson

Vice Chairman - Chuck Damschen

Bob Hunsakor

Donald Clark

Scot Kelsh

Duane DeKrey

Marvin Nelson

Curt Hofstad

George Keiser

Jim Kasper

Mike Nathe

Dick Anderson

Curt Kreun

Roger Brabandt

**Political Subdivisions Committee**

Committee Chairman - Nancy Johnson	Robert Kilichowski
Vice Chairman - Patrick Hatlestad	Shirley Meyer
Lawrence Klemin	Corey Mock
Kim Koppelman	Steven Zaiser
William Kretschmar	
Vonnie Pietsch	
Bill Devlin	
Andrew Maragos	
Thomas Beadle	
Joe Heilman	

**Transportation Committee**

Committee Chairman - Dan Ruby	Lois Delmore
Vice Chairman - Dave Weiler	Edmund Gruchalla
Robert Frantsvog	Kathy Hogan
Brenda Heller	Kenton Onstad
RaeAnn Kelsch	
Gary Sukut	
Don Vigesaa	
Robin Weisz	
Mark Owens	
Scott Louser	

**Constitutional Revision Committee**

Committee Chairman - Kim Koppelman	Tom Conklin
Vice Chairman - William Kretschmar	Lonny Winrich
Lisa Meier	Richard Holman
Mike Schatz	
Jim Kasper	
Mark Owens	
Scott Louser	
Roscoe Streyle	

**MOTION**

**REP. VIGESAA MOVED** to adopt the Committee on Committees report, which motion prevailed.

**REPORT OF PROCEDURAL COMMITTEE**

**MR. SPEAKER:** Your procedural **Rules Committee (Rep. Carlson, Chairman)** recommends that the House and Joint Rules of the Sixty-first Legislative Assembly, as

adopted on Wednesday, December 3, 2008, and published in the 2009 Senate and House Rules and Committees book, with the following amendments, be adopted as the permanent rules of the House for the Sixty-second Legislative Assembly, and that the reading of this report be dispensed with:

**SECTION 1. AMENDMENT.** Subsections 4 and 5 of House Rule 204 are amended as follows:

4. The printer shall set aside ~~twenty-seven~~twenty-eight copies of the daily journal. Upon termination of the legislative session, the printer shall deliver these copies to the contract binder, who shall assemble the copies into ~~twenty-seven~~twenty-eight sets of permanent journals.
5. The permanent journals must be bound in hard covers. Two of these sets must be deposited with the Secretary of State, who shall preserve these sets and attach the Secretary of State's certificate thereto showing the date of delivery and attesting that the copies are identical and official journals as delivered to the Secretary of State. The Secretary of State shall forward one set to the Supreme Court Library, one set to the Law School Library at the University of North Dakota, eight sets to the State Library, two sets to the Attorney General, ~~five~~six sets to the Legislative Council, one set to the Chief Clerk, and one set to each judicial district as determined by the presiding judge of the district.

**SECTION 2. AMENDMENT.** House Rule 306 is amended as follows:

**306. Rules of debate.** No member may speak more than twice on the same ~~subject~~question without leave of the House, nor more than once until every member choosing to speak on the ~~subject~~question pending has spoken. No member may speak for more than ten minutes the first time, nor more than five minutes the second time. This rule does not apply to the Majority and Minority Leaders and the chairman of the committee in charge of the bill, or a spokesman designated by that chairman.

**SECTION 3. AMENDMENT.** Subsection 4 of House Rule 329 is amended as follows:

4. Except for bills approved for introduction after the deadline for introduction of bills, all House bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~twenty-third~~twenty-fifth legislative day and all Senate bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~forty-seventh~~fifty-seventh legislative day. If an appropriation bill is not reported to the floor and rereferred as required herein, the bill is deemed rereferred and is under the jurisdiction of the Appropriations Committee at the end of the ~~twenty-third~~twenty-fifth or ~~forty-seventh~~fifty-seventh legislative day, as appropriate.

**SECTION 4. AMENDMENT.** House Rule 345 is amended as follows:

**345. Recording remarks in journal.** When a member desires to have the member's remarks, other than those in explanation of the member's vote, recorded in the journal, the member shall inform the Desk Reporter before speaking and the remarks must be recorded. Except for the Majority or Minority Leader ~~or the Assistant Majority or Minority Leader~~ with respect to the remarks of a member of that leader's party, no member may request the remarks of any other member be recorded in the journal.

**SECTION 5. AMENDMENT.** House Rule 346 is amended as follows:

**346. Transmittal of measure to Senate - Notice of intention to reconsider.**

1. After the second reading of a bill or resolution, the Chief Clerk shall retain the bill or resolution until the end of the next legislative day, unless the bill or resolution has previously been disposed of.
2. On the ~~thirty-third~~thirty-eighth and thirty-ninth legislative ~~day~~days and after the ~~forty-ninth~~fifty-ninth legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate immediately upon adjournment of that day's session unless action on the bill or resolution is pending as the result of the House passing

a motion to reconsider or unless the Majority or Minority Leader has given notice of intention to move the reconsideration of that bill or resolution.

3. After the ~~fifty-eighth~~sixty-eighth legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate immediately after the second reading of the bill or resolution unless the Majority or Minority Leader has given notice of intention to move the reconsideration of that bill or resolution.
4. When a member in explaining the member's vote states to the House that the member's vote is for the purpose of reconsideration, that statement also is notice of such intention.
5. If notice is given by a member other than the Majority or Minority Leader but the motion to reconsider is not made before the end of the next legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate at the end of that next legislative day.

**SECTION 6. AMENDMENT.** House Rule 347 is amended as follows:

**347. Motion for reconsideration.**

1. Any member may move for reconsideration of a question if any of the following apply:
  - a. The member voted on the prevailing side of the question ("prevailing side of a question" is the side that voted "aye" on a question that passed, and "nay" on a question that failed);
  - b. The member did not vote on the question; or
  - c. The member voted on the question and the ayes and nays were not recorded.
2. A motion to reconsider must be decided by a majority vote of the members-elect, except that a motion to reconsider adoption of an amendment must be decided by a majority vote of the members present.
3. In the case of a bill, resolution, or amendment to the Constitution, the motion to reconsider, if made after the end of the next legislative day following the action on the measure, requires a two-thirds vote of the members-elect.
4. The vote by which any measure passed or failed to pass may not be reconsidered more than once in any ~~natural~~legislative day. For purposes of this subsection, a clincher motion that fails is not a motion to reconsider.
5. No motion to reconsider may be made unless the matter is in possession of the House.
6. Determination of any vote required under this rule must be by a verification vote.

**SECTION 7. AMENDMENT.** Subsection 4 of House Rule 402 is amended as follows:

4. Resolutions that propose amendments to the Constitution of North Dakota and resolutions directing the Legislative Council ~~Management~~ to carry out a study may not be introduced after the ~~thirty-first~~thirty-sixth legislative day.

**SECTION 8. AMENDMENT.** Subsection 4 of House Rule 501 is amended as follows:

4. The two-day standing committees are:
  - a. Agriculture: (13 members)  
Agriculture; Livestock; Drainage and Irrigation; Warehouse and Grain Grading.
  - b. Government and Veterans Affairs: (13 members)

State and Federal Affairs; Government Pensions and Benefits; Military and Veterans Affairs; Industrial Commission and institutions under its supervision; State Historical Society and State Parks.

c. Energy and Natural Resources: (13 members)

Game and Fish; Public Lands; Mines and Mining; Gas and Oil; Forestry.

d. Political Subdivisions: (13 members)

Cities; Counties; Townships; Park Districts; Apportionment.

e. Transportation: (14 members)

Highways and Bridges; Railroads; Motor Vehicles; Airlines and Airports.

**SECTION 9. AMENDMENT.** House Rule 508 is amended as follows:

**508. Reporting of measures.** Except for an appropriations bill, a resolution proposing an amendment to the Constitution of the United States or the Constitution of North Dakota, or a resolution directing an interim study by the Legislative ~~Council~~Management, no House bill or resolution may be held in a committee for more than thirty legislative days after it is referred to the committee, unless an extension of time is granted by the House. Except for a bill introduced after the deadline for introducing bills, a resolution directing an interim study by the Legislative ~~Council~~Management or a resolution proposing an amendment to the Constitution of the United States or the Constitution of North Dakota, all House bills and resolutions must be reported back to the House no later than the ~~thirty-first~~thirty-sixth legislative day. A resolution directing an interim study by the Legislative ~~Council~~Management or proposing an amendment to the Constitution of the United States or the Constitution of North Dakota must be reported back to the House no later than the ~~thirty-seventh~~forty-second legislative day. A bill introduced after the deadline for introducing bills must be reported back to the House within five legislative days after the day of introduction. A bill or resolution not reported back as required by this rule must automatically be placed on the calendar without recommendation. Senate bills and resolutions must be reported back to the House by the ~~fifty-fifth~~sixty-fifth legislative day. Senate bills received after the crossover deadline must be reported back to the House within five legislative days after the day of receipt.

**SECTION 10. AMENDMENT.** Joint Rule 203 is amended as follows:

**203. Limitation on messaging of measures - Crossover days.**

1. A bill that has passed one house may not be sent to the other house for concurrence after the ~~thirty-fourth~~thirty-ninth legislative day, except a bill approved for introduction after the deadline for introduction of bills.
2. A resolution that has passed one house may not be sent to the other house for concurrence after the ~~fortieth~~forty-fifth legislative day, except a resolution approved for introduction after the deadline for introduction of that type of resolution.

**SECTION 11. AMENDMENT.** Joint Rule 207 is amended as follows:

**207. Consideration of items on consent calendar.**

1. No item on the consent calendar may be considered for adoption on the same legislative day it is placed on the consent calendar.
2. Bills or resolutions on the consent calendar are not debatable, except that the ~~President of the Senate or the Speaker of the House~~presiding officer shall allow a reasonable time for questions from the floor and shall permit the proponents of the bills or resolutions to answer the questions.
3. The question of the final passage of more than one item contained on the consent calendar may be voted on in a single vote if the vote is on either bills or resolutions and not on any combination thereof in the same vote.



4. Immediately before voting on the first consent calendar bills or resolutions, the ~~President of the Senate or the Speaker of the House~~ presiding officer shall call to the attention of the members the fact that the next vote will be the vote on the bills or resolutions on the consent calendar. A recorded roll call vote is necessary on items on the consent calendar only if a recorded roll call vote is required under Senate or House Rule 340.

**SECTION 12. AMENDMENT.** Subsection 4 of Joint Rule 501 is amended as follows:

4. a. The agency or department preparing the fiscal note shall return the fiscal note along with the number of copies requested by the Legislative Council to the Legislative Council not later than five days from the date of the request.
- b. The Legislative Council shall retain three copies, shall provide one copy to the Office of Management and Budget, shall provide one copy to the Governor, and shall deliver the remaining copies to the Secretary of the Senate or the Chief Clerk of the House. Of those copies, one copy must be attached to the original bill or resolution, one copy must be filed with the Bill Clerk of the house wherein the bill or resolution originated, one copy must be provided to the ~~President~~ presiding officer of the Senate, one copy must be provided to the ~~Speaker~~ presiding officer of the House, and the remaining copies must be distributed as directed by the Secretary of the Senate or the Chief Clerk of the House, as appropriate.

**SECTION 13.** Joint Rule 604 is created as follows:

**604. Publication of legislative documents.** The Legislative Council shall arrange for the publication of legislative documents in accordance with constitutional and statutory requirements and the rules of the Senate and House and the Joint Rules. As published by the Legislative Council, the legislative documents, whether in electronic or print format, are the correct copies, deemed to be officially published.

**SECTION 14. AMENDMENT.** Joint Rule 802 is amended as follows:

**802. Identification of representatives of the media.** The Legislative Council may provide identification badges for individuals identified as representatives of the media by the North Dakota Newspaper Association and the North Dakota Broadcasters Association before a regular session or by the statehouse correspondent of the Associated Press during a legislative session. The statehouse correspondent of the Associated Press shall determine the method for distribution of the badges to the appropriate individuals for use during the session to obtain access to the floor of the chamber as permitted by the Senate and House. The statehouse correspondent of the Associated Press shall notify the ~~President of the Senate and the Speaker of the House~~ presiding officer of each house with respect to identification badges issued during the session.

**SECTION 15. REPEAL.** House Rule 105 is repealed.

**REP. KRETSCHMAR MOVED** that the report be adopted, which motion prevailed on a voice vote.

**MOTION**

**REP. VIGESAA MOVED** that the House stand in recess until 9:55 a.m., which motion prevailed.

**THE HOUSE RECONVENED** pursuant to recess taken, with Speaker Drovdal presiding.

**MOTION**

**REP. VIGESAA MOVED** that a committee of three be appointed to escort the Honorable Lt. Governor Drew Wrigley to the rostrum, to preside over the Joint Session, which motion prevailed.

The Speaker appointed Reps. Hawken and Kasper and Sen. Fischer to the escort committee.

**MOTION**

**REP. VIGESAA MOVED** that a committee of four be appointed to escort the

Honorable Jack Dalrymple, Governor, to the rostrum and First Lady Betsy Dalrymple to a special reserved seat in the chamber and that Governor Dalrymple's remarks, as submitted to the front desk, be printed in the journal, which motion prevailed.

The President appointed Sens. Stenehjem and Taylor and Reps. Carlson and J. Kelsh to the escort committee.

### **2011-2013 EXECUTIVE BUDGET ADDRESS**

**The Honorable Jack Dalrymple**

**Governor of North Dakota**

**December 8, 2010**

Good morning. I am pleased and honored this year to welcome the members of the 62nd North Dakota Legislative Assembly, Justices of the Supreme Court, Lt. Gov. Drew Wrigley, elected officials, cabinet members, state employees, First Lady Betsy, and my fellow North Dakotans.

At the outset, I want to thank the staff of the Office of Management and Budget, our cabinet agencies, and our staff in the Governor's Office for the hard work, diligence, and thoughtfulness they brought to the job of building our new budget.

Together, I believe we have produced a budget for the people of North Dakota that is farsighted and pragmatic, a budget that will continue to lead our state forward. (Chart 1)

In drafting our last budget, we were guided by three key objectives that, I believe, have served us well in the current biennium. We have set those same objectives for our new budget as well. They include funding priorities; setting aside adequate reserves for a rainy day; and providing additional tax relief for the hard-working men and women of North Dakota.

At the same time, we have identified some new areas of emphasis designed to build on our progress. I will discuss those in the course of my address.

Today, I am pleased to present the results of our efforts – the 2011-2013 executive budget.

### **THE BIG PICTURE**

I'll begin with an overview of our budget plan.

As always, we have carefully examined our revenues and expenditures, and we have taken care to ensure that our ongoing revenues exceed ongoing expenditures, as you can see in Chart 2.

In the 2011-2013 biennium, our General Fund ongoing revenues will total about \$3.197 billion. At the same time, ongoing expenditures will total \$3.185 billion, which is well within our means. Prudent budgeting maintains this structural balance, even as we provide tax relief and build our reserves.

The 61st Legislative Assembly wisely established a special fund, the Property Tax Relief Sustainability Fund, for the purpose of funding property tax relief. This is entirely appropriate.

Comparing the total legislative appropriations for the current biennium, and taking out the property tax relief of \$295 million that was previously included in general fund spending, our budget recommendation for 2011-13 represents an increase of 5.6 percent per year.

In total, General Fund expenditures increase by \$334 million over the current biennium; however, more than half of this increase is made necessary by having to replace \$174 million in decreased federal funding in Human Services alone.

Of that \$174 million reduction in federal funds, \$105 million is due to a formula change caused by our state's significant increase in per capita personal income, and \$69 million is due to the additional expense caused by the discontinuation of federal stimulus funding in the upcoming biennium. Excluding the \$174 million in discontinued federal funding, our increase in General Fund expenditures would be 2.7 percent per year.

Our growing revenues are also reflected in a projected \$80 million ending fund balance for the current biennium.

This Ending Fund Balance is largely the result of higher revenues from sales taxes, which represent approximately 45 percent of all General Fund revenues, and have been generated statewide by North Dakota's growing and more diversified economy. It is also a testament to our careful fiscal management in the current biennium. Remember that only \$71 million of our oil and gas tax revenues is allowed by statute to flow to the General Fund.

### **One-time General Fund Expenditures**

We also propose \$110 million in General Fund one-time projects, which we can fund out of our ending fund balance and one-time revenues.

Some of our one-time projects are investments in flooded roads, communications equipment, and public safety; some are dedicated to educational infrastructure; and yet others fund innovative research, development, and commercialization of North Dakota products and services. They are investments that will further stimulate economic activity, make our state more competitive, and create more good jobs in the future.

As with our current budget, we exercise prudent fiscal management. We are able to fund our priorities, provide additional tax relief for our citizens, and set aside healthy reserves for the future. Our budget neither borrows nor bonds. And it imposes no new taxes or fees.

### **Reserves**

Now let's turn to a discussion of our reserves, illustrated on Chart 3. On July 1, 2009, North Dakota began the current biennium with a balance of approximately \$490 million in the Permanent Oil Tax Trust Fund. After appropriations, we are expecting an ending balance of \$620 million on June 30, 2011.

In addition, you will recall that the people of North Dakota decided in the last election to establish a Legacy Fund to retain some of our current oil expansion revenues. The Legacy Fund measure sets aside approximately \$619 million throughout the upcoming biennium. Beyond that, it will provide revenues for worthy programs and projects indefinitely into the future.

We anticipate total reserves at the end of the current biennium of just over \$1 billion. At the end of the 2011-13 biennium, you can see that reserves will have continued to grow an additional \$200 million, to a healthy reserve of \$1.237 billion, including the new Legacy Fund.

### **Expanded Tax Relief**

With our ongoing and one-time expenditures accounted for, and our reserves secured, our financial position still provides us with the resources necessary to provide additional tax relief for North Dakota citizens, as shown on Chart 4.

In the last biennium, we reduced property taxes by \$300 million through a reduction of approximately 75 mills in school district levies, simultaneously raising the state's share of school funding from about 48 percent to the long-sought goal of 70 percent.

We also reduced income taxes by \$100 million, resulting in an average 12 percent saving for North Dakota taxpayers.

But we can and should do more. So in the new biennium, we propose expanding the \$300 million in property tax relief passed in the last session to a level of \$350 million in the upcoming biennium. We also propose expanding the \$100 million in income tax relief to a total \$150 million in the upcoming biennium. This produces a total of \$900 million in cumulative tax relief over two bienniums.

As you'll recall, the 61st Legislative Assembly established the Property Tax Relief Sustainability Fund. Property tax relief in the 2011-13 biennium will be paid for with special fund dollars already deposited there by the Legislative Assembly. We are proposing to use that special fund again to set aside funding for property tax relief in the 2013-2015 biennium.

It is important that the hard-working men and women of North Dakota see a substantial share of our economic gains reflected in their tax bills.

Now that we've reviewed the overall structure for our budget, let's take a closer look at the individual funding priorities within the budget that will help us to maintain and support our growth.

A good place to begin is with North Dakota's emerging infrastructure needs.

### **Statewide Infrastructure Needs**

New economic growth cannot be supported without robust investments in infrastructure, and our budget addresses infrastructure needs in every region of the state. Transportation investments alone come to \$1.7 billion statewide. In addition, we are committed to flood prevention in the Red River Valley, control of water levels in Devils Lake, water supply projects throughout the state, and many other public and private sector infrastructure investments.

Let's review the statewide plan, beginning with western North Dakota.

### **Infrastructure Support for Western North Dakota**

The remarkable and rapid growth of oil and gas development in western North Dakota and its associated revenues for the state have been a welcome, but challenging, element in our economic growth.

While jobs and population growth have been a significant benefit to this largely rural part of our state, the extreme wear and tear on roads, and the need for housing and water, demand a response. Chart 5 illustrates what we have in mind.

From the Permanent Oil Tax Trust Fund, we have set aside \$229 million solely for state road construction and maintenance in the 17 Oil and Gas Producing Counties. The Department of Transportation will set priorities for its expenditures according to the Statewide Transportation Improvement Program, which has been drafted in cooperation with local officials and engineers.

In addition, we propose dedicating \$142 million in funding for county and township roads in oil country, also from the Permanent Oil Tax Trust Fund, to address extraordinary road reconstruction needs.

These funds will be distributed to counties based on road conditions identified by a comprehensive study, which was just recently finalized by the Upper Great Plains Transportation Institute, and also by the DOT's observed conditions of the roads. Further, we recommend that the legislature approve these funds with an emergency clause to enable the affected communities to commence projects immediately.

In addition, we propose an increase in funding for the Oil and Gas Impact Grant Fund to \$100 million. This fund would fall under the authority of the State Land Board, advised by the Energy Development Impact Office. All entities experiencing impacts from oil and gas development can apply for funding to help mitigate those effects.

Of this \$100 million, we would like to see a large share, \$35 million, reserved for the largest and fastest growing cities. The balance of \$65 million would be available to the smaller cities, counties, townships, and other entities in the oil and gas producing areas of the state. It's important to note that this funding is also available to address the pressing need for housing infrastructure, including municipal water lines, sewer lines, and other residential construction needs.

Also, the Oil and Gas Gross Production Tax formula will generate an additional \$80 million for the affected counties over the course of the next biennium, for a total of about \$247 million. This funding is allocated to counties, cities, schools and townships.

Finally, in addition to the special needs projects I have just outlined for you, an additional \$240 million in regular state and federal highway funding will be dedicated to projects in the Williston, Minot and Dickinson DOT Districts, to address construction and extraordinary repairs. This includes "Super-two" construction on U.S. 85 along with other projects in these western districts.

Counting the regular highway funding committed to these Western Districts, we are providing \$958 million altogether for infrastructure in oil country. Most of this funding is, appropriately, from revenues generated by oil and gas development in the western part of our state.

This region of North Dakota is doing its share to build North Dakota's economy, and we need to do our share to help them with their challenges of growth.

### **Statewide Infrastructure Support**

While western North Dakota's infrastructure needs are clearly pressing, no less important are the infrastructure needs of other parts of our state, notably the Devils Lake region and the Red River Valley, where flood waters threaten homes, businesses and livelihoods on an annual basis.

In the Red River Valley, flood protection is an essential, long-term priority. We need to end the annual anxiety caused by chronic flooding, especially in the Fargo-West Fargo area.

As they work to design a flood diversion project, today we reaffirm Governor Hoeven's commitment to fund one half of the non-federal, non-Minnesota share of the cost of the project. We expect the total project cost to be in the vicinity of \$1.5 billion, depending on the final design, and the state of North Dakota's share to be about \$300 million over 10 years.

To cement that commitment, our budget sets aside an additional \$30 million from the Resources Trust Fund for a total of \$75 million in initial funding. This will ensure that state resources are readily available to begin flood protection work as soon as a plan is finalized. We cannot expect our citizens in the Valley to endure every year the stress and hardship of battling the Red River.

Similarly, we need to address continued flooding and the potential for an uncontrolled release of water from Devils Lake. This is vital not just for the City of Devils Lake, but also to protect downstream communities, including Valley City, Fargo, and people in Minnesota and Canada.

We propose to commit up to \$120 million from the Resources Trust Fund for a major expansion of our flood protection efforts around Devils Lake. This funding will be used to construct a second outlet on the east end of Devils Lake, expand the existing outlet on the west end of the lake, and build a control structure on Tolna Coulee, the most likely site of an uncontrollable release. The combined capacity of the two outlets would be approximately 600 cubic feet per second.

Additionally, we have budgeted funds to improve the Grahams Island road and other roadways. We have worked hard to protect the residents of Devils Lake from continued hardship, and the new plan we have developed will help. With cooperation from the federal government and our neighbors, we will implement it as soon as possible.

### **Water Supply Infrastructure Projects**

Our infrastructure plans also include measures to protect beneficial uses downstream of Devils Lake. Last year the state awarded nearly \$15 million to Valley City to expand and improve its municipal water supply facility. Currently, the city's water treatment plant does not remove sulfates and other minerals.

The new facility will provide significantly higher water quality, and enough reserve capacity to allow for community growth. We will also support additional funds for water discharge facilities.

In the Williston area, we propose committing \$25 million toward the building of a new municipal water supply system that will serve not only the local community but also growing industry needs in the region.

To support these and other water projects, we recommend committing more than \$235 million primarily through the Resources Trust Fund for essential water projects throughout our state. New projects include the Valley City and Williston water supply projects that I just mentioned, as well as future projects in Fargo-West Fargo and elsewhere.

**Additional Infrastructure Support**

We must be mindful that all areas of our state have important infrastructure needs, including the south central region and the northern Red River Valley. These needs may not be as obvious as others, but they are no less important, and our budget is committed to addressing them in the Department of Transportation budget.

We propose dedicating 25 percent of the state Motor Vehicle Excise Tax to the State Highway Distribution Fund, rather than the state Highway Fund. That represents an additional \$46 million for roads, \$17 million of which will flow directly to counties, cities, and townships.

**Industry Infrastructure**

Additionally, over the past decade, we have helped to build North Dakota's energy infrastructure with the help of our Transmission Authority and Pipeline Authority. Our budget continues to support these important tools.

Whether it's wind power, biofuels, petroleum or coal-based electrical generation, we must continue to work hard to realize our energy potential, and in doing so, our potential for the entire state.

**PREPARING OUR YOUTH FOR TOMORROW****Education**

Not all infrastructure consists of asphalt and concrete. Some infrastructure investments seek to build a strong intellectual and technical knowledge-base on which to build a productive and modern workforce.

Much of this work was begun by the Governor's Commission on Education Improvement, which I had the honor of chairing for Governor Hoeven, and our budget continues to make these kinds of investments. Our work brought about the greatest reform of K-12 funding in our history, and now we must finish the task. Chart 6 illustrates our plan.

**K-12 Education**

After completing our work on equity in 2007, the commission has continued to work on education adequacy, and will now propose significant improvements in the quality of instruction in our schools. To achieve this, our budget proposes an increase of \$102 million.

That figure includes \$54 million to finish the work on adequacy we began in the current biennium, as well as \$32 million to fund an increase in the per student payment of \$100 for each year of the biennium.

Now the Commission is bringing forward a new initiative, a voluntary system of Alternative Teacher Compensation designed to reward teachers for achieving improved student success by improving teacher proficiency.

Achieving student success means having a highly effective teacher in the classroom every day. An Alternative Teacher Compensation System will provide for supplemental teacher pay based upon multiple components, including adding knowledge, skills or professional development; promoting student educational growth; assuming hard-to-staff positions; and accepting responsibilities, such as mentoring, coaching, or instructional leadership.

The plan will be developed locally by teachers and school boards. No teacher will suffer a reduction in pay as a result of these voluntary plans for supplemental performance pay. The commission believes that we can no longer compensate teachers solely on the basis of years of service. We must take a first step in beginning to reward teachers for good performance in the classroom.

**Higher Education**

But in today's world, it is no longer sufficient to talk about K-12 education and higher education as though they were two discrete entities.

Our budget proposes an increase of \$82 million in ongoing funding and \$46 million in one-time funding for the 11 campuses of the North Dakota University System. This should enable the university system to hold the cost of tuition even at two-year institutions and to no more than a 2 ½ percent increase at four-year institutions.

We include in our ongoing budget \$10 million in merit-based scholarships for students who perform well in high school based on grades and ACT scores. This scholarship, combined with the \$19 million already in the base budget for needs-based scholarships, will provide nearly \$30 million to help students cover the cost of a postsecondary education in North Dakota.

Our one-time expenditures include a shared system-wide data center on the University of North Dakota campus; funding for the Stoxen Library at Dickinson State University; and the final phase of the North Dakota State University greenhouse.

Additionally, our budget proposal includes a new science center at Valley City State University and a much-needed renovation of Old Main on the campus of the North Dakota State College of Science in Wahpeton.

The state-of-the-art greenhouse at NDSU is a farsighted investment our state has made in North Dakota's agricultural sector. D.C. Coston, North Dakota State University's vice president for Agriculture, told me that this facility is unequalled in the nation. It will attract the world's leading ag researchers and keep North Dakota farmers globally competitive far into the future. This is our commitment to our state's largest industry: agriculture.

Finally, our budget includes \$5 million for a new and exciting approach to higher education funding, an approach based on the actual educational outcomes desired by education leaders and the citizens of North Dakota.

In the new biennium, the Board of Higher Education will be asked to develop a new methodology to distribute funds to campuses based on meaningful educational results, such as an increase in the number of degrees awarded; an increase in the number of students graduating on time; the number of degrees completed by low income students; and the number of students transferring from two to four year schools.

I will ask the Board of Higher Education to work with me in establishing a new Commission on Higher Education Funding to develop recommendations to improve the equity, the transparency, and the effectiveness of higher education funding.

Our recommendation for higher education also includes a salary increase of 3 percent and 3 percent, with 1 percent devoted to fortifying the teacher fund for retirement. We propose that the state of North Dakota match that 1 percent, and fully fund the increase in employee health insurance. Our proposal for K-12 education will also allow school boards to make a similar commitment to teachers and the Teachers Fund for Retirement.

### **QUALITY OF LIFE AND TAKING CARE OF PEOPLE**

As we focus on competitiveness and the details of building a strong economy, we must not lose sight of the fact that the ultimate objective is a higher standard of living and a better quality of life for all North Dakotans.

#### **Law Enforcement and Public Safety**

As North Dakota grows, in both commercial activity and population, we are determined to retain one of North Dakota's most valuable assets – one of the lowest crime rates in America.

Our budget recommends \$2.2 million for equipment on six towers to expand the communications infrastructure for state radio, our state's network for public safety. This will also benefit cell phone coverage in gap areas of our state.

In addition, our budget recommends committing \$4.1 million for the construction and equipping of an expanded Highway Patrol Training Academy. And to cover the needs created by more traffic in our state, we are recommending the addition of three new Highway Patrol Officers.

We will also welcome legislation from the assembly in regard to a tiered or graduated driver's license program.

The public safety of our citizens must always be foremost in our minds.

### **Health and Human Services**

We also need to make investments that help take care of people. We have all been alarmed by headlines recently about teen suicide rates, especially on our Native American reservations. These highlight the need to make more resources available for critical mental health services for our citizens.

Our budget recommends an increase of nearly \$8 million across several agencies to address the mental health challenges facing some of our citizens.

This funding includes \$6.1 million for the Department of Human Services to fund psychiatric inpatient care; additional local resources to help stabilize patients suffering a mental health crisis; and more resources to treat chemical dependency.

We recommend \$1 million in funding for the suicide prevention efforts of our Department of Health, including outreach, education, and grants to communities for suicide prevention activities.

These funds will also be available to North Dakota's Native American Tribes, but separately, we recommend providing the Department of Indian Affairs with an additional \$100,000 to help fight the tragedy of youth suicide on our reservations.

Our budget also provides approximately \$900,000 in funding for our campuses and high schools to help address mental health problems among students. This will be used to establish at least one mental health officer per campus to help students, and to fund the "STOP the Violence" program at the Department of Public Instruction.

The physical and mental health of our citizens is always a top priority.

### **Long Term Care and other Healthcare Providers**

Our budget also addresses the needs of our seniors, the men and women who built our state.

In the last legislative session, we worked with providers to rebase our Medicaid reimbursement rates and square them with providers' actual costs. This resulted in a \$67 million cost adjustment for hospitals, doctors, dentists, chiropractors, and ambulance services.

To sustain that progress, we propose a 3 percent increase in each year of the new biennium for nursing homes and other health care providers, as well as for providers serving people with developmental disabilities and mental illness. This will help them to address rising costs, recruit and retain direct care staff, and maintain the outstanding quality of service they provide.

### **Military and Veterans**

Over the generations, our men and women in uniform have faced unprecedented challenges, both here at home and abroad, most recently in the Global War on Terror. They have met those new challenges with the courage, dedication, and distinction that we have come to expect and admire in our military. We owe them our deepest gratitude.

We have worked to help them and their families meet the personal challenges they encounter when they get home. Over the decade, we have established a Veterans Appreciation program, including bonuses for overseas and domestic service, scholarships, counselors, and other initiatives that show our appreciation to these brave men and women in tangible ways.

Our budget fully maintains funding for all of these programs, and adds a new outreach center for veterans and service men and women in Fargo.



In addition, we continue to support our veterans of all wars in their senior years. In the last session, we also enhanced funding for the North Dakota Veterans Home in Lisbon – a beautiful, new \$35 million facility that is scheduled for completion in the spring of 2011.

Whether it's here in North Dakota fighting floods or tornadoes or overseas in a warzone fighting terrorism and extremism, the North Dakota National Guard and all of our branches of military service are there for us. We need to make sure we're there for them by showing our appreciation in real ways.

Would all veterans in the audience please stand so that we may express our gratitude for your service.

### **Public Employee Salaries and Health Insurance**

In past bienniums, we have done our best to recognize the valuable contribution our public employees make to our state. They provide our citizens with a well-run, efficient state government.

Our budget proposes a 3 percent salary increase in each year of the new biennium, and in addition, fully funds the increase in public employee health care premiums.

Although North Dakota has not experienced the full brunt of the national recession, one important area where we have felt the impact is in our public sector pension funds, which are dependent on the performance of larger national and international financial markets.

To fortify these funds, we have – in conjunction with the Employee Benefits Committee – allocated one percent of the salary increase each year to the Public Employee Retirement Fund, and matched it with one percent contributed by the state of North Dakota.

The men and women who serve in our agencies are hard-working North Dakotans, and we truly appreciate their work.

### **CONTINUED AGGRESSIVE ECONOMIC DEVELOPMENT IS VITAL**

Finally, we would not – could not – be in a position to fund any of these important priorities, had Governor Hoeven and I not made economic development and job creation priority number one over the past ten years. Aggressive economic development is what makes all of our worthy programs possible.

By following a strategic plan for economic development; by building the strongest business climate possible; and by establishing effective tools like the Department of Commerce and the North Dakota Trade Office, we have been able to grow and diversify our economy. This strategy, combined with good fiscal discipline and a solid partnership with the private sector, are the reasons for our current surplus and solid financial situation.

In this budget, we propose a new enhancement to our economic development efforts in energy.

### **New Office of Energy Development**

Energy was designated as one of the five targeted industries in our strategic plan for economic development drafted nearly a decade ago. Through Empower North Dakota, our comprehensive energy plan, we have made great advances in all of our energy sectors.

As a next step, we propose establishing a new division within the North Dakota Department of Commerce. We recommend funding this division with \$600,000 from the General Fund.

The division will be headed by a new Director of Energy, whose entire focus will be to promote the development of all of North Dakota's energy resources, work with communities on infrastructure, and administer energy programs to help the various energy producers move their projects forward rapidly.

The potential for energy development in our state is so great that we need a full-time director leading the energy effort.

**ND Trade Office**

Just as our energy industry has met with success so have North Dakota's exporters. North Dakota exports grew nearly 250 percent between 2000 and 2009. During the same time period, the nation's exports grew just 35 percent.

It has been my privilege to serve as chairman of the North Dakota Trade Office, and I must say it has more than paid its way in terms of increased economic activity and revenues for the state of North Dakota. Our budget, therefore, recommends increasing funding for the Trade Office by about \$490,000 to continue its successful activities in marketing North Dakota businesses, products, and services to the world.

In particular, we recommend funds to acquire services in shipping logistics for all North Dakota exporters to master the great complexity of serving customers throughout the world. We also recommend supplying services to all entrepreneurs seeking assistance in capital formation.

**Centers of Excellence**

North Dakota's Centers of Excellence program is another success story. As you know, the Centers program is built on the concept of partnering the research capacities found in our public colleges and universities with private-sector companies to generate jobs and new business opportunities.

To perpetuate this success, our budget recommends extending the Centers of Excellence program with an additional \$20 million. We also recommend structuring the centers by type to include Centers of Entrepreneurship Excellence, Centers of Research Excellence, and Centers for Workforce Excellence. This would correspond more closely with the missions of our various colleges and universities and enhance the effectiveness of each center.

**BUILDING A BUDGET FOR CONTINUED GROWTH**

Over the past ten years, we have stood together to make the kinds of investments that have helped us advance our state and meet the challenges of competing, and competing well, in the national and international economy. We have made progress even as other states have struggled just to hold their ground. Today, I ask you to work with me to build on that progress.

Our budget continues to fund our important priorities for growth and provide ongoing tax relief for our citizens. Further, it creates a strong reserve for the future so that we can better preserve our advances, even in challenging times.

This budget has been prepared with the help of my years of experience in farming, business, education, and state government. Furthermore, my 16 years in the House of Representatives, and 10 years in the Governor's Office, have given me a unique perspective on the needs and enormous potential of our state. I have developed a great faith in this process. As we prepare for the hard work ahead, I look forward to working with all of you.

Thank you. May God bless you as you undertake this important work for the people of our state.

**MOTION**

**REP. VIGESAA MOVED** that the Joint Session be dissolved, which motion prevailed.

**MOTION**

**REP. VIGESAA MOVED** that the absent members be excused, which motion prevailed.

**MOTION**

**REP. VIGESAA MOVED** that the House stand adjourned until 12:00 p.m., Tuesday, January 4, 2011, which motion prevailed.

The House stood adjourned pursuant to Representative Vigesaa's motion.

**Buell J. Reich, Chief Clerk**