

Third Day of Legislative Organizational Session

JOURNAL OF THE HOUSE

Sixty-fourth Legislative Assembly

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Bismarck, December 3, 2014

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

The prayer was offered by Rep. Bellew.

The roll was called and all members were present except Representatives Boe, Hawken, M. Johnson, and J. Nelson.

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 Belter presiding.

REPORT OF PROCEDURAL COMMITTEE

MR. SPEAKER: Your procedural **Committee on Committees (Rep. Carlson, Chairman)** recommends the following as chairmen, vice chairmen, and members of standing committees:

2015 HOUSE STANDING COMMITTEES

Appropriations Committee

Committee Chairman - Jeff Delzer

Vice Chairman - Keith Kempenich

Education and Environment Division

Committee Chairman - David Monson

Ron Guggisberg

Vice Chairman - Roscoe Streyle

Tracy Boe

Bob Martinson

Mark A. Dosch

Mark Sanford

Jim Schmidt

Government Operations Division

Committee Chairman - Blair Thoreson

Eliot Glassheim

Vice Chairman - Mike Brandenburg

Kathy Hogan

Don Vigesaa

Keith Kempenich

Randy Boehning

Robert J. Skarphol

Human Resources Division

Committee Chairman - Chet Pollert	Richard G. Holman
Vice Chairman - Larry Bellew	
Gary Kreidt	
Jon O. Nelson	
Peter F. Silbernagel	

Education Committee

Committee Chairman - Mike Nathe	Bob Hunsakor
Vice Chairman - Mike Schatz	Jerry Kelsh
Dennis Johnson	Corey Mock
Ben Koppelman	
Lisa Meier	
Karen M. Rohr	
Cynthia Schreiber Beck	
Alex Looysen	
Denton Zubke	
Christopher D. Olson	

Finance and Taxation Committee

Committee Chairman - Craig Headland	Jessica Haak
Vice Chairman - Mark S. Owens	Marie Strinden
Jason Dockter	Alisa Mitskog
Nathan Toman	Mary Schneider
Glen Froseth	
Vicky Steiner	
Craig Hatlestad	
Matthew M. Klein	
Tom Kading	
Wayne Trottier	

Human Services Committee

Committee Chairman - Robin Weisz	Gail Mooney
Vice Chairman - Curt Hofstad	Kylie Oversen
Dick Anderson	Naomi Muscha
Chuck Damschen	
Alan Fehr	
Dwight Kiefert	
Jay Seibel	
Todd Porter	
Bert Anderson	
Rich S. Becker	

Industry, Business and Labor Committee

Committee Chairman - George J. Keiser	Bill Amerman
Vice Chairman - Gary R. Sukut	Marvin E. Nelson
Thomas Beadle	Joshua A. Boschee
Rick C. Becker	Ben Hanson
Robert Frantsvog	
Bill Devlin	
Jim Kasper	
Vernon Laning	
Scott Louser	
Dan Ruby	
Mike Lefor	

Judiciary Committee

Committee Chairman - Kim Koppelman	Lois Delmore
Vice Chairman - Karen Karls	Kris Wallman
Lawrence R. Klemin	Pamela Anderson
Kathy Hawken	
Roger Brabandt	
William E. Kretschmar	
Diane Larson	
Andrew G. Maragos	
Gary Paur	
Mary C. Johnson	

Agriculture Committee

Committee Chairman - Dennis Johnson	Joshua A. Boschee
Vice Chairman - Wayne Trottier	Jessica Haak
Diane Larson	Alisa Mitskog
Cynthia Schreiber Beck	
Alex Looysen	
Alan Fehr	
Craig Headland	
Tom Kading	
Dwight Kiefert	
Bert Anderson	

Government and Veterans Affairs Committee

Committee Chairman - Jim Kasper	Bill Amerman
Vice Chairman - Karen M. Rohr	Gail Mooney
Jay Seibel	Mary Schneider
Jason Dockter	Kris Wallman
Karen Karls	

Ben Koppelman
Vernon Laning
Scott Louser
Mary C. Johnson
Vicky Steiner

Energy and Natural Resources Committee

Committee Chairman - Todd Porter	Corey Mock
Vice Chairman - Chuck Damschen	Bob Hunsakor
Dick Anderson	Naomi Muscha
Roger Brabandt	
Glen Froseth	
Curt Hofstad	
George J. Keiser	
Mike Nathe	
Bill Devlin	
Mike Lefor	

Political Subdivisions Committee

Committee Chairman - Lawrence R. Klemin	Kylie Oversen
Vice Chairman - Patrick Hatlestad	Jerry Kelsh
Thomas Beadle	Marie Strinden
Matthew M. Klein	Pamela Anderson
Rich S. Becker	
Kim Koppelman	
William E. Kretschmar	
Andrew G. Maragos	
Denton Zubke	
Nathan Toman	

Transportation Committee

Committee Chairman - Dan Ruby	Lois Delmore
Vice Chairman - Lisa Meier	Ben Hanson
Mark S. Owens	Marvin E. Nelson
Rick C. Becker	
Robert Frantsovog	
Christopher D. Olson	
Gary Paur	
Mike Schatz	
Gary R. Sukut	
Robin Weisz	
Kathy Hawken	

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

REPORT OF PROCEDURAL COMMITTEE

MR. SPEAKER: Your procedural **Rules Committee (Rep. Carlson, Chairman)** recommends that the House and Joint Rules of the Sixty-third Legislative Assembly, as adopted on December 5, 2012, and published in the 2013 Senate and House Rules and Committees book, with the following amendments, be adopted as the permanent rules of the House for the Sixty-fourth Legislative Assembly, and the reading of the report be dispensed with:

SECTION 1. AMENDMENT. House Rule 202 is amended as follows:

202. Member to preside in place of Speaker. The Speaker may leave the chair and appoint a member to preside, ~~but not for a longer time than one day, except by leave of the House.~~

SECTION 2. AMENDMENT. House Rule 206 is amended as follows:

206. Officers and employee positions of the House. The following officers and employee positions are established, with the number, title, and manner of selection for each position as stated:

Title of Position	Number of Positions
Group A	
Chief Clerk	1
Journal Reporter	1
Sergeant-at-Arms	1

Persons holding Group A positions must be elected by a majority of the members-elect and the results of the vote must be recorded in the journal.

Group B	
<u>Deputy Chief Clerk</u>	<u>1</u>
Assistant Chief Clerk	1
Chief Committee Clerk	4
Appropriations Committee Clerk	1
Bill Clerk	1
Calendar Clerk	1
<u>Video Recording Clerk</u>	<u>1</u>
Assistant Appropriations Committee Clerks	3
Committee Clerks	10
<u>Chief PageLegislative Assistant</u>	<u>1</u>
Assistant Committee Clerk	1
Deputy Sergeant-at-Arms	1
Legislative Assistant - Information Kiosk Attendant	1
Legislative Assistant - Desk Page	1

Persons holding Group B positions must be appointed by the party having a majority of the members-elect, acting by and through the Employment Committee. Unless otherwise determined by the Employment Committee, the Information Kiosk Attendant position alternates between the houses every other legislative session.

Group C	
Administrative Assistant to the Speaker	1
Administrative Assistant to Majority Leader	1
Staff Assistants to Majority Leader	2
Administrative Assistant to Minority Leader	1
Staff Assistants to Minority Leader	2

The Speaker and the Majority and Minority Leaders shall appoint their respective administrative and staff assistants, acting by and through the Employment Committee.

Other employees must be appointed as determined necessary by the Employment Committee and must be allocated to the majority and minority parties in proportion to each party's percentage of the total number of the members-elect and each party shall appoint the persons to the positions allocated to them, acting by and through the Employment Committee. The majority party has the first right to select positions of a group until its allocation is filled.

The powers, duties, and qualifications for each officer or employee are as provided by law, these rules, and the current Legislative Session Employee Handbook.

SECTION 3. AMENDMENT. House Rule 306 is amended as follows:

306. Rules of debate. No member may speak more than twice on the same question without leave of the House, nor more than once until every member choosing to speak on the 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~~ nor to a spokesman designated by that chairman.

SECTION 4. House Rule 339.1 is created as follows:

339.1. Voice votes. Except as provided in House Rule 340, or when a roll call vote is requested under House Rule 320, or when a verification vote is requested under House Rule 343, action that results in final disposition of a resolution must be taken by voice vote and the results must be recorded in the journal.

SECTION 5. House Rule 507.1 is created as follows:

507.1. Hearing of measures. Every bill and resolution referred to committee must be scheduled for a hearing in committee, and a hearing must be held on the bill or resolution before the appropriate deadline for reporting the bill or resolution back to the House. This rule does not apply to a bill or resolution withdrawn either before being scheduled for a hearing or before the hearing is held.

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. to receive the Senate for a Joint Session, which motion prevailed.

THE JOINT SESSION CONVENED pursuant to recess taken, with Speaker Belter presiding.

MOTION

REP. VIGESAA MOVED that a committee of four be appointed to escort the Honorable Lt. Governor Drew Wrigley to the rostrum, which motion prevailed.

SPEAKER BELTER APPOINTED Reps. Devlin and Muscha and Sens. J. Lee and O'Connell to the escort committee.

SPEAKER BELTER PRESENTED Lt. Governor Wrigley to the Joint Assembly and turned the gavel over to him.

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.

PRESIDENT WRIGLEY APPOINTED Sens. Wardner and G. Lee and Reps. Carlson and Silbernagel to the escort committee.

2015-2017 EXECUTIVE BUDGET ADDRESS
The Honorable Jack Dalrymple
Governor of North Dakota
December 3, 2014

Good morning everyone. I am pleased to be here today to present our Executive Budget for the 2015-17 biennium.

Before I begin, I would like to recognize and welcome members of the 64th North Dakota Legislative Assembly, Lt. Gov. Drew Wrigley, First Lady Betsy, Justices of the Supreme Court, elected officials, cabinet members, state employees and my fellow North Dakotans.

I also want to thank our dedicated staff in the Office of Management and Budget, our state agencies and in the Governor's Office for their hard work, and thoughtful approach in developing this budget.

Working together, we have produced a structurally balanced budget that is appropriate for this remarkable time in our state's history, a time of tremendous growth and opportunity.

North Dakota can take pride in its progress. After decades of outmigration and decline, our population is growing and our economy is the envy of the nation. Since 2000, we have created more than 116,000 new jobs; we have the nation's fastest-growing economy; the nation's strongest growth in per-capita income; and the lowest unemployment rate in the nation at just 2.1 percent.

With this budget, we are taking advantage of North Dakota's success and strong financial position to advance three important objectives that have served us well. We will continue to make sound investments in our priorities, especially infrastructure; we will provide additional tax relief for the hardworking people of North Dakota; and we will maintain healthy reserves for future needs.

This budget plan is ambitious, but we have once again taken great care to make sure we have developed a budget that is balanced and sustainable. We must always be cautious of overexpansion, a looming threat any time revenues are strong.

THE BIG PICTURE

With those overriding objectives in mind, I'm pleased to present the 2015-2017 Executive Budget.

Due to our strong economy, both our ongoing revenues and reserves have shown considerable gains since the beginning of the current biennium, and based on the state forecast, we expect revenues to remain strong into the next two-year budget cycle.

In developing this new budget, we have been careful to ensure that our ongoing revenues continue to exceed ongoing expenditures, as shown in Chart 1. In the 2015-2017 biennium, our General Fund ongoing revenues will total \$5.37 billion, and ongoing expenditures will total \$5 billion.

Our budget recommendations represent an increase of 5.4 percent in General Fund appropriations compared to the current biennium. The vast majority of this increase in General Fund appropriations is necessary to address the growing demand for state resources and essential services. With this funding, we will increase our law enforcement presence; we will further enhance our environmental protections; and we will make other investments to meet the challenges that come with dynamic growth and progress.

It is important to remember that our ongoing General Fund spending is limited to \$300 million in oil and gas tax revenues as prescribed by state law. The remainder of oil tax revenues, as illustrated in Chart 2, is dedicated to a number of special purposes as required by the constitution and state statute. Our constitutional funds include the Legacy Fund, the Resources Trust Fund, and two school trust funds. Statutory funds include the Strategic Investments and Improvements Fund, the Property Tax Relief Fund, the Disaster Fund, the Outdoor Heritage Fund and others. Political subdivisions and tribes also receive oil revenues directly.

As you can see, the General Fund allocation, not including transfers, makes up only 3.6

percent of total oil and gas tax revenues. Because the General Fund receives such a small portion of oil revenues, it is not largely impacted by oil volatility.

ONE-TIME GENERAL FUND EXPENDITURES

Our strong revenues allow us to continue making significant, one-time investments that do not add to the state's ongoing obligations. We are proposing for the 2015-2017 biennium, \$2.2 billion in one-time General Fund expenditures.

With these one-time investments, we can do great things like making supplemental funding immediately available so that the state's oil and gas region can begin projects at the onset of the 2015 construction season. We can invest in statewide infrastructure including roads and water projects, and we can expand and improve our state park system. We can increase our support for affordable housing, and help build schools to meet the rapid growth in student enrollments. And we can help our colleges and universities catch up on deferred maintenance.

Remember that these investments do not need to be repeated in the future if our economy should take an unexpected turn. As always, we have exercised sound fiscal management. Our budget neither bonds nor borrows, and it imposes no new taxes or fees.

RESERVES

To meet our budget objectives during the 2015-2017 biennium, we will also be putting the state's available reserve funds to good use, as shown in Chart 3. Still, these reserve funds will continue to receive new revenues during the two-year budget cycle and they will maintain healthy balances in June 2017.

This chart shows that our ending General Fund balance on June 30, 2017 will be \$97 million, and the Strategic Investment and Improvement Fund or SIIF will total \$1.2 billion. During the upcoming biennium, we will utilize the SIIF fund to expand our school construction loan program and provide "jump start" funding for our oil and gas region. We will also put the Property Tax Relief fund to work as part of a larger tax relief plan.

Other reserve funds are less accessible like the Budget Stabilization Fund which will total \$686 million in 2017, and the Foundation Aid Stabilization Fund which will reach \$1 billion. These funds can only be accessed if the state runs short of the funding it needs for essential services.

The Legacy Fund will hold \$3.5 billion on June 30, 2015 and will grow to about \$6 billion by the biennium's end. The Legacy Fund, created by the people of North Dakota through an initiated constitutional amendment, is not available until 2017.

As you can see, North Dakota is financially strong and with continued, sound fiscal management, will remain financially strong for many years to come.

ADDITIONAL TAX RELIEF

After accounting for our ongoing and one-time expenditures, and with our reserves secured, North Dakota still has the financial resources to provide additional tax relief for the citizens of North Dakota, as shown on Chart 4.

In the last biennium, we reduced property taxes by increasing the state's share of school funding, and permanently reducing the amount to be paid by the local taxpayer year after year. This is true property tax relief and not just a state payment of property taxes on behalf of the local property owners.

In this budget proposal, we are recommending that the state also assume a larger share of the cost of county social services and thereby relieve property owners of still more of their local tax burden. As a first step, we recommend the state begin covering in January 2016, what is now the counties' share of child welfare programs, the SPED program, and emergency human service costs. This will result in a mill levy reduction for local taxpayers totaling \$23 million in savings.

We are further recommending that the state assume still more of the cost of county social services in the 2017-2019 biennium, after developing a system to reimburse costs on a

caseload basis. This reimbursement system requires careful study, and it requires fully operational eligibility and Medicaid software packages. That means full implementation cannot be achieved until the 2017-2019 biennium.

The end result will be more equitable, more efficient, and more accountable funding of social services throughout the state. County employees would continue to deliver the county-based services.

In the meantime, this budget continues for one more biennium the 12-percent county tax buydown which was implemented last session, at a projected cost of \$250 million for the biennium. This form of property tax relief is appropriate for the time being, until permanent tax relief can be achieved by the state taking over most if not all of the cost of county social services. That assumption of costs would virtually eliminate the 20 mill tax levy allowed under our current law.

We also propose expanding the Homestead Tax Credit to make more people eligible by raising the maximum income threshold from \$42,000 a year to \$50,000. This will further reduce property taxes for seniors wishing to stay in their homes.

Property tax relief is a top priority, but we can and should do more. We also propose \$100 million in individual income tax relief on top of the reductions provided in the two previous legislative sessions. Altogether this will reduce income tax rates by nearly 50 percent from the rates paid before 2009. With this income tax reduction, North Dakota's top rate will be 2.9 percent, the lowest in state history and the lowest in the nation among states that have a broad-based income tax.

Finally, we are recommending that we provide an additional \$25 million in corporate income tax relief to attract and retain job creators. North Dakota is becoming known as one of the lowest tax states in the country. Our record of tax reductions in the last few years will lead to even more investment in our state in the upcoming years.

With these additional tax reductions and all other tax relief provided since 2009, we will have reduced state taxes by \$4.3 billion.

Property Tax Reform

During the interim, a task force has been working on an important final step in the process of improving our overall system of property taxation. We call it property tax reform. The task force has included the chairmen of the house and senate tax committees, representatives of the various political subdivisions involved, as well as representatives of business and property owners in general. They have produced a piece of legislation that will come before you for consideration. It includes further efforts to reduce the burden on local property taxpayers. I believe it provides more spending discipline, greater simplicity, better opportunity for comparisons, and makes it easier for the taxpayer to understand the uses of their tax dollars.

STATEWIDE INFRASTRUCTURE IMPROVEMENTS

Tax relief is the end result of building a strong state economy, but economic growth cannot be sustained without strategic investments in infrastructure. With this budget we again address infrastructure needs in every region of the state.

During the 2015-2017 biennium, the state will invest \$3 billion statewide in infrastructure projects alone, including highways, roads, streets, affordable housing, airports, water supply systems, and critical flood control projects.

City leaders have asked for an additional tool to help finance public infrastructure projects. To that end, we are proposing a transfer of \$100 million in Bank of North Dakota profits to the Public Finance Agency to create a revolving loan fund for essential public infrastructure projects throughout the state. The loan fund will provide political subdivisions with below-market loan rates, and will be a good use of the bank's strong earnings.

EXTRAORDINARY NEEDS IN WESTERN NORTH DAKOTA

Our infrastructure investments will take place statewide, but we know there are extraordinary needs in western North Dakota. While jobs and population growth have brought great

benefits to our western counties, we know that the pace of growth is not slowing down. In fact, as more people become permanent residents of western North Dakota, the demand for housing, streets, and utilities is accelerating.

This fall, representatives from my office and the Department of Commerce met with the leaders of the major oil producing counties and the mayors and city managers of our larger western cities. We asked them to identify their infrastructure needs for the coming biennium as well as their longer term needs for the two following bienniums. We then compared those needs to their potential revenues from the oil production tax under a range of possible percentages.

After a careful analysis of both county and city needs, we have concluded that after counties receive \$5 million from 100 percent of oil production tax revenues, they should receive for at least the 2015-17 biennium, 60 percent of the revenue from the oil production tax.

With the funding formula adjustment, the gross oil production tax will generate \$1.7 billion for our oil counties and their political subdivisions – \$1 billion more than what the region will receive from this funding source in the current biennium.

Our analysis also indicates that the infrastructure needs of western counties and cities will crest in the upcoming biennium, and by 2018 the demands for new infrastructure will begin to gradually level off. I will ask the legislature to discuss plans for an appropriate phase down in the revenue percentage as the region's extraordinary needs taper off.

Our support for the state's oil-production region goes even further than this major change we are proposing in the oil-production tax formula. We also recommend \$873 million in up-front, supplemental funding to "jump start" the 2015 construction season. This plan provides one-time funding to Dickinson, Williston, Watford City, and Minot, as well as funds for other cities in the 10 largest oil producing counties. It also includes special one-time road funding for the non-oil counties throughout the state.

We also recommend continuing the Energy Impact Grant program, with \$119 million in new grant funding to address the impacts of rapid growth in our oil production region. The grant program will provide \$50 million for airport expansions; \$25 million for local law enforcement; \$4 million for colleges; \$30 million for school renovations and improvements based on their own share of oil tax revenues; and \$10 million for impacts on cities in the region's seven remaining oil counties.

In addition, \$300 million will be made available from the SIIF Fund for school construction loans with favorable terms for any rapidly growing school district.

Not including these loan funds for school construction, we will invest in western North Dakota during the next biennium \$3.7 billion.

CONTINUED HOUSING DEVELOPMENT

We need to continue the great progress we have made in developing affordable housing over the last four years. The state has leveraged \$90 million in tax credits and incentive funds to support the construction of more than 2,500 affordable housing units throughout North Dakota.

This budget recommends increasing the state's support for the Housing Incentive Fund from \$35 million to a total of \$50 million, including \$30 million in state income tax credits for citizens and businesses that invest in the fund.

Developers can access this source of funds in exchange for reduced rents for low-and-moderate income residents. We also propose investing \$20 million directly in the Housing Incentive Fund to accelerate the availability of funds.

We also recommend providing an additional \$12 million in Flex PACE buydown funds for the development of about \$125 million in private housing. In the current biennium, the Bank of North Dakota has approved 21 affordable housing projects through the Flex PACE loan program.

INVESTMENTS IN WATER

Advancing Permanent Flood Control Projects

Our ongoing commitment to improving the state's infrastructure includes meeting critical

needs for quality water supplies and flood control projects. Working together we have made great strides to rebuild following major flood events, but we must continue working together to achieve permanent flood protection.

During the last biennium, the state provided \$61 million toward permanent flood protection in the Souris Basin, including planning, design, engineering, and home acquisitions. We now recommend an additional \$110 million to help bring the people of Minot and surrounding areas the flood protection they need.

For flood protection in the Fargo area, current state law calls for an additional \$69 million this biennium while Fargo-area officials work toward a permanent solution to Red River flooding. The state has already provided \$175 million for Fargo-area flood protection and has committed to contributing a total of \$450 million towards a permanent flood protection project. Thus far, all funds have been spent on levee improvements around Fargo and other communities. Additional funds for the upcoming biennium may be warranted if projects move forward more quickly.

We also support funding the continuing operations of the Devils Lake water outlets and to help fund other flood control projects like those in Grafton, Williston and on the Sheyenne River.

Water Supply Projects

While we advance important flood protection projects, the state also remains committed to providing communities with quality water supplies.

Since 2011, the state has provided nearly \$230 million to the Western Area Water Supply project. Moving forward, we will support \$120 million for the system's further development to carry fresh water to more rural areas and communities in western North Dakota.

During the 2015-2017 biennium, we recommend investing nearly \$600 million solely in rural and municipal water supply projects. In addition to WAWS, our budget includes \$100 million for the Southwest Pipeline Project, and \$18 million for the Northwest Area Water Supply.

We also support the efforts of the Valley Prosperity Partnership to ensure water security for the Red River Valley. To that end, we recommend \$150 million for the Red River Water Supply Project. We would also support a state commitment of more than \$100 million in grants and loans for a Grand Forks water treatment plant that will make possible more economic growth in northeast North Dakota.

PUBLIC SAFETY & ENVIRONMENTAL PROTECTIONS

As our state grows, in both population and economic activity, we are committed to keeping North Dakota one of the safest states in America. Our budget commits \$90 million in the area of law enforcement alone.

The budget includes \$27.5 million to complete the new Law Enforcement Training Academy and four additional Highway Patrol troopers in western North Dakota. With these four positions, we will expand the Highway Patrol with 25 additional troopers in just the last three years.

For local law enforcement officers in western North Dakota, the region's rapid growth has created significant challenges. Our budget includes \$20 million in law enforcement grant funds to help equip, train and staff police departments and sheriff offices in oil country.

We also support the Attorney General's request to add 19 additional staff within the Bureau of Criminal Investigation. These additional BCI positions include nine criminal investigators, three intelligence analysts, a forensic scientist and a victim advocate. With the assistance of the FBI, we are letting drug dealers and human traffickers know that North Dakota is the wrong place to do business.

For emergency services, our budget includes \$8 million for enhanced state radio communications and emergency response equipment.

Our commitment to public safety includes funding for an additional 13 parole and probation officers, and other staff within the Department of Corrections. We also recommend \$30

million to build a new minimum security correctional center. Flood damage, mold and ongoing maintenance concerns necessitate that we replace the existing Missouri River Correctional Center with a new facility just to the northeast and on higher ground.

Our judicial system is also adjusting to the state's dynamic growth. The North Dakota Supreme Court needs more space, and we recommend its relocation to the Liberty Memorial Building, which will be remodeled and expanded. By relocating the Supreme Court, we can utilize its existing space in the Capitol for other state agencies that also need more room.

The remarkable amount of new commerce in our state requires that we also continue to strengthen our health and environmental protections as well as our oversight of North Dakota's oil and gas drilling activities. For that purpose, we are recommending 19 new positions in our Department of Health for greater protections against environmental hazards and public health threats. We also recommend funding 22 additional positions within the Oil and Gas Division. These positions include petroleum engineers and field inspectors to further ensure that environmental regulations are followed.

This past year, we witnessed the aftermath of a train derailment that resulted in the explosion of 19 tank cars. We also saw the results of an oil pipeline spill, one of the largest spills in history. For that reason, we are recommending the request of the Public Service Commission for eight positions to monitor rail safety and pipeline integrity.

Now that we are the nation's second largest oil-producing state, we must create our own focus on rail and pipeline safety, beyond what is provided by the federal Pipeline and Hazardous Materials Safety Administration. Finally, we also support legislation that would give the Department of Health access to a state reclamation fund to remediate saltwater spills and other environmental impacts.

In all, our budget recommends funding for 247 additional employees, excluding Higher Education, to help us meet the needs of our growing state. Of these positions, 50 are for law enforcement and another 87 are dedicated to public safety, public health, the judicial system and environmental oversight.

EDUCATION

Early Childhood Education

Now I would like to review our strategies for enhancing education, beginning with early childhood education.

The value of early childhood education is becoming more appreciated every day. Four year olds are capable of a great deal of learning, and their gains have been proven to have lasting value.

I believe that the time has come to support a proposal that will be brought before the legislature to place funds behind every four-year-old child in North Dakota wishing to enter a certified Pre-K program whether it is offered in a public school, a private school, or a classroom organized by a non-profit organization. For every four-year-old child enrolled in an early childhood education program, the state would offer grant support of \$1,000 per student for a minimum number of hours per week. I have included \$6 million in my budget to support grants for community approved programs that require local coordination.

K-12 Education

Our K-12 funding proposal includes a three-percent increase in the state's per-student payment in each year of the 2015-2017 biennium. This funding enhancement, combined with the added cost of higher student enrollments, is an increased commitment of \$104 million over current biennium spending.

We also propose expanding the state's rapid enrollment grant program to make more schools eligible for this funding. Our budget includes \$14.8 million for these grants, and a two-tier system to expand eligibility.

As I mentioned earlier, our budget also includes adding \$300 million to the school construction revolving loan program.

Higher Education

Our budget recommendation for Higher Education focuses on students, with significant increases to our scholarship programs, a freeze in tuition at our two-year colleges, financial assistance for students who pursue occupations in high-demand fields and system-wide security enhancements.

In all, our budget includes \$50 million in student financial assistance programs. We recommend increasing North Dakota's merit-based scholarship program to a level of \$10,000 per student rather than today's limit of \$6,000. We also recommend a four-percent funding increase in needs-based scholarships each year of the biennium.

Our needs-based scholarships help reduce the costs of higher education for about 7,200 students each year, and we expect to award about 1,400 new merit-based scholarships each year of the biennium.

Our budget also includes \$7.6 million in tuition buydown and student loan forgiveness programs for students who pursue and obtain jobs in high-demand fields.

Looking at the big picture, we include a \$114-million increase in the main formula payments for funding our university system's 11 institutions. A 6.4 percent increase in the number of student credit hours accounts for a major portion of this funding increase. It's good to see that our colleges and universities are increasing the amount of education they deliver.

We also recommend \$145 million for capital projects, which as a group, eliminate \$42 million in deferred maintenance. We recommend \$62 million to complete the UND School of Medicine; \$26 million to demolish two unusable buildings at Valley City State and construct a new fine arts center; and \$16 million to rebuild an airport apron for the University of North Dakota School of Aviation. We also support other capital projects at Valley City State, Dakota College Bottineau, and the State College of Science.

Our proposal also includes continuing the successful matching grant program whereby the state provides \$1 for every \$2 in private donations to our colleges and universities.

CONTINUED SUPPORT FOR AGRICULTURE

Agriculture is the backbone of North Dakota, and one of the best ways we can support our farmers and ranchers is through research.

We recommend new investments totaling \$23 million to advance important plant and animal research at NDSU's research centers and to enhance agricultural extension services.

This investment includes, for example, \$800,000 and two additional positions at NDSU to support bioinformatics research at the main research center. Our researchers will utilize sophisticated computer programs and analyze extremely large data sets to identify genetic codes responsible for desired traits in plants.

Our budget also includes \$18 million to construct a veterinary diagnostic lab on the NDSU campus, as well as capital improvements at other research centers.

Our farmers and ranchers lead the nation in the production of many crops, and their success is rooted in the important research that keeps their operations productive and competitive in the world market.

WORKFORCE DEVELOPMENT

For more than a decade, we have focused our economic development efforts on creating jobs and growing our targeted industries. Now, we must take that mission to the next level by focusing on building a workforce for the future and capitalizing on emerging industries and innovations.

To ensure that North Dakota's workforce is well trained for tomorrow's careers and that our growing businesses have a consistent, qualified pool of skilled workers, we are increasing our investment in workforce development initiatives. For the next biennium, we are recommending nearly \$26 million in workforce grants and programs across several of our state agencies.

Our recommendations include \$6 million for workforce development grants to tribal community colleges; \$5 million to the North Dakota State College of Science to expand its workforce training program in Fargo and to develop a long-range plan for career and technical education in Cass County; \$1.5 million for workforce enhancement grants to our two-year colleges; and a \$2 million, one-time grant to the North Dakota Safety Council for construction of a new training facility to enhance workplace safety.

The budget also includes \$4.2 million for operating the Unmanned Aerial System Airspace Integration Test Site. Of that amount, \$1.2 million will be used as a business incentive match to advance private sector UAS business development. In addition, we are including \$5 million to support the Grand Sky Business Park, contingent upon private sector development as part of the enhanced use lease with the Grand Forks Air Force Base. We are also recommending \$1.5 million for matching grants to assist with base retention efforts in communities with Air Force bases or Air National Guard facilities.

To support working parents, we are recommending \$3 million in grants for new or expanded childcare facilities. We also recommend additional funding for the Train ND program and for our new workforce recruitment campaign called "Find the Good Life."

OUTDOOR RECREATION AND CONSERVATION

Attracting and retaining a great workforce requires that we pay close attention to enhancing our quality of life. That includes the opportunity to enjoy our great outdoors.

Two years ago, we proposed the creation of a conservation grant fund designed to increase the opportunity for great outdoor experiences in our state. The legislature came through with the Outdoor Heritage Fund with a potential funding level of \$30 million.

This budget recommends that the Outdoor Heritage Fund be increased to \$50 million for the biennium, and the formula be revised to ensure that the targeted funding level is achieved. The advisory committee is doing an excellent job, and interest in the grant program is growing. We can show everyone that preserving the outdoors is a top priority in North Dakota without a constitutional mandate.

Our budget also recommends several major enhancements to our state park system. These are one-time investments that will provide more outdoor recreation for our citizens for years to come. Our budget includes \$10 million for the development of a 200-acre day park along the Missouri River in south Bismarck. This is existing state land that can provide wonderful public access to the Missouri River. Our recommendation also includes major upgrades to Lake Sakakawea State Park at Pick City and nine other state parks across the state, totaling \$30 million in new park investments.

Our quality of life should not be compromised by growth and development. These investments represent a major, new commitment of \$80 million to enhancing our outdoor recreational opportunities and to statewide conservation.

HEALTH AND HUMAN SERVICES

As we continue to make sound investments in our priorities, our most important responsibility will always be caring for our people. Our budget provides for the needs of our seniors, our veterans, and our most vulnerable citizens.

We are recommending an increase of \$6.6 million to expand behavioral health services across the state. The increase will fund a mobile, on-call crisis service to connect clients with the mental health services they need for recovery. With this funding, we will also enhance local health services for the treatment of mental illness and chemical dependency; provide employment support services for those with severe mental illness or traumatic brain injury; and we will fund an expansion to the student loan forgiveness program designed to attract and retain mental health professionals.

Home and community based services are essential for helping people remain in their homes and communities. Therefore, we are recommending an increase of \$6.2 million to expand these resources, including the enhancement of protective services for vulnerable adults. It also includes an increase of \$3 million to expand services for those with autism and to

increase the eligibility age for autistic children in the Medicaid waiver.

Long-Term Care and Other Healthcare Providers

It is important that we continue to help all of our human service providers address rising costs and to maintain a high standard of care. That is why we are recommending a four-percent inflationary increase for each year of the biennium to nursing homes, senior meal providers, healthcare providers, and providers serving people with developmental disabilities and mental illness.

MILITARY AND VETERANS

For our veterans and our men and women in uniform our deepest gratitude is not enough. We must also show them our appreciation in tangible ways.

Our budget maintains full funding for the Veterans' Bonus Program, including bonus pay for overseas and domestic deployments; the tuition waiver program; counselors to assist our soldiers and their families; and outreach centers for veterans and service members.

In addition, our budget includes more than \$500,000 to establish ND Cares, a coalition of statewide service providers dedicated to providing an accessible, seamless network of support. Through this coalition, chaired by First Lady Betsy, these heroes will have easier, simplified access to the benefits and programs they have earned and deserve. They have sacrificed so much to take care of us; this initiative is another meaningful way we can take care of them.

PUBLIC EMPLOYEES

Sound fiscal management also allows us to provide our state employees the compensation they deserve.

This budget continues the legislature's directive to move state employee pay closer to market levels. Employees who meet set performance standards will be eligible for a performance increase of three percent each year and those employees exceeding performance standards are eligible for an increase of up to five percent. In addition, employees whose current compensation is below market rate are eligible to receive an additional increase between one percent and two percent, depending on their position in the salary range. The general fund cost of this salary package is \$52 million.

The compensation package continues full health insurance for state employees and their families, and recommends an increase in contributions to the retirement system of two percent the first year of the biennium, with the cost evenly split between employees and the state. This final adjustment will put our outstanding defined benefits pension plan on a path to complete actuarial soundness.

We have also funded the same salary increase and pension contribution, with full health insurance, for employees of the university system.

The men and women who serve in our agencies and institutions of higher learning are hard-working North Dakotans, and we appreciate their dedication.

As North Dakotans, we have been richly blessed, and because of our state's success and strong financial position, we are able to continue to invest in our people and other priorities, while also providing greater tax relief.

This budget represents a vision for our state. A vision of growth, of opportunity for all of our people, and a vision of an enhanced quality of life that is second to none. It includes outstanding educational opportunities, exciting career choices, thriving communities, and legendary outdoor recreation.

I am looking forward to working with all of you, and the people of our state, to capitalize on our success and create a vibrant vision for our future together.

Thank you. May God bless you as you undertake this important work for the people of North Dakota.

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 6, 2015, which motion prevailed.