

Third Day of Legislative Organizational Session**JOURNAL OF THE HOUSE****Sixty-fifth Legislative Assembly**

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Bismarck, December 7, 2016

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

The prayer was offered by Rep. K. Koppelman.

The roll was called and all members were present except Representatives P. Anderson, Dobervich, Hanson, Klemin, J. Nelson, Schmidt, Schobinger, and Vetter.

A quorum was declared by the Speaker.

REQUEST

REP. VIGESAA REQUESTED that the remarks of Rep. Maragos be printed in the Journal, which request was granted.

REMARKS OF REP. MARAGOS

Mr. Speaker and members of the Assembly, I rise to acknowledge that today, December 7, 2016, is the 75th anniversary of the attack on Pearl Harbor. I want to once again recognize the sacrifice made by American men and women in service to their country. In keeping with that, I would ask the veterans of this assembly to stand and be recognized for their service to our country. Thank you Mr. 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 Bellew 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:

2017 HOUSE STANDING COMMITTEES**Appropriations Committee**

Committee Chairman - Jeff Delzer

Vice Chairman - Keith Kempenich

Education and Environment Division

Committee Chairman - David Monson

Tracy Boe

Vice Chairman - Roscoe Streyle

Bob Martinson

Mark Sanford

Mike Schatz

Jim Schmidt

Government Operations Division

Committee Chairman - Mike Brandenburg

Lois Delmore

Vice Chairman - Randy Boehning

Roger Brabandt

Keith Kempenich

Mike Nathe

Don Vigesaa

Human Resources Division

Committee Chairman - Chet Pollert	Richard G. Holman
Vice Chairman - Gary Kreidt	
Tom Kading	
Lisa Meier	
Jon O. Nelson	

Education Committee

Committee Chairman - Mark S. Owens	Ron Guggisberg
Vice Chairman - Cynthia Schreiber-Beck	Corey Mock
Rich S. Becker	
Pat D. Heinert	
Dennis Johnson	
Mary Johnson	
Donald W. Longmuir	
Andrew Marschall	
Bill Oliver	
Brandy Pyle	
Matthew Ruby	
Denton Zubke	

Finance and Taxation Committee

Committee Chairman - Craig Headland	Kathy Hogan
Vice Chairman - Jason Dockter	Alisa Mitskog
Sebastian Ertelt	
Jim Grueneich	
Patrick Hatlestad	
Michael Howe	
Ben Koppelman	
Christopher D. Olson	
Randy A. Schobinger	
Vicky Steiner	
Nathan Toman	
Wayne A. Trottier	

Human Services Committee

Committee Chairman - Robin Weisz	Pamela Anderson
Vice Chairman - Karen M. Rohr	Mary Schneider
Bert Anderson	
Dick Anderson	
Chuck Damschen	
Bill Devlin	
Dwight Kiefert	
Aaron McWilliams	
Todd Porter	
Jay Seibel	
Kathy Skroch	
Greg Westlind	

Industry, Business and Labor Committee

Committee Chairman - George J. Keiser	Joshua A. Boschee
Vice Chairman - Gary R. Sukut	Gretchen Dobervich
Thomas Beadle	
Rick C. Becker	
Glenn Bosch	
Craig A. Johnson	
Jim Kasper	
Vernon Laning	
Mike Lefor	
Scott Louser	
Emily O'Brien	

Dan Ruby

Judiciary Committee

Committee Chairman - Kim Koppelman

Vice Chairman - Karen Karls

Jake G. Blum

Daniel Johnston

Terry B. Jones

Lawrence R. Klemin

Jeffery J. Magrum

Andrew G. Maragos

Gary Paur

Shannon M. Roers Jones

Bernie Satrom

Luke Simons

Steve Vetter

Karla Rose Hanson

Marvin E. Nelson

Agriculture Committee

Committee Chairman - Dennis Johnson

Vice Chairman - Wayne A. Trottier

Jake G. Blum

Craig Headland

Michael Howe

Dwight Kiefert

Jeffery J. Magrum

Aaron McWilliams

Bill Oliver

Bernie Satrom

Cynthia Schreiber-Beck

Kathy Skroch

Joshua A. Boschee

Kathy Hogan

Government and Veterans Affairs Committee

Committee Chairman - Jim Kasper

Vice Chairman - Scott Louser

Jason Dockter

Craig A. Johnson

Daniel Johnston

Karen Karls

Ben Koppelman

Vernon Laning

Christopher D. Olson

Karen M. Rohr

Vicky Steiner

Steve Vetter

Pamela Anderson

Mary Schneider

Energy and Natural Resources Committee

Committee Chairman - Todd Porter

Vice Chairman - Chuck Damschen

Dick Anderson

Glenn Bosch

Bill Devlin

Pat D. Heinert

George J. Keiser

Mike Lefor

Andrew Marschall

Shannon M. Roers Jones

Matthew Ruby

Jay Seibel

Alisa Mitskog

Corey Mock

Political Subdivisions Committee

Committee Chairman - Lawrence R. Klemin

Ron Guggisberg

Vice Chairman - Patrick Hatlestad
Thomas Beadle
Rich S. Becker
Sebastian Ertelt
Mary Johnson
Kim Koppelman
Donald W. Longmuir
Andrew G. Maragos
Brandy Pyle
Luke Simons
Nathan Toman
Denton Zubke

Karla Rose Hanson

Transportation Committee

Committee Chairman - Dan Ruby
Vice Chairman - Rick C. Becker
Bert Anderson
Jim Grueneich
Terry B. Jones
Emily O'Brien
Mark S. Owens
Gary Paur
Randy A. Schobinger
Gary R. Sukut
Robin Weisz
Greg Westlind

Gretchen Dobervich
Marvin E. Nelson

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-fourth Legislative Assembly as adopted on December 3, 2014, and published in the 2015 House Rules and Committees book, with the following amendments, be adopted as the permanent rules of the House for the Sixty-fifth Legislative Assembly, and the reading of the report be dispensed with:

SECTION 1. AMENDMENT. House Rule 203 is amended as follows:

203. Duties of Chief Clerk. The Chief Clerk of the House shall:

1. Keep correct journals of the proceedings of the House. The Chief Clerk shall request from the Secretary of State a list of all currently registered lobbyists, and shall print a list of those lobbyists in the journal upon the adjournment of the legislative session.
2. Have the custody of all records, accounts, and other papers committed to the Chief Clerk.
3. Post appropriate notices of committee meetings and any other announcements or notices.
4. Prepare a short orientation program for House employees which must be carried on within the first ten days of each session.
5. Keep secure all records and papers belonging to the House. The Chief Clerk shall report all missing bills, resolutions, and papers to the Speaker.
6. Exercise general supervision over all House employees and of all clerical duties appertaining to the business of the House.
7. Keep a record showing the actions taken on and status of all the bills, memorials, and resolutions.

8. Prepare the daily calendar to reflect the action taken and pending on all measures. The Chief Clerk shall provide for the distribution of the completed calendars.
9. Make available identification badges for all members of the House and employees thereof as soon as such persons have been determined.
10. Ensure that all material that is to be distributed to the members' desks other than that which is personally addressed is first submitted to the Chief Clerk, who shall supervise its distribution. No material may be distributed unless it clearly identifies the party requesting the distribution. The Chief Clerk shall have all properly identified material distributed or submit the same to the Majority and Minority Leaders for their instructions.
11. ~~At the close of each session, deposit for safekeeping in the office of the Secretary of State all books, bills, documents, resolutions, and papers in the possession of the House, correctly recorded, labeled, folded, and classified. The journal need not be deposited until it is indexed and completed.~~
- 42- Perform under the direction of the Speaker all duties pertaining to the office and any other duties as assigned by the Speaker.

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	
Deputy Chief Clerk	1
Assistant Chief Clerk	1
Appropriations Committee Clerk	1
Bill Clerk	1
Calendar Clerk	1
Video Recording Clerk	1
Assistant Appropriations Committee Clerks	3
Committee Clerks	10
Chief Legislative Assistant	1
Assistant Committee Clerk	43
Deputy Sergeant-at-Arms	1
Legislative Assistant - Information Kiosk Attendant	1
Legislative Assistant - Desk Page	1
<u>Legislative Assistant - Parking Lot Attendant</u>	<u>1</u>

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 319 is amended as follows:

319. Division of question.

1. If a question before the House contains more than one proposal, any member may have the question divided, except a question on the adoption of a conference committee report or on the second reading and final passage of a measure resulting from the adoption of a conference committee report may not be divided.
2. A proposal to divide a question must be submitted in writing to the Speaker in advance of the floor session at which the measure is placed on the calendar for consideration.
3. A question containing more than one proposal may be divided only if each resulting division is so distinct and separate it can stand as a complete proposition without being rewritten.
4. A roll call vote must be ordered for each division of a bill.
5. Each division of a divided question requires the same vote for adoption that the division would require if it stood alone.
- 5-6. After voting on all divisions, the approved divisions comprise the question before the House.

SECTION 4. 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-fifth~~twenty-third legislative day and all Senate bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~fifty-seventh~~fifty-fifth 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-fifth~~twenty-third or ~~fifty-seventh~~fifty-fifth legislative day, as appropriate.

SECTION 5. AMENDMENT. House Rule 338 is amended as follows:

338. Disposition of measures after ~~fifty-fifth~~fifty-third legislative day. After the ~~fifty-fifth~~fifty-third legislative day, all bills and resolutions under consideration must immediately be placed on the calendar for second reading and final passage.

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

347. 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-eighth~~thirty-sixth and ~~thirty-ninth~~thirty-seventh legislative days and after the ~~fifty-ninth~~fifty-seventh legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate immediately upon adjournment of the last session on that day 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 ~~sixty-eighth~~sixty-sixth 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 7. AMENDMENT. House Rule 402 is amended as follows:

402. When introduced.

1. No member other than the Majority and Minority Leaders may introduce more than five bills as prime sponsor after the ~~fifth~~third legislative day. No bill may be introduced after the ~~tenth~~eighth legislative day, and no resolution, except those resolutions described in subsection 3, may be introduced after the ~~eighteenth~~sixteenth legislative day, except upon approval of a majority of the Delayed Bills Committee or upon two-thirds vote of the members of the House present and voting.
2. No member of the Legislative Assembly on April first of the year before a regular legislative session may submit a bill mandating health insurance coverage of services or payment for specified providers as described in North Dakota Century Code Section 54-03-28 for consideration by the Employee Benefits Programs Committee after April first of the year before a regular legislative session. No member of the Legislative Assembly taking legislative office for the first time after November thirtieth of the year before a regular legislative session may submit a bill mandating health insurance coverage of services or payment for specified providers as described in North Dakota Century Code Section 54-03-28 for consideration by the Employee Benefits Programs Committee after the first Wednesday following adjournment of the organizational session.
3. No bill introduced at the request of an executive agency or the Supreme Court may be introduced after the close of business on the day after the adjournment of the organizational session, except upon approval of a majority of the Delayed Bills Committee.
4. Resolutions that propose amendments to the Constitution of North Dakota and resolutions directing the Legislative Management to carry out a study may not be introduced after the ~~thirty-sixth~~thirty-fourth legislative day.

SECTION 8. AMENDMENT. House Rule 509 is amended as follows:

509. 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 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 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-sixth~~thirty-fourth legislative day. A

resolution directing an interim study by the Legislative 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 ~~forty-second~~fortieth 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 ~~sixty-fifth~~sixty-third 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 9. AMENDMENT. Subsection 3 of House Rule 601 is amended as follows:

3. a. If the committee report is for amendment, the proposed amendment must be placed on the calendar for the next legislative day on the sixth order of business. After the ~~fifty-fifth~~fifty-third legislative day, the proposed amendment must be placed on the calendar on the sixth order of business immediately after the report of the committee is received. On sixth order, the Speaker shall announce that without objection, the proposed amendments on the sixth order are deemed approved. If any member objects to a proposed amendment being approved with other proposed amendments, that amendment must be voted on as a separate item.
- b. No action may be taken on an amendment until a verbatim copy of the amendment has been distributed to each member; provided, that on a two-thirds vote of the members-elect, this may be suspended, and the amendment acted on immediately after the report of the committee.
- c. If the amendment is adopted by a majority vote of the members present, the amended measure must then be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision e or g.
- d. If the amendment is rejected, the measure without amendment must be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision e or g.
- e. If the committee report is for amendment and then rereferral to another committee, the measure must be rereferred to the appropriate committee after adoption or rejection of the amendment. If, after adoption or rejection of the amendment, a measure is subject to rereferral under House Rule 329, the measure must be rereferred to the Appropriations Committee, regardless of whether the report provides for rereferral.
- f. If the committee report does not recommend rereferral to another committee but recommends that the measure pass, do not pass, or makes no recommendation, the measure must be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision g.
- g. On motion a measure must be placed on the calendar for second reading and final passage immediately after action is taken on the amendment. If the committee report recommends that the measure be placed on the calendar for second reading and final passage immediately after action is taken on the amendment, the measure must be placed on the calendar for second reading and final passage immediately after the amendment is adopted. After the ~~thirty-second~~thirtieth legislative day all House bills, and after the ~~fifty-fifth~~fifty-third legislative day all measures, must be placed on the calendar for second reading and final passage immediately after action is taken on the amendment. Without objection, a measure placed on the calendar under this subdivision must be acted on immediately after placement on the calendar. If more than one amendment was deemed approved under subdivision a and the measures are placed on the calendar under this subdivision, the Speaker shall announce whether the measures

will be acted on immediately after placement on the calendar and the order in which the measures will be considered.

- h. A report for amendment must be approved as to form and style by the Legislative Council staff. When a report for amendment is received by the Chief Clerk without a notation that the report was approved as to form and style by the Legislative Council staff, the Chief Clerk immediately shall cause that report to be delivered to the Legislative Council office with a request that the report be examined and receive a notation approving its form and style.

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-ninth~~thirty-seventh 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 ~~forty-fifth~~forty-third legislative day, except a resolution approved for introduction after the deadline for introduction of that type of resolution.

SECTION 11. AMENDMENT. Joint Rule 206 is amended as follows:

206. Consent calendar.

1. Each standing committee may report an uncontested bill or resolution ~~or a contested resolution~~ out of committee and may include in its report a recommendation for placement on the consent calendar.
2. As used in this rule, "uncontested bill or resolution" means any bill or resolution, except a bill providing an appropriation, which receives a do pass, do pass as amended, or do not pass recommendation from the committee of referral, by unanimous vote of the members present provided a quorum is present. ~~As used in this rule, "contested resolution" means any resolution that receives a do pass or do pass as amended recommendation from the committee of referral, by any vote other than a unanimous vote of the members present provided a quorum is present.~~
3. Following the presentation of a committee report recommending placement on the consent calendar, all bills or resolutions recommended by the committee for placement on the consent calendar must be placed on the consent calendar.
4. A resolution directing a Legislative Management study which receives a do pass or do pass as amended recommendation from the committee of referral must be placed on the consent calendar, regardless of whether the committee report recommends placement on the consent calendar.
5. Any consent calendar bill or resolution that is amended from the floor must be taken off the consent calendar and must be placed on the regular calendar.
6. Upon objection of any member to the placement or retention of any uncontested bill or resolution, ~~any contested resolution~~, or any Legislative Management study resolution on the consent calendar, the bill or resolution must be taken off the consent calendar and must be placed on the regular calendar.

REP. CARLSON 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 Bellew presiding.

JOINT SESSION

SPEAKER BELLEW ANNOUNCED that a Joint Session would come to order.

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. Nathe and Dockter and Sens. O. Larsen and D. Larson 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 Klein and Reps. Carlson and Vigesaa to the escort committee.

2017-2019 EXECUTIVE BUDGET ADDRESS

The Honorable Jack Dalrymple

Governor of North Dakota

December 7, 2016

Good morning. I am pleased to be here today to present our Executive Budget for the 2017-19 biennium.

Before I begin, I would like to recognize and welcome members of the 65th North Dakota Legislative Assembly, Lt. Gov. Drew Wrigley, First Lady Betsy, our 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 Governor's Office staff for their hard work, and thoughtful approach in developing this budget.

THE BIG PICTURE

Working together we have produced a structurally balanced budget that fully recognizes our current revenue environment, yet allows us to invest in our key priorities. We make the necessary budgetary reductions, yet provide the funding necessary for high-quality services. We also provide for strong financial reserves and we do all of this with no tax increases.

Obviously many things have changed since I delivered a budget address in December of 2014. The price of crude oil in August 1, 2014 was \$100 per barrel compared to a price of \$30 per barrel last February. The price of soybeans in May of 2014 was nearly \$15 a bushel compared to \$8.76 a bushel last February. The kinds of price drops experienced in our two major industries of energy and agriculture are best described not as a correction but rather as a collapse. Our economic advisors have told us there is no similar state in the nation that could have weathered such a collapse in commodity prices without serious impacts on their financial condition. As it is, North Dakota is still rated AA+ by Standard and Poor's. Our unemployment rate of just 3 percent is still the third lowest in the nation and we still have nearly 14,000 jobs that are open and available.

We will still make substantial investments in roads, bridges, and water projects over the next 2 ½ years, albeit at a lower level than the peak in this current biennium.

When it comes to taxes, the major reductions we have achieved in individual income taxes, corporate income taxes, and property taxes will be kept in their entirety. In fact, the 12 percent buydown program on property taxes is actually enhanced in a bill to be introduced by legislators.

Although this budget does not include the same mix of reserves we proposed two years ago,

it will actually increase total financial reserves by \$1.1 billion. The people of North Dakota can take satisfaction in knowing that the financial strength of their state is among the best in the nation.

This budget is balanced and sustainable. The latest revenue forecast for 2015-17 is \$1.4 billion lower than the legislative forecast. We would not be able to provide as strong a budget today if we hadn't taken prudent steps to safeguard against such a major downturn in revenues.

Keeping our ongoing expenditures below ongoing revenues: it's a basic, yet very important principle that is essential to achieving a structurally balanced budget. (Chart #1) And this budget achieves that: Ongoing General Fund revenues will total \$4.783 billion versus recommended expenditures of \$4.780 billion.

The wisdom of making a clear distinction in the past between one-time spending and ongoing spending is clearly evident in this budget. Total General Fund spending is down 21 percent from this biennium, but the average reductions to our agency budgets are considerably less once we account for the one-time investments that are part of the 2015-17 budget, but no longer have to be repeated.

The 2017-19 budget returns to our former practice of transferring some of the profits of the Bank of North Dakota as revenue for the General Fund. This is an ongoing, reliable source of revenue that will continue to be available in the future. This budget also transfers the realized earnings of the Legacy Fund to the General Fund. These funds are needed to balance this budget and should be considered available now and at any time in the future when they are truly needed. My budget does not propose that we use principal from the Legacy Fund, and by the way, the growth alone in principal in 2017-19 will be nearly \$1 billion. This budget also assumes that some additional oil tax revenues previously diverted to reserve funds can be made available to the General Fund. In exchange, one-time spending for property tax relief becomes a permanent feature of the ongoing budget.

Although times like these warrant the use of some revenue previously directed to reserve funds, it is important to be sure that the reserve funds maintain healthy balances (Chart #2). As you can see on this chart, the ending General Fund balance will be \$43.7 million; the SIIF fund will be \$331.6 million on June 30, 2019; the Budget Stabilization Fund will be \$454.2 million; the Foundation Aid Stabilization fund will have \$304.5 million; and the Legacy Fund will have \$5.186 billion. Reserve funds will actually grow by over \$1.1 billion to a total of \$6.3 billion.

Even with revenue collections down, we can still invest nearly \$1.2 billion in new infrastructure (Chart#3). We are proposing \$725 million in Department of Transportation funding to support our state highway infrastructure, and we will honor our prior commitments to the Williston and Dickinson airports. County and Tribal governments will be receiving \$750 million in direct oil tax revenues, which will be available to address their infrastructure needs. This assumes a continuation for at least two more years of the 70-30 split with counties. Thanks to the passage of measure #2, the Foundation Aid Stabilization Fund will make \$200 million available for school construction loans. UAS and base retention support will be continued, albeit at a lower level. Lignite research will be augmented to meet the challenges of the coming years. And water projects will have available \$319 million, including some carryover funds from this biennium. It's important to remember that there are substantial, lasting benefits to being the #2 oil-producing state in the nation. Oil revenues continue to flow at a healthy pace into our dedicated funds.

TAX RELIEF

With the budget in structural balance, reserve funds in place, and a strong emphasis on infrastructure, we can still continue our commitment to tax relief. A few years ago we reduced property taxes by increasing the state's share of school funding, taking the statewide average general fund mill levy from a high of about 200 mills to 66 mills today. That's real, permanent property tax relief.

Last Session we also took a step forward on property tax relief by assuming some of the cost of county social services. That change resulted in \$23 million in property tax relief for local taxpayers.

In this budget we are strongly recommending that the Legislative Assembly support the outstanding work of the interim committee on Finance and Taxation. This well-crafted bill will eliminate the 20 mill authority for county social services that can be levied on all property owners in North Dakota. Four years ago and two years ago legislative leadership said that we were not ready to make this change. They were right. A comprehensive formula for county social services reimbursement has taken 1 ½ years to develop with the help of county and state professionals.

This legislation was made possible through the leadership of Representatives Dockter, Headland and Weisz, and Senators Cook, Bekkedahl, and others. It requires that the new property tax relief formula for county social services always produces property tax relief at a level no less than the 12 percent county tax buydown, which was implemented four years ago. In some counties the amount of property tax relief will actually be greater than the 12 percent buydown. The best feature is that this formula is built into our ongoing expenditures and becomes a permanent means to property tax relief over the long haul. There will no longer be any need for a special fund dedicated to this form of property tax relief.

It is simply great news that, despite our severe downturn in revenues, we will be able to hold on to all of our great achievements in tax relief. (Chart #4) Property tax rates have been capped. Income tax rates have been lowered by nearly 50 percent from the rates paid before 2009. Total tax relief since 2009 now totals approximately \$ 4.4 billion, money that, instead of being in government hands, is now in the pockets of taxpayers.

FLOOD PROTECTION AND WATER SUPPLY

Water infrastructure projects in the state continue to be a high priority. The state will be able to invest \$319 million in water projects during the 2017-19 biennium. This funding amount is the third highest since the resources trust fund was established.

We remain committed to supporting flood protection projects throughout the State. In the Mouse River Basin, the state provided \$40 million toward permanent flood protection during the current biennium. For the 2017-19 biennium, we recommend an additional \$70 million to assist the region in furthering the progress on home acquisitions and working towards completion of phases one, two and three of the flood control project, as well as implementing control measures in rural reaches of the basin. Since the flood of 2011, the state has contributed more than \$315 million to assist Minot and the Ward County region with flood recovery and protection.

In the Fargo area, state law calls for a \$570 million commitment towards flood protection, with \$66.5 million budgeted for the upcoming biennium. This brings total appropriations to \$370.5 million since 2009.

This budget also includes funding for permanent flood protection along the Sheyenne River and continuing operation of the Devils Lake outlets, bringing the state's total commitment for flood control to \$147.5 million for the 2017-19 biennium.

In light of our growing population and expanding water supply needs, this budget supports investments totaling \$125 million for municipal and rural water projects.

We also remain committed to providing another \$30 million towards the Grand Forks Water Treatment plant, bringing the state's total financial support for the project to \$60 million.

With the remaining \$95 million in water infrastructure funds, we can continue to advance the Red River Valley Water Supply Project, WAWS, NAWS, the Southwest Pipeline Project as well as other municipal and rural water projects. Again, the grand total for water projects comes to \$319 million.

PUBLIC SAFETY

Our commitment to public safety and environmental protection over these last six years has been remarkable. We have been careful to adequately fund the ND Highway Patrol to support them in dealing with the needs of a growing state. Without getting in to a whole other speech about the Dakota Access Pipeline, let me just say that the performance of our National Guard, our Highway Patrol and other local law enforcement who have faced

incredibly tense and life-threatening public safety challenges over the last 130 days has been awe-inspiring.

Many of our people have gone months without a day off, ably managing the onslaught of out-of-state agitators in a situation that could never have been anticipated. We have had no choice but to step up and cover the expenses of maintaining public safety throughout the ordeal. The funds borrowed from the Bank of North Dakota thus far total \$17 million, and this amount will have to be repaid from state reserve funds. Much of this money has gone to cover excess costs incurred by the ND National Guard, and the costs of law enforcement help from other counties and states. All of our law enforcement personnel and our ND National Guard have performed incredibly well and deserve our thanks and strong support. I would like to especially thank three people: Sheriff Kyle Kirchmeier of Morton County, Colonel Mike Gerhart, Superintendent of the North Dakota Highway Patrol, and Major General Al Dohrmann of the North Dakota National Guard. Please give them a round of applause.

BUDGET SAVINGS

As a rule of thumb, all agencies were asked to identify budget savings of 10 percent of this biennium's ongoing appropriations. When we completed this process of analyzing agency budgets, we were able to identify \$60 million in additional spending reductions above and beyond the 10 percent savings target. The Department of Human Services, Corrections, Highway Patrol and Indigent Defense received funding above the 90 percent target. The Judicial and Legislative branches set their own spending level. Overall, this budget calls for 268 fewer FTEs in general government and 315 fewer employees in higher education, for a total FTE reduction of 583.

K-12 EDUCATION

K-12 education requires solid support even in a period of lower revenues. General Fund savings are realized thanks to the \$82 million increase in distributed funds from the Tuition Apportionment Fund. We also propose saving general funds on K-12 transportation now that diesel fuel is approaching \$2.00 per gallon. Offsetting that are increased costs of special education. In the end, we are recommending that the 10 percent fair share savings needed from K-12 education be covered with funds from the Foundation Aid Stabilization Fund. It is fortunate that the voters saw fit to open this large reserve fund at this time when K-12 education would be facing a severe shortfall. The amount made directly available for Foundation Aid will be \$140 million, which is still less than the revenue projected to come into the fund during the upcoming biennium. Our recommendation would be to scale back some of the other spending proposed last session from the Foundation Aid Stabilization Fund.

Overall, the per-student payment will not rise in the first year of the biennium but funding is provided for a 1 percent increase in the second year. The total commitment for state school aid and other K-12 support will total \$2 billion.

HUMAN SERVICES

The Department of Human Services continues to experience growing caseloads in virtually all programs for individuals with disabilities and others who are vulnerable, and the state's Medicaid costs continue to rise. Despite these challenges, we have crafted a budget that will meet the needs of our people.

We will be able to meet the needs of our long-term care facilities, with enhancements for re-basing, operating margins and incentives, but only with the adoption of a provider assessment on long-term care. This is a strategy commonly used in 44 other states, and will make it possible to address the increased costs that long-term care providers are facing.

We also recommend increasing the age limit of the Medicaid autism waiver to insure that children currently receiving services will continue to receive support.

This budget includes inflationary adjustments for long-term care providers with a 1 percent inflationary increase the second year of the biennium, and it supports other home and community based services. Other care providers will also receive the 1 percent inflationary increase in year two. This budget also includes funding to allow for Medicaid coverage of

opioid treatment programs; funding to continue the Substance Use Disorder voucher program; and funding for a new childcare facility licensing and data system

The executive budget directs all tobacco prevention programming back to the Department of Health, and utilizes tobacco revenue to help pay for additional needs in behavioral health, Medicaid costs associated with the use of tobacco, and costs associated with other smoking-related illnesses such as lung cancer and heart disease. We need to make the best possible use of our tobacco fund dollars.

Medicaid expansion, which is providing health care to 20,000 people across North Dakota, is a top priority for our hospitals and clinics, and this budget supports its continued funding.

The Department of Corrections and Rehabilitation has done a tremendous job of managing its adult and juvenile offender populations, and they will do their part to achieve budget savings. Our budget does recommend fully funding security positions at the Youth Correctional Center to address federal staffing requirements as directed in the PREA Act.

HIGHER EDUCATION

In Higher Education we have come so far so fast that it is probably time to step back and have a serious discussion about our priorities for post-secondary education. We have done a remarkable job of funding higher education, with an overall increase of 26 percent over the past four years, and we continue to fund a portion of every student credit hour completed. However, we are recommending an initial 10 percent reduction in the General Fund support and further reductions of 5 percent that can be offset by an assumed tuition increase of no more than 2.5 percent per year across all campuses. Higher Education is changing rapidly and opportunities exist to provide education more efficiently.

After many years of huge investments in campus buildings, the only capital project we are recommending for higher education is the completion of the Communication and Fine Arts building at Valley City State University. The existing building is in terrible condition and besides that, it sits on the wet side of the new Valley City levee.

PUBLIC EMPLOYEES

In times like this it is difficult to provide for our public employees to the extent we would like. We often ask public employees, including those in higher education, what they value most in their compensation package. They always respond that a good health insurance plan is their highest priority. For that reason we are funding the full premium of the current health insurance plan, albeit with some adjustments in plan design. Continuation of the current health plan will require an additional \$21.8 million in general funds. This is our major commitment to public employees. In light of these rising costs, the most we were able to provide in salary is a 1 percent increase in the second year of the biennium.

We also support a legislative proposal to pay the primary health insurance premiums for our National Guard members while they serve on active state duty. During floods and other emergencies, our National Guard members always answer the call to duty, putting their lives on hold and their personal safety at risk in service to our state and we should show our gratitude in a tangible way.

CLOSING

We probably all agree that it is more fun to have a surplus of revenue than to have less revenue. We are forced to make hard choices about our priorities just like all North Dakotans make in their daily lives. Everyone will be challenged to find new ways of doing things.

If you compare this budget proposal to the 2013-15 biennium, you will find that the ongoing General Fund spending level is approximately the same. That seems appropriate in many ways, does it not? The oil boom and high farm prices are in the past, and we must adjust for a period of slower, but steady growth.

In closing, I just want to say that Betsy and I have been truly honored to serve as your Governor and First Lady.

People have asked me, "how would you like to be remembered as Governor?" I would answer that I would like people to say, things happened when Jack Dalrymple was

Governor....great things that will benefit North Dakota for decades to come.

It's been a great run since I came into the executive office as Lieutenant Governor in the year 2000. Sixteen years before that, I first entered this chamber as a state representative. It has been a wonderful experience working in the Legislature and later, with legislators. I hope all of you feel as strongly as I do that there is no greater privilege than to serve the great people of North Dakota.

Au revoir – we'll be seeing you again.

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 3, 2017, which motion prevailed.

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

Buell J. Reich, Chief Clerk

