

## Third Day of Legislative Organizational Session

## JOURNAL OF THE HOUSE

## Sixty-sixth Legislative Assembly

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**Bismarck, December 5, 2018**

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

The prayer was offered by Pastor Bob GreyEagle, Prairie Family Church, Bismarck.

The roll was called and all members were present except Representative Blum.

A quorum was declared by the Speaker.

**REQUEST**

**SPEAKER KLEMIN REQUESTED** that the house stand for a moment of silence in remembrance of former President George H.W. Bush.

**MOTION**

**REP. LOUSER MOVED** that the House stand in recess until 9:40 a.m., which motion prevailed on a voice vote.

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

**REPORT OF PROCEDURAL COMMITTEE**

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

**2019 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 - Jim Schmidt

Bob Martinson

Mike Nathe

Mark Sanford

Mike Schatz

**Government Operations Division**

Committee Chairman - Don Vigasaa

Corey Mock

Vice Chairman - Mike Brandenburg

Thomas Beadle

Larry Bellew

Michael Howe

Keith Kempenich

**Human Resources Division**

Committee Chairman - Jon O. Nelson

Richard G. Holman

Vice Chairman - Gary Kreidt

Bert Anderson

Lisa Meier

Randy A. Schobinger

#### **Education Committee**

Committee Chairman - Mark S. Owens

Ron Guggisberg

Vice Chairman - Cynthia Schreiber-Beck

LaurieBeth Hager

Pat D. Heinert

Jeff A. Hoverson

Dennis Johnson

Mary Johnson

Daniel Johnston

Donald W. Longmuir

Andrew Marschall

Brandy Pyle

Michelle Strinden

Denton Zubke

#### **Finance and Taxation Committee**

Committee Chairman - Craig Headland

Matt Eidson

Vice Chairman - Jim Grueneich

Alisa Mitskog

Jake G. Blum

Jason Dockter

Sebastian Ertelt

Jay Fisher

Patrick Hatlestad

Tom Kading

Ben Koppelman

Vicky Steiner

Nathan Toman

Wayne A. Trottier

#### **Human Services Committee**

Committee Chairman - Robin Weisz

Gretchen Dobervich

Vice Chairman - Karen M. Rohr

Mary Schneider

Dick Anderson

Chuck Damschen

Bill Devlin

Clayton Fegley

Dwight Kiefert

Todd Porter

Matthew Ruby

Kathy Skroch

Bill Tveit

Greg Westlind

**Industry, Business and Labor Committee**

Committee Chairman - George Keiser	Mary Adams
Vice Chairman - Mike Lefor	Pamela Anderson
Glenn Bosch	Marvin E. Nelson
Craig Johnson	
Jim Kasper	
Vernon Laning	
Scott Louser	
Emily O'Brien	
David Richter	
Dan Ruby	
Austen Schauer	

**Judiciary Committee**

Committee Chairman - Kim Koppelman	Ruth Buffalo
Vice Chairman - Karen Karls	Karla Rose Hanson
Rick Becker	
Terry B. Jones	
Jeffery J. Magrum	
Aaron McWilliams	
Bob Paulson	
Gary Paur	
Shannon Roers Jones	
Bernie Satrom	
Luke Simons	
Steve Vetter	

**Agriculture Committee**

Committee Chairman - Dennis Johnson	Ruth Buffalo
Vice Chairman - Wayne A. Trottier	Gretchen Dobervich
Jake G. Blum	
Jay Fisher	
Craig Headland	
Dwight Kiefert	
Aaron McWilliams	
David Richter	
Bernie Satrom	
Cynthia Schreiber-Beck	
Kathy Skroch	
Bill Tveit	

**Government and Veterans Affairs Committee**

Committee Chairman - Jim Kasper	Pamela Anderson
Vice Chairman - Vicky Steiner	Mary Schneider
Jeff A. Hoverson	
Craig Johnson	

Daniel Johnston  
Karen Karls  
Ben Koppelman  
Vernon Laning  
Scott Louser  
Karen M. Rohr  
Austen Schauer  
Steve Vetter

**Energy and Natural Resources Committee**

Committee Chairman - Todd Porter	Matt Eidson
Vice Chairman - Chuck Damschen	Alisa Mitskog
Dick Anderson	
Glenn Bosch	
Bill Devlin	
Pat D. Heinert	
George Keiser	
Mike Lefor	
Andrew Marschall	
Shannon Roers Jones	
Matthew Ruby	
Denton Zubke	

**Political Subdivisions Committee**

Committee Chairman - Jason Dockter	Mary Adams
Vice Chairman - Brandy Pyle	Ron Guggisberg
Sebastian Ertelt	
Clayton Fegley	
Patrick Hatlestad	
Mary Johnson	
Kim Koppelman	
Donald W. Longmuir	
Jeffery J. Magrum	
Luke Simons	
Michelle Strinden	
Nathan Toman	

**Transportation Committee**

Committee Chairman - Dan Ruby	LaurieBeth Hager
Vice Chairman - Rick Becker	Karla Rose Hanson
Jim Grueneich	Marvin E. Nelson
Terry B. Jones	
Tom Kading	
Emily O'Brien	
Mark S. Owens	
Bob Paulson	

Gary Paur  
Robin Weisz  
Greg Westlind

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

#### **REPORT OF PROCEDURAL COMMITTEE**

**MR. SPEAKER:** Your procedural **Rules Committee (Rep. Pollert, Chairman)** recommends that the House and Joint Rules of the Sixty-fifth Legislative Assembly as adopted on December 7, 2016, and published in the 2017 House Rules and Committees book, with the following amendments, be adopted as the permanent rules of the House for the Sixty-sixth Legislative Assembly, and the reading of the report be dispensed with:

**SECTION 1. 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:

<b>Title of Position</b>	<b>Number of Positions</b>
<b>Group A</b>	
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.

<b>Group B</b>	
Deputy Chief Clerk	1
Assistant Chief Clerk	1
Appropriations Committee Clerk	1
Bill Clerk	1
Calendar Clerk	1
Recording Clerk	1
Assistant Appropriations Committee Clerks	3
Committee Clerks	10
Chief Legislative Assistant	1
Assistant Committee Clerk	<del>3</del> 2
Deputy Sergeant-at-Arms	1
Legislative Assistant - Information Kiosk Attendant	1
Legislative Assistant - Desk Page	1
Legislative Assistant - Parking Lot Attendant	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.

<b>Group C</b>	
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 2. AMENDMENT.** House Rule 329 is amended as follows:

**329. Measures referred to Appropriations Committee.**

1. Every bill providing an appropriation of five thousand dollars or more must be referred or rereferred to and acted on by the Appropriations Committee before final action by the House thereon, unless otherwise ordered by a majority vote of the members present.
2. Every bill or resolution to which is attached a fiscal note stating that the measure has an effect of fifty thousand dollars or more on the appropriation for a state agency or department must be rereferred to and acted on by the Appropriations Committee before final action by the House thereon, unless otherwise ordered by a majority vote of the members present.
3. A bill or resolution required to be referred or rereferred to the Appropriations Committee which received a do not pass recommendation from committee and which then is passed by the House is deemed reconsidered and must be referred to and acted upon by the Appropriations Committee if that measure has not been referred or rereferred to the Appropriations Committee before passage. The Appropriations Committee shall report the measure back to the House for action in accordance with these rules.
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-first legislative day and all Senate bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~fifty-fifth~~fifty-third 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-first or ~~fifty-fifth~~fifty-third legislative day, as appropriate.

**SECTION 3. AMENDMENT.** House Rule 338 is amended as follows:

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

**SECTION 4. 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-sixth~~thirty-fourth and ~~thirty-seventh~~thirty-fifth legislative days and after the ~~fifty-seventh~~fifty-fifth 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-sixth~~sixty-fourth 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 5. 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 third legislative day~~ Monday, January 7, 2019. No bill may be introduced after the ~~eight~~sixth legislative day, and no resolution, except those resolutions described in subsection 3, may be introduced after the ~~sixteenth~~fourteenth 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-fourth~~thirty-second legislative day.

**SECTION 6. 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-fourth~~thirty-second 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 ~~fortieth~~thirty-eighth 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-third~~sixty-first 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 7. 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-third~~fifty-first 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 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 ~~thirtieth~~twenty-eighth legislative day all House bills, and after the ~~fifty-third~~fifty-first 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 8. 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-seventh~~thirty-fifth 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-third~~forty-first legislative day, except a resolution approved for introduction after the deadline for introduction of that type of resolution.

**SECTION 9. AMENDMENT.** Joint Rule 208 is amended as follows:

**208. Introduction of executive agency and Supreme Court bills.** Each executive agency and the Supreme Court shall file with the Legislative Council those bills, other than bills making appropriations, they wish to have introduced no later than the close of business on the day after the adjournment of the organizational session. Each filed bill is deemed introduced by the standing committee of the House or Senate with general jurisdiction over the subject matter of the bill; but if the filing entity receives the approval of a legislator to sponsor the bill, that bill is to be introduced by the legislator rather than by the standing committee. A bill sponsored by a legislator may not have more sponsors than the number allowed under Senate and House Rules 401. The director of the budget, Supreme Court, and Legislative Council shall ~~file with~~deliver to the Legislative Council ~~those bills~~bill drafts making appropriations to implement the budget recommended by the Governor no later than the close of business on the seventh day after the adjournment of the organizational session, as required by North Dakota Century Code Section 54-44.1-07, ~~and these bills are deemed introduced by the Appropriations Committee of the Senate or House at the request of the Governor. The bill implementing the budget request of the judicial branch is deemed introduced by the Appropriations Committee of the Senate or House at the request of the Supreme Court, and the bill implementing the budget request of the legislative branch is deemed introduced by the Appropriations Committee of the Senate or House at the request of the Legislative Council; however, those bill drafts are not deemed to be introduced but must be provided to the appropriations committees and printed in the journals of the Senate and House of Representatives.~~ The Legislative Council shall number and deliver bills filedintroduced under this rule to the appropriate house for recording. Each bill introduced under this rule must be identified by noting the name of the agency or the court under the name of the sponsoring committee or legislator. The identification of a bill introduced by a standing committee may include the names of not more than five entities authorized to file bills under this rule.

**SECTION 10. AMENDMENT.** Joint Rule 901 is amended as follows:

**901. ~~Sexual~~Workplace harassment policy.**

1. The Legislative Assembly is committed to providing a healthy and appropriate work environment for legislators, legislative employees, and other state employees which is free from ~~sexual~~workplace harassment. ~~Sexual~~Workplace harassment in any manner will not be tolerated.
2. ~~Sexual harassment includes verbal abuse of a sexual nature, graphic verbal comment about a person's body, physical touching of a sexual nature, sexual advances and propositions, sexually degrading words used to describe an individual, display in the workplace of any sexually suggestive object or picture, and any threat or insinuation, either explicitly or implicitly, that a person's refusal to submit to a sexual advance will adversely affect that person's employment, evaluation, wages, duties, work shifts, or any other condition of employment or career advancement.~~The North Dakota Legislative Assembly Policy Against Workplace Harassment, including the Checklist for Intake and Investigations Under the North Dakota Legislative Assembly Policy Against Workplace Harassment, is incorporated into this rule.
3. Any individual who believes the individual has been subjected to workplace harassment is encouraged to contact the Senate Majority Leader or Minority Leader or a designee of the opposite gender, or the House of Representatives Majority Leader or Minority Leader or a designee of the opposite gender.

**MOTION**

**REP. POLLERT MOVED** that the report of the Rules Committee be adopted, which motion prevailed on a voice vote.

**MOTION**

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

prevailed on a voice vote.

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

**MOTION**

**REP. LOUSER MOVED** that a committee of four be appointed to escort the Honorable Lt. Governor Brent Sanford to the rostrum, which motion prevailed.

**SPEAKER KLEMIN APPOINTED** Reps. M. Johnson and Boe and Sens. Hogue and Hogan to the escort committee.

**SPEAKER KLEMIN PRESENTED** Lt. Governor Sanford to the Joint Assembly and turned the gavel over to him.

**JOINT SESSION**

**PRESIDENT SANFORD ANNOUNCED** that a Joint Session would come to order.

**MOTION**

**REP. LOUSER MOVED** that a committee of four be appointed to escort the Honorable Doug Burgum, Governor, to the rostrum, and First Lady Kathryn Helgaas Burgum to a special reserved seat in the chamber, and that Governor Burgum's remarks, as submitted to the front desk, be printed in the journal, which motion prevailed.

**PRESIDENT SANFORD APPOINTED** Sens. Wardner and Klein and Reps. Pollert and Louser to the escort committee.

**2019-2021 EXECUTIVE BUDGET ADDRESS**

**The Honorable Doug Burgum**

**Governor of North Dakota**

**December 5, 2018**

Good morning. It is my honor to be here today to present the Executive Budget for the 2019-2021 biennium.

Let me begin by welcoming the members of the 66th Legislative Assembly, Justices of the Supreme Court, Lieutenant Governor Brent Sanford, elected officials, cabinet leaders, state team members, First Lady Kathryn Helgaas Burgum and fellow North Dakotans.

As we speak, in Washington, D.C., leaders and citizens are gathered to celebrate the life of President George H.W. Bush, a dedicated public servant, decorated World War II Navy pilot and true American statesman. In honor of his life and legacy, I ask that we join together in a moment of silence. Thank you.

We are especially grateful for, and humbled by, the front-line members of Team North Dakota who dedicate themselves to delivering on our administration's purpose: to Empower People, Improve Lives and Inspire Success.

Serving the citizens of North Dakota is an honor for all of us. We are grateful for our committed legislators, who return here to the important work of creating laws and setting budgets.

And we extend gratitude to the leadership and analysts in the Office of Management and Budget, cabinet leaders and team, Governor's Office policy team and all state agencies for their efforts in preparing this budget.

This budget also expresses our gratitude for those who make North Dakota a great place to live: educators, first responders and law enforcement, public servants, business leaders, health care providers, farmers and ranchers, energy workers, our youth – and especially our veterans and active duty military service members, including those North Dakota National Guard members who are currently deployed around the world defending our freedoms. I would ask that any active or retired military personnel please stand and be recognized.

Our budget includes several proposals that reflect the gratitude we have for our military service members:

- First, to honor their service, promote workforce participation in North Dakota after

retirement, and to improve our competitiveness for federal military investments, we propose a 100 percent state income tax exemption on military retirement pay for members of the U.S. Armed Forces, National Guard, and Reserve.

- Second, we recommend fully funding our National Guard Tuition Assistance Program. Our Guard members are investing in the protection of our state and nation, and we will invest in them.

- Finally, we are proposing \$15 million be dedicated to expanding our National Guard training range at Camp Grafton South. This investment will create long-term savings by keeping our troops training in-state, generate revenue by bringing in out-of-state service members, and ensure readiness for all soldiers who stand in harm's way for us.

### **STRUCTURALLY BALANCED, SPENDING RESPONSIBLY**

From 2009 to 2014, our gross domestic product outpaced the rest of the nation as we grew at an unprecedented rate of 13 percent per year. From 2014 to 2016 we saw a significant decline in GDP, but in 2017 North Dakota's GDP returned to growth.

The collapse of commodity prices in both energy and agriculture last biennium meant making hard choices. Working together with the Legislature, we reduced the general fund budget by an unprecedented \$1.7 billion. This did not come easily. Team members absorbed the work of others and went without pay increases. Programs ran lean. We got by, using one-time funding sources and transfers to balance revenues with expenditures.

We recognize volatility creates challenges for our budget. Typically, over 40 percent of our general fund comes from sales taxes. When the commodity markets dropped, we found economic activity that drives sales tax revenue also dropped, reinforcing the need to budget conservatively.

Thankfully, prior legislative bodies had the foresight to set aside substantial rainy-day savings to help us through periods of extreme volatility of our tax revenues. The Budget Stabilization Fund was most recently utilized in the 2015-2017 biennium, and it was drained at the beginning of the current biennium.

This executive budget is more transparent in the use of oil revenues to fund ongoing expenses. In past budgets, oil-derived revenue has been transferred into the general fund without fully recognizing its source. Bypassing these transfers will provide a clearer picture.

We propose using \$1 billion in oil tax revenues to directly support general fund expenditures. This amount represents 20 percent of general fund revenues, which is a lower amount and percentage than the 2015-17 biennium, when over \$1.1 billion in oil revenue was used. The \$1 billion of general fund oil tax revenue is a conservative and sustainable amount; when prices crashed during the 2015-17 biennium, the state still collected \$2.9 billion in oil tax revenue. For the upcoming biennium, this recommended oil tax revenue for the general fund represents approximately one-fifth of forecasted oil tax revenues.

Working as one, we engaged in reinventing our budgeting approach to include a comprehensive strategy review process. Under this new framework, strategy drove budget, versus budget driving strategy.

Beginning last spring we conducted 57 strategy reviews with institutions and agencies, and from this foundation we have prepared a strategic budget that delivers for the people of North Dakota.

Taking a critical look at prioritizing state expenditures, we called for base budget reductions of 5 to 10 percent, depending on agency size. We also asked agencies to reduce FTE levels by 5 percent. Agencies were asked to identify work they could stop doing, to free up people and financial resources that could be reinvested in priorities.

These are difficult tradeoffs. But the ideas generated in these sessions identified more than \$107 million in general fund savings, and \$101 million was strategically prioritized for new and ongoing initiatives.

This budget balances ongoing revenues and expenses and builds our reserves, while strategically investing in our economy, our workforce and the well-being of our people.

The budget promotes responsible stewardship of our financial resources, encourages innovation and invests strategically – all without raising taxes.

This biennium, we must return to matching ongoing spending with ongoing revenues to achieve structural balance in the general fund.

By law, we must have a balanced budget. However, ongoing revenues have not always covered ongoing expenses. In this budget, we are intentional about ensuring that ongoing expenses match our ongoing revenues. The last two bienniums had substantial general fund revenue shortfalls that were covered by transfers.

This imbalance between our ongoing general fund revenues and expenses negatively affects our state's bond rating, which can have secondary effects on the many local political subdivisions that bond.

North Dakotans balance their checking accounts – so too should state government.

The Executive Budget proposes \$14.3 billion in overall revenues and expenditures. This includes \$4.6 billion in ongoing general fund revenue and \$300 million of Legacy Fund earnings. Legacy earnings by law must be deposited in the general fund. Not a single dollar of Legacy Fund principal is spent in this budget.

Additionally, \$3.7 billion in federal funds and \$5.6 billion in special funds make up the remainder of our overall funding sources. Overall, expenditures of \$3.2 billion will support Team North Dakota through salary and benefit investments, \$2.6 billion will fund operating expenses, and nearly half – \$7 billion – will be distributed through formulas and grants to areas such as K-12 education, Medicaid and essential infrastructure, directly benefiting citizens and political subdivisions. The remaining \$1.5 billion allows for significant and game-changing, long-term investments in capital assets.

In sum, nearly 70 percent of our total budget goes to support health and human services and education. Within the general fund, these services make up nearly 80 percent of the recommended appropriation.

Most of the \$330 million recommended increase in ongoing general fund expenditures is related to education and health and human services. \$135 million of the increase is driven by the cost-to-continue in caring for our most vulnerable citizens. \$104 million is a direct result of increased per-pupil payments and an increase in the number of K-12 students we serve.

And \$78 million of the increase in ongoing expenditures is the general fund portion of the overall \$180 million in proposed salary and benefit increases.

Our goal was to fund our priorities in a responsible way, replenish reserves and spend less than our ongoing revenues. Again, we have done that in this budget, without raising taxes.

#### **BUILDING RESERVES AND SOLVENCY**

Fiscal responsibility means more than just balancing the checkbook. Given our revenues remain largely dependent on commodity prices we cannot control, we absolutely must replenish reserves.

Thanks to the wisdom of prior legislative action to create a framework for savings, any amount in excess of \$65 million in the general fund ending balance is automatically deposited into the Budget Stabilization Fund. The new revenue forecast projects the Budget Stabilization Fund will receive an additional \$312 million at the end of this biennium. This budget transfers \$315 million from the Strategic Investment and Improvements Fund (SIIF), filling the rainy-day fund to the maximum allowed, which is 15 percent of the proposed general fund spending.

As we just saw last biennium, extreme revenue volatility consumed our entire rainy-day fund.

A fully replenished rainy-day fund is essential for risk management. And it is a safeguard for

our citizens who rely on us for essential services.

We have made a solemn contract with every retired state team member and all future retirees who participate in our state pension. And today, we face an unfunded pension liability estimated at over \$1 billion.

To guarantee that our pension fund can continue to cover its future obligations to retired team members who paid into it for years, we propose an infusion of \$265 million from SIIF into the pension fund. This significant addition of principal now will earn returns over the coming decades, enabling positive progress to close our \$1 billion unfunded liability gap.

With this transfer and the adoption of corresponding policies recommended by the interim Employee Benefits Programs Committee, the pension can achieve solvency and be fully funded in only 18 years.

The current insolvency in our pension fund has a negative effect not only on the state's financial position, but also on the financial position of all political subdivisions that participate in the NDPERS retirement plan. Bond ratings are negatively affected, and the cost of borrowing is increased at all levels of government.

If we fail to act now, future action will cost far more. The longer we wait, the more expensive it will get. We are at an ideal moment in time, with revenue forecasts positive, and spending restrained, to make a historic investment now in shoring up the pension to save North Dakota taxpayers hundreds of millions of dollars in the future.

North Dakotans deserve both a structurally balanced budget and a government responsive to their needs, prioritizing innovation and reinvention.

#### **INFORMATION TECHNOLOGY AND REALIGNMENT**

Last session the Legislature set the framework for redesigning social and human services to better serve citizens. Our proposed budget delivers on the goals of that framework and sustains the permanent property tax relief it provides. We propose moving from 47 independent delivery areas to no more than 19 collaborative areas. We will make this move while preserving all access points to services.

We also propose funding county social services at a level of \$182 million, an increase of \$22 million. This additional funding will focus on increasing access to child and family services, particularly in behavioral health. Combined with specific policy recommendations, this funding will come with greater flexibility to specialize services, thereby increasing efficiency.

The state must incorporate innovative technologies to better serve our citizens. We must do a better job of safeguarding citizens' personal information and deploying new technology to enhance citizen experience and government performance. In this, we propose two changes to our information technology approaches.

First, with IT unification, we recommend aligning 145 FTEs from 17 cabinet agencies into one shared IT service, while maintaining their physical presence within the agencies, reducing redundancy and streamlining operations through standardization.

Cyber threats to our state's financial assets and citizens' data are growing daily. Attempted disruptions from hacktivists, organized criminal activity like ransomware and persistent attacks from foreign nation states are the new status quo for states, university systems and large municipalities.

It is nearly impossible and full of risk for the over 400 organizations that touch our statewide network to each separately be responsible for their own cybersecurity. We will centralize our approach to cybersecurity to be more coordinated, intelligent and effective in managing identities and protecting data. This approach will take us from 22 percent of the executive branch managed under central cyber defense to 78 percent. Getting there will require an investment of \$16.4 million. Even one breach or financial attack could cost us far more. In today's world, this is a necessary and essential investment.

Across every department, we explored realigning functions and improving services. A few more examples:

- The Office of Management and Budget proposes a statewide litigation pool to provide efficiency and coordination and reduce duplication in funding for unforeseen legal costs.
- The Suicide Prevention Program, currently housed in the Health Department, will transfer to the Department of Human Services, where it will complement the existing Behavioral Health Division.
- To better support tribal social services, we propose \$2.9 million of general funds to expand access to supports for caregivers of children in the care of tribal social services. This proposal will ensure families of children on tribal lands have access to the same supports received by families with children who live in other parts of the state, creating a consistent policy statewide.

### **INVESTING IN TEAM MEMBERS**

This budget authorizes 15,673 FTEs, which includes higher education. We will spend \$3.2 billion on compensation and benefits. In the current biennium, the state invested \$45 million to cover the full cost of the increase in health care insurance for all team members. We are proposing a \$180 million investment increase in compensation and benefits for team members for the upcoming biennium.

Of the increase, \$112 million is proposed for salaries. This recommended increase in compensation also authorizes performance-based increases for high-performing team members. Agency and institution salary budgets are increased by 4 percent for the first year of the biennium and an additional 2 percent for the second year.

Agencies that can identify long-term salary savings equal to 2 percent will be authorized to provide an additional 2 percent for salary increases in the second year, bringing the total authorized salary increase to 4 percent each year.

For health insurance, the state is covering a 12.7 percent increase in health insurance premiums at a cost of \$59 million.

We also propose new health insurance options for team members. Option 1 continues the existing main plan with no changes to deductibles or coinsurance, which will require an employee contribution of \$28 per month. Option 2 is a new state-paid health insurance plan that, as a non-grandfathered plan, offers expanded benefits. Option 3 is the existing high-deductible plan with new incentives for participation.

Finally, we propose increasing both state and team member contributions to the retirement fund by 1 percent, or roughly \$9 million. This match increase will also contribute to the long-term solvency of our pension plan.

Altogether, this represents a \$180 million increase in the total compensation package, investing in Team ND. These investments are essential for us to attract and retain the talent we need to deliver the services North Dakotans expect.

### **WORKFORCE AND EDUCATION**

Building workforce is the key pillar of the Main Street Initiative. We have met with 45 communities across the state as part of the Main Street Initiative, and there is growing awareness that economic development is no longer just about job creation; it is about building healthy, vibrant communities that can attract and retain the families to fill their workforce needs.

We revitalized the 32-member Workforce Development Council and commissioned a statewide survey to identify obstacles to filling the estimated 30,000 jobs open across North Dakota. Workforce shortages are the number one gating factor to economic growth in North Dakota. A number of the Council's recommendations are included in our budget.

We propose investing \$30 million in a competitive grant for career academies, requiring a 1-to-1 match from the private sector or political subdivisions. According to the North Dakota Workforce Survey, over 70 percent of available jobs in North Dakota require an associate degree or less. Career academies can help move North Dakota youth into the workforce and lower the cost of college.

With an enrollment of nearly 1,400 students, the Bismarck Career Academy is a successful example of providing quality education in high-wage, high-demand technical careers that align with post-secondary education. We need more career academies across our state.

We also recommend investing an additional \$2 million into workforce development initiatives, including \$950,000 to refocus the Operation Intern program to support local businesses throughout the state.

The budget dedicates \$750,000 to address the nursing shortage by providing matching grant funds for rural health facilities seeking to add rural health care education in their local communities.

Another \$250,000 will be allocated for grants to support giving students early exposure to North Dakota careers.

Finally, we propose \$3 million in marketing to address the talent attraction and retention challenges throughout the state. With around 7,500 high school graduates a year in North Dakota and more than 30,000 open jobs, we must both retain and attract workers by promoting our high quality of life.

Workforce and education go hand in hand as we prepare today's students for tomorrow's economy. Forty-six percent of our general fund budget goes to K-12 education and higher education, underscoring our state's commitment to its students and our collective future.

At the K-12 level, our budget increases the per-student payments by 2 percent each year, to a record \$10,036 for the 2020-21 school year.

Our recommendation also begins to transition, over the next five years, the roughly half of our districts that are not yet on the statewide funding formula. Some schools continue to receive transition subsidy payments based on the amounts they received in 2012-2013, creating substantial disparities between districts.

School aid spending increases in our budget by \$115.5 million and does so more sustainably, with \$103.5 million coming from the general fund.

It's time to move closer to on-time funding for our K-12 schools. We recommend a blended approach, paying districts for the first half of the year using the prior year's enrollment and the remainder of the year on their certified fall enrollment. This timing change retains more support than full year on-time funding for districts with declining enrollment, while providing much needed funds to those districts with growing enrollment sooner.

In support of our strategic initiative to transform education, our budget appropriates up to \$10 million to create the Teacher Incentives for Leadership in Education (TILE). To ensure the state intentionally invests in district initiatives aligned with student-centric instruction, a targeted pool of funds will be designated to support locally driven innovation and teacher leadership.

Leadership incentives should not be confused with merit pay, which is based off past performance and is often heavily reliant on standardized test results. TILE dollars must be invested in professional development or used to provide project-based incentives for current teachers, providing career track opportunities for teacher leaders. We will fund the TILE with unspent school aid money appropriated for the current 17-19 biennium, up to \$10 million.

For North Dakota to remain competitive and reach its fullest potential, we need robust and innovative institutions of higher education.

As we invest in higher education and research, our budget recommends an increase of over \$94 million to support increased staff compensation, Challenge Fund investment, targeted capital projects, online course development and competitive research opportunities. With private sector support, this increased investment will infuse a total of \$220 million into higher education and research in North Dakota.

The North Dakota Higher Education Challenge Fund was created in 2013 to ignite a philanthropic spirit to support North Dakota's public colleges and universities, primarily with scholarships. And it worked. Keeping with a 2-to-1 match, investing \$40 million of Legacy

Fund earnings into the Challenge Fund will enable a total influx of \$120 million into our higher education system.

We also propose using \$20 million in Legacy Fund earnings to invest in the Research ND grant program, which requires a 1-to-1 private sector match. The funds may be used to conduct research, commercialize new technologies, develop new products and improve existing products and processes.

In this budget, we also recommend investing \$29 million in the top two priority capital building projects identified by the North Dakota University System. This strategic investment will drive both renovations of existing historic facilities and create match opportunities for new construction.

Finally, we propose creating a \$5 million Online Curriculum Development Grant program. This money will be provided to the University System to distribute as a competitive grant program available to campuses. Now more than ever, North Dakota institutions are competing for students with institutions across the nation and around the world. To stay competitive, we need to invest in high-quality online curriculum development along with traditional approaches.

### **HEALTH CARE AND HUMAN SERVICES**

Great schools, a strong economy and vibrant communities all rely on healthy individuals to sustain them.

North Dakota has challenges in access, quality and costs of health care. As part of our investment in the health care system, we propose a 1 percent inflationary increase in provider reimbursement in each year of the biennium.

Our state also has a behavioral health crisis, which carries significant human costs and tremendous negative economic impacts.

By sharing her lived experience, First Lady Kathryn is helping to eliminate the shame and stigma of the disease of addiction and she is inspiring others to celebrate the power and hope of recovery. Please join me in thanking her for her courage and leadership.

The Department of Human Services and Department of Corrections and Rehabilitation have been integral in working to address the behavioral health needs of North Dakotans. In this budget, we put significant resources behind evidence-based and cost-effective programs and propose additional general fund spending of \$19.1 million across the entire continuum of care:

- We've targeted \$2.6 million to amend our current Medicaid program to provide community-based supports for those with behavioral health conditions. This investment will provide supports for housing, employment, education and peer support – taking a comprehensive approach to addressing the behavioral health needs in our state.
- Behavioral health crisis services also would receive \$4.3 million, helping to eliminate regional gaps in access and improve the quality of crisis response services statewide. These services improve outcomes and create savings by avoiding expensive emergency and psychiatric inpatient care.
- We have made significant progress in the current biennium by moving \$7 million upstream to improve access to effective, community-based behavioral health services through the Free Through Recovery program. To continue building on that progress, our budget recommends an additional \$4.5 million from the general fund to expand access to this program, extending it beyond the criminal justice system to other individuals in our communities.
- We also propose investing an additional \$3.1 million to expand access to the substance use disorder voucher services and supports.
- To help move people out of the criminal justice system and into the workforce, we propose an additional \$2.6 million for expanding treatment and programming in the



Department of Corrections and Rehabilitation.

At the same time, we will continue funding for Medicaid Expansion while streamlining the administration and reducing the fee schedule to match traditional Medicaid rates. The changes to administration and reimbursement will free up over \$20 million in general funds to reinvest in access to behavioral health services.

We also need to invest in home and community-based services for older adults and persons with physical disabilities. Our budget recommends more than \$6 million in additional funding for several initiatives that will promote care close to home.

As we expand access to community-based services, we're also committed to improving the quality of our institutional services. These act as a safety net for at-risk individuals from across our state.

Now is the time to build a new Behavioral Health State Hospital and Clinic in Jamestown with \$35 million from Legacy Fund earnings. This will allow us to eventually repurpose the existing State Hospital as a minimum-custody correctional facility for men.

In turn, we will relocate women's prison services from New England to the Missouri River Correctional Center south of Bismarck. Together, these changes will allow for consolidation of facilities and more efficient operations.

### **INFRASTRUCTURE INVESTMENTS**

North Dakota is doubly blessed with abundant natural resources of our strong agriculture and energy sectors, enabling our economic growth. This budget dedicates nearly \$200 million for continued research in agriculture, oil and gas, and lignite, all key drivers of our economy.

We are so fortunate in North Dakota to have the capital resources to invest in the infrastructure necessary for a prosperous future.

For critical infrastructure, we have included investments totaling nearly \$1.5 billion, including:

- \$815 million for roads, \$464 million for one "bucket" of essential water projects under the State Water Commission, and \$22 million for airport infrastructure.

This total also includes \$174 million for technology investments, the critical infrastructure of the 21st century. These 24 IT projects, supporting 19 agencies, will improve public safety, citizen-government interactions and voting integrity.

Affordable housing availability is a challenge in many parts of our state, and we recommend investing \$20 million in the Housing Incentive Fund. This will support construction of affordable, multi-family housing, aiding our ability to develop and retain our workforce and build healthy, vibrant communities.

As announced last week, we've recommended \$3 million for infrastructure at Grand Sky, the nation's only UAS business park.

Finally, in recognition of our number one trading partner and neighbor to the north, we propose investing \$5 million in the namesake of our state, the International Peace Garden. These funds are contingent on a 1-to-1 match from other sources, including philanthropy and/or the Province of Manitoba or the Canadian government.

### **BUILDING A LEGACY**

We are also extremely grateful that the voters of North Dakota and their representatives in the Legislative Assembly had the wisdom and foresight to create the Legacy Fund, whose earnings will enable and catalyze large-dollar projects that have state or nationwide impact and produce lasting value for our citizens.

In addition to the exciting Legacy projects already discussed, we propose three additional Legacy projects that will generate a tremendous return on investment for the people of North Dakota.

First, we have announced our recommendation for \$30 million to build out a statewide infrastructure network for unmanned aircraft systems, or UAS. This tracking network would serve as an air traffic control system for UAS flying beyond visual line of sight. This investment will ensure that North Dakota retains its first-mover advantage as America's proving ground for UAS while also supporting commercial operations including automated farming and precision agriculture.

Additionally, we propose \$55 million for an infrastructure revolving loan fund that political subdivisions can use to fund important improvements and new projects that promote smart and efficient infrastructure in our communities, plus \$25 million in additional investment in the school construction revolving loan fund. Together, these investments can be leveraged to drive \$535 million in construction.

Finally, when we think about legacy, it is hard to imagine any individual who embodies the North Dakota spirit more than President Theodore Roosevelt. To honor his life and legacy, we propose investing \$50 million of Legacy Fund earnings in the Theodore Roosevelt Presidential Library and Museum and leveraging this investment with a 2-to-1 private match.

It is truly an incredible opportunity for North Dakota that such a presidential library does not already exist. Theodore Roosevelt is the only president to have been awarded a Medal of Honor for his military service. He wrote more books – 42 – than any other president. And his 150,000 letters and documents surpass the writings of the prolific Thomas Jefferson.

And what a better place for a TR Presidential Library, than in synergy with our state's only National Park. Theodore Roosevelt National Park is the only park, out of 60 National Parks, that is named after a person. And it was Theodore Roosevelt's deep love of hunting and the outdoors that shaped our nation's conservation ethic, our nation's first wildlife sanctuaries, and our National Park system.

Envisioned as a state-of-the-art tourist and educational center that will serve as a diversified economic driver for western North Dakota, the library will honor a man whose legendary character, beliefs and drive were shaped by the land and people of North Dakota, and who went on to shape our nation and its role in the world.

Complimenting his profile which is literally etched in stone at Mount Rushmore, the library and museum will educate and inspire students and visitors to learn more about one of this nation's most vivid, dynamic and inspiring leaders, and his relevance to today's modern world.

Separately, funding for the important ongoing digitization process at the Theodore Roosevelt Center at Dickinson State University is included in DSU's budget.

Built in partnership with the National Park Service and private sector philanthropy, the Theodore Roosevelt Presidential Library and Museum will inspire the world to dare greatly, think boldly, live passionately and care deeply.

What an incredible gift this would be to our nation, and what an incredible gift to future generations of North Dakotans.

Thank you for giving your full consideration to each of these Legacy projects. We should strive to set the bar high in this first class of Legacy projects, and dream of what they can mean to the future of state.

## **LOOKING AHEAD**

Together, we stand at the cusp of a new era.

The budget process in North Dakota state government from the 1930s until about 2006 was a reflection of scarcity. North Dakota was the only state in the nation to shrink in population over those 75 years, and this left an indelible mark on our psyche.

Following 75 years of shrinking, we had a decade of explosive levels of growth, followed by historic bust and now some growth again.

We have entered a world of abundance. The world is not going to run out of food or energy.

Technology, combined with free markets and the irrepressible human spirit of ingenuity, continue to solve the world's biggest challenges and transform our world.

With leadership everywhere, working as one, being citizen-focused and bringing a growth mindset to our work, we can truly make a difference in the lives of those we serve.

And with gratitude, humility, curiosity and courage, North Dakota can play a significant role in shaping the affairs of this planet.

As the 66th Legislative Assembly takes this strategic budget proposal forward, please know that OMB, the Governor's Office and agency leaders stand ready to work together with you toward our shared purpose – to Empower People, Improve Lives and Inspire Success – in every county and every corner of our state.

Thank you, and may God bless you and the Great State of North Dakota.

**MOTION**

**REP. LOUSER MOVED** that the Joint Session be dissolved, which motion prevailed on a voice vote.

**MOTION**

**REP. LOUSER MOVED** that the absent member be excused, which motion prevailed on a voice vote.

**MOTION**

**REP. LOUSER MOVED** that the House stand adjourned until 12:00 p.m., Thursday, January 3, 2019, which motion prevailed on a voice vote.

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

**Buell J. Reich, Chief Clerk**

