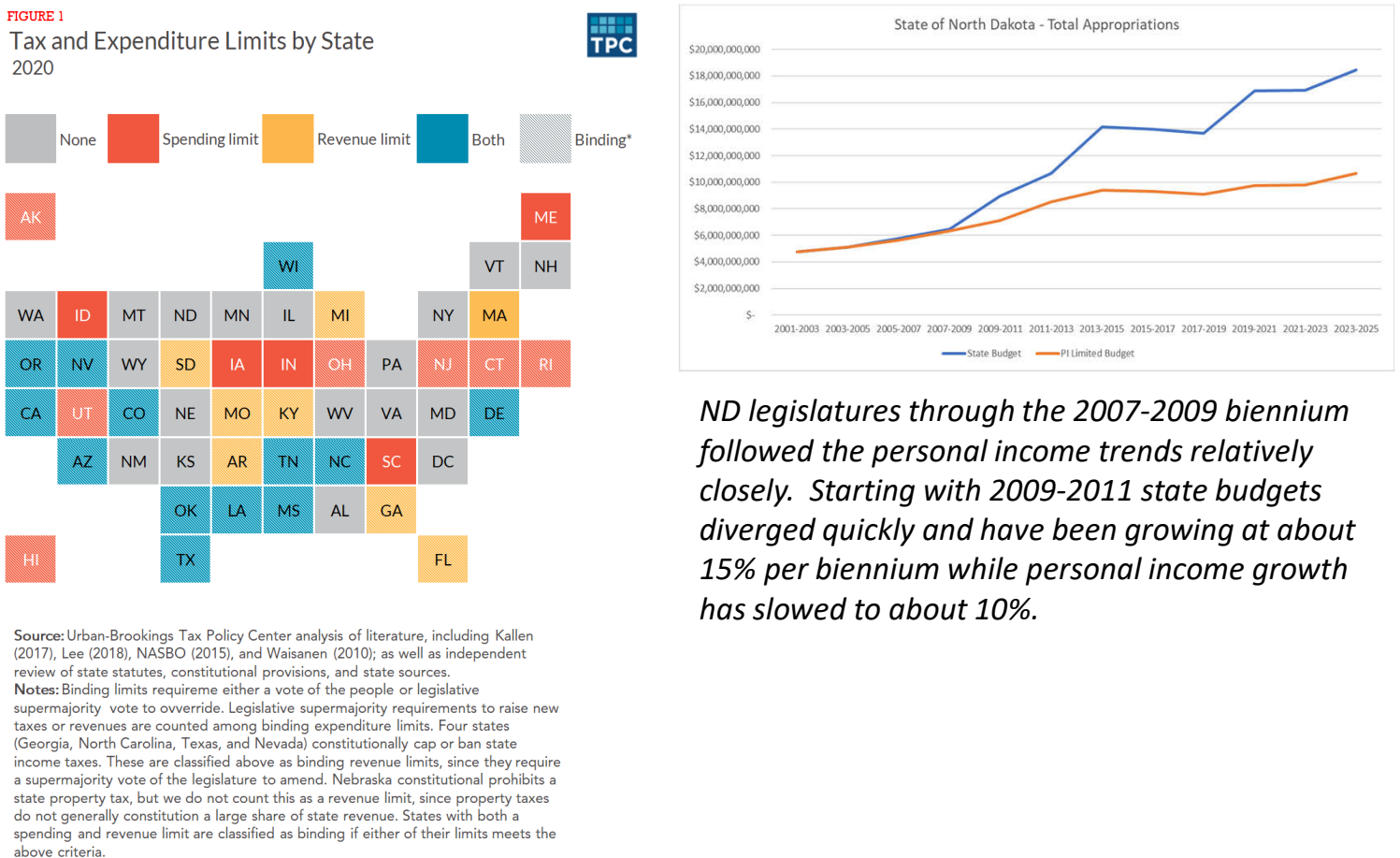


HB1179 Testimony – House Finance and Taxation Committee – 1/17/2023 10:00 AM

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Chairman Headland and House Finance and Taxation Committee members, thank you for the opportunity to testify in support of HB1179. For the record my name is Mike Blessum. I am a small business owner, husband, and father from District 5 in Minot. My son and I own an accounting firm, so we naturally take an interest in many tax and spending issues. I would like to thank Representative Jeff Hoverson for introducing this bill and the co-sponsors for joining the effort.

HB1179 adds a simple section to chapter 54-27 of the ND Century Code that limits the growth of total appropriations in the state budget to the rate of growth in personal income for North Dakota residents. As of 2020, 25 states had limits on government spending. North Dakota is one of 17 states that has no legal limits on spending or taxation levels.



ND legislatures through the 2007-2009 biennium followed the personal income trends relatively closely. Starting with 2009-2011 state budgets diverged quickly and have been growing at about 15% per biennium while personal income growth has slowed to about 10%.

At the turn of the century the North Dakota budget sat at \$4.9 billion per biennium. This session the Governor's budget would have us over \$18.4 billion – an increase of 278%, or an average of about 12% per year. During that same period personal income as reported in the biennial Budget and Fiscal Trends prepared by Legislative Council has increased 251% or around 11% per year.

If the state had simply matched personal income growth on a biennial basis, growth would have slowed slightly and saved about \$2 billion, or around \$2500 for each of the 780,000 residents in the state. If the budget had followed the actual appropriations trend, but been limited in the years where it soared the savings would have grown to over \$40 billion over those years. Our budget this biennium would be somewhere in the \$10-11 billion range instead of the \$18.4 in the Governor's budget, an average growth of about 7% per biennium.

Three budgets in the last 20 years are responsible for much of this immense growth. In 2009-2011 personal income grew 12.8% while the budget soared by 38.0%! Similar huge increases were seen in 2013-2015 (10.5% vs. 32.5%) and 2019-2021 (7.3% vs. 23.5%). These outliers are responsible for much of the increase in our overall budget trajectory. Was growing overall appropriations by 12.8%, 10.5%, and 7.3% not enough during those bienniums?

I know that there are many factors in the state budget including the general fund, federal funds, special funds, etc. One of the most important things I have learned in nearly 30 years in business is that sometimes the simple answers are the best ones. Forcing an overall limit on appropriations may force us to make some decisions on federal programs and whether the mandates and costs are worth it. In my view this is a good thing because we make too many decisions based on the ramifications on federal funding.

In addition to our accounting firm, our family also operates a wellness club that helps our members lose weight and live a more healthy lifestyle. A simple tenet of losing weight and a healthy body is that you need to fuel your body with the calories and nutrients it needs to function at its peak. We all know instinctively we shouldn't eat all of the food in our house or at a buffet simply because we have it available – moderation is key. Our state budget and economy are no different. Continuing to spend at record levels simply because we have the revenue isn't the recipe for fiscal health. HB1179 gives you a chance to introduce some moderation into the equation.

I would offer two potential amendments for those that believe that we don't have the right growth baseline or want to have a provision for extraordinary circumstances. If you believe that there is a better measure such as inflation or some form of state GDP I would be happy to see that adjustment. If you believe you need a provision for major issues that could arise please add language that would allow the requirement to be waived with a 2/3 majority of the house and senate. It is more important to me to see our legislators show a willingness to constrain themselves than to have the bill pass exactly as I have envisioned it. Please show your constituents and all of the residents of our state that you are willing to take the steps to slow the rate of growth in our state budget. I respectfully ask that you return a do pass recommendation on HB1179.

Thank you Chairman Headland and members of the committee. I am happy to stand for any questions you may have.

Biennium	Personal Income	PI Growth	State Budget	State Budget Growth	PI Limited Budget	PI Limited Growth	PI Budget	PI Budget Growth
2001-2003	\$ 35,082	10.0%	\$ 4,778,637,367	-2.1%	\$ 4,778,637,367.0	-2.1%	\$ 5,370,480,472.46	10.0%
2003-2005	\$ 39,563	12.8%	\$ 5,106,601,499	6.9%	\$ 5,106,601,499.0	6.9%	\$ 6,056,448,290.63	12.8%
2005-2007	\$ 43,726	10.5%	\$ 5,785,758,241	13.3%	\$ 5,643,941,489.4	10.5%	\$ 6,693,735,509.34	10.5%
2007-2009	\$ 52,411	19.9%	\$ 6,477,489,040	12.0%	\$ 6,318,717,031.9	12.0%	\$ 8,023,266,975.71	19.9%
2009-2011	\$ 59,127	12.8%	\$ 8,938,938,033	38.0%	\$ 7,128,403,998.1	12.8%	\$ 9,051,376,742.91	12.8%
2011-2013	\$ 76,477	29.3%	\$ 10,684,288,581	19.5%	\$ 8,520,243,138.2	19.5%	\$ 11,707,378,002.74	29.3%
2013-2015	\$ 84,508	10.5%	\$ 14,154,726,336	32.5%	\$ 9,414,970,607.1	10.5%	\$ 12,936,792,764.56	10.5%
2015-2017	\$ 86,394	2.2%	\$ 14,006,299,684	-1.0%	\$ 9,316,245,097.9	-1.0%	\$ 13,225,508,521.10	2.2%
2017-2019	\$ 88,726	2.7%	\$ 13,679,655,704	-2.3%	\$ 9,098,978,907.2	-2.3%	\$ 13,582,499,583.81	2.7%
2019-2021	\$ 95,233	7.3%	\$ 16,896,193,408	23.5%	\$ 9,766,281,115.7	7.3%	\$ 14,578,614,868.98	7.3%
2021-2023	\$ 101,896	7.0%	\$ 16,936,345,565	0.2%	\$ 9,789,489,731.0	0.2%	\$ 15,598,611,202.94	7.0%
2023-2025	\$ 112,040	10.0%	\$ 18,447,263,785	8.9%	\$ 10,662,825,619.3	8.9%	\$ 17,151,491,708.97	10.0%
Totals		251%	\$ 135,892,197,243	278%	\$ 95,545,335,602	123%	\$ 133,976,204,644.14	219%
Average Growth		11.3%		12.4%		6.9%		
Since 2011-2013		10.2%		14.9%		7.0%		
				Total Savings	\$ 40,346,861,641		\$ 1,915,992,599	
				Per Resident	\$ 51,726.75		\$ 2,456.40	

If budget growth had matched personal income growth total savings since 2001-2003 would have been nearly \$2 billion. Adjusting for the years where the legislature held budgets lower than that growth would have resulted in over \$40 billion in savings for North Dakota's residents.