

**Organizational and Orientation Session
December 6, 7, 8, 2004**

JOURNAL OF THE HOUSE

Fifty-ninth Legislative Assembly

Bismarck, December 8, 2004

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

The prayer was offered by Pastor Allen Wagner, First Lutheran Church, Bismarck.

The roll was called and all members were present except Representatives Galvin, Maragos, and Price.

A quorum was declared by the Speaker.

MOTION

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

ANNOUNCEMENT

SPEAKER KLEIN ANNOUNCED that the House will be on the Seventh Order of business.

REPORT OF PROCEDURAL COMMITTEE

MR. SPEAKER: Your procedural **Rules Committee (Rep. Kretschmar, Chairman)** recommends that the House and Joint Rules of the Fifty-eighth Legislative Assembly, as adopted on Wednesday, December 4, 2002, and published in the 2003 Senate and House Rules and Committees book, except for Joint Rule 303, and amended on Thursday, January 23, 2003, with the following new rules and amendments, be adopted as the permanent rules of the House for the Fifty-ninth Legislative Assembly, and that the reading of this 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:

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

Assistant Chief Clerk	1
Chief Committee Clerk	1
Appropriations Committee Clerk	1
Bill Clerk	1
Calendar Clerk	1
Assistant Appropriations Committee Clerks	3
Committee Clerks	10
Chief Page and Bill Book Clerk	1
Assistant Committee Clerk	1
Deputy Sergeant-at-Arms	1
Legislative Assistant - Information Kiosk Attendant	1
Legislative Assistant - Desk Page	1

Persons holding Group B positions must be appointed by the party having a majority of the members-elect, acting by and through the Employment Committee. Unless otherwise

determined by the Employment Committee, the Information Kiosk Attendant position alternates between the houses every other legislative session.

Group C

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

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

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

The powers, duties, and qualifications for each officer or employee are as provided by law, these rules, and the Legislative Handbook for North Dakota Legislators and Employees.

SECTION 2. AMENDMENT. House Rule 321 is amended as follows:

321. VOTE BY MEMBERS. Every member who is present, before the vote is announced from the chair, shall vote for or against the question before the House, unless the House excuses the member. A member cannot cast a vote on behalf of another member unless the vote is cast according to verbal instructions announced to the House by that other member while in the chamber. However, any member who has a personal or private interest in any measure or bill shall disclose the fact to the House and may not vote thereon without the consent of the House. A "personal or private interest" is an interest that affects the member directly, individually, uniquely, and substantially.

SECTION 3. AMENDMENT. Subsection 3 of House Rule 401 is amended as follows:

- Any bill or resolution may be introduced after the organizational session adjourns and before the convening of the regular session by prefiling the bill or resolution with the office of the Legislative Council. The Legislative Council shall number ~~and deliver~~ those bills and resolutions ~~to the Chief Clerk. The Speaker may assign prefiled bills and resolutions to committee and may, identify the sponsoring committee as assigned by the Speaker, arrange, before the convening of the regular session,~~ for the posting of notice of hearing, and deliver those bills and resolutions to the Chief Clerk. Prefiled bills and resolutions may not be withdrawn, except on the floor of the House in the manner provided by the rules. Prefiled bills and resolutions are not confidential.

SECTION 4. AMENDMENT. House Rule 501 is amended as follows:

501. STANDING COMMITTEES.

- The Committee on Committees consists of ~~eight~~ ten members. The Majority Leader, by virtue of office, is a member of the committee and shall serve as its chairman. The Speaker, by virtue of office, is a member of the committee and is the vice chairman of the committee. The Majority Leader shall appoint ~~three~~ five other members from the majority party and three members from the minority party to the committee. The committee shall appoint standing committees concerned with matters in the fields as indicated and procedural committees.
- The five-day standing committee is Appropriations: (23 members)

Bills and resolutions referred or rereferred under House Rule 329. Except for the committee chairman, each member of the committee must be appointed to one of the following divisions of the committee:

- Education and Environment.
- Government Operations.
- Government Performance.

- e. d. Human Resources.
3. The three-day standing committees are:
- a. Education: (14 members)
Public Schools; Libraries; Institutions of Higher Learning.
 - b. Finance and Taxation: (14 members)
Public Debt; Taxes and Tax Laws.
 - c. Human Services: (~~13~~ 12 members)
Human Services; Public Health; Public Safety.
 - d. Industry, Business and Labor: (14 members)
Banks and Banking; Corporations; Insurance; Matters pertaining to Private Business and Industry; Workers' Compensation; Unemployment Compensation; Labor Laws and kindred subjects.
 - e. Judiciary: (~~13~~ 14 members)
Elections and Election Privileges; Judiciary.
4. The two-day standing committees are:
- a. Agriculture: (13 members)
Agriculture; Livestock; Drainage and Irrigation; Warehouse and Grain Grading.
 - b. Government and Veterans Affairs: (14 members)
State and Federal Affairs; Government Pensions and Benefits; Military and Veterans Affairs; Industrial Commission and institutions under its supervision; State Historical Society and State Parks.
 - c. Natural Resources: (~~14~~ 13 members)
Game and Fish; Public Lands; Mines and Mining; Gas and Oil; Forestry.
 - d. Political Subdivisions: (~~14~~ 13 members)
Cities; Counties; Townships; Park Districts; Apportionment.
 - e. Transportation: (~~13~~ 15 members)
Highways and Bridges; Railroads; Motor Vehicles; Airlines and Airports.
5. The procedural committees are:
- a. Arrangements for House Committee Rooms, to consist of three members.
 - b. Correction and Revision of the Journal, to consist of five members.
 - c. Delayed Bills, to consist of five members.
 - d. Employment, to consist of five members.
 - e. Inaugural Planning, to consist of three members.
 - f. Rules, to consist of seven members.
6. The Constitutional Revision Committee consists of seven members appointed in the same manner as the members of other standing committees are appointed. The committee meets on Wednesday of each week at three p.m. in the Prairie Room or at the times and places called by the chairman. The Speaker shall refer

to the committee all resolutions proposing amendments, additions, or repeals to the Constitution of North Dakota or the United States Constitution.

SECTION 5. AMENDMENT. House Rule 502 is amended as follows:

502. LIMITATIONS ON COMMITTEE MEMBERSHIP. Each member shall serve on two standing committees, not including the ~~Joint~~ Constitutional Revision Committee, except the Speaker and the Majority Leader, who may not serve on any standing committee, the Minority Leader, who may be appointed to any standing committee, including the ~~Joint~~ Constitutional Revision Committee, by the Committee on Committees, and all members of the Appropriations Committee, who may not serve on any other standing committee, including the ~~Joint~~ Constitutional Revision Committee. No member of the House may be appointed to more than one 3-day and one 2-day committee. The Speaker and the Majority and Minority Leaders may participate in all standing committees but may not vote therein except that the Minority Leader may vote on any committee to which the Minority Leader has been appointed.

SECTION 6. AMENDMENT. House Rule 504 is amended as follows:

504. COMMITTEE MEETINGS.

1. The Appropriations Committee meets on Monday, Tuesday, Wednesday, Thursday, and Friday of each week.
2. The three-day committees meet on Monday, Tuesday, and Wednesday of each week.
3. The two-day committees meet on Thursday and Friday of each week.
4. Any committee that meets on Wednesday and which has a member who is also a member of the ~~Joint~~ Constitutional Revision Committee may not take any substantive action during the time the ~~Joint~~ Constitutional Revision Committee meets.
5. The chairman of any committee, or a majority of that committee, may call meetings at times and on other days as deemed necessary.
6. The Constitutional Revision Committee meets on Wednesday of each week at three p.m. in the Prairie Room or at the times and places called by the chairman.

SECTION 7. 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 ~~or~~ 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 Council 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 Council 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.

SECTION 8. 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 they wish to have introduced no later than the close of business on the day after the adjournment of the organizational session. Each 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 shall file with the Legislative Council those bills 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 those 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. The Legislative Council shall number and deliver bills filed 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 9. AMENDMENT. Subsection 2 of Joint Rule 603 is amended as follows:

2. The Legislative Council shall determine the number of copies of each bill and resolution engrossed under Senate Rule 335 and House Rule 335 to be printed ~~on request of~~, as well as the number to be printed when requested by the Secretary of the Senate or Chief Clerk of the House. After the initial order is printed, the supervisor of the bill and journal room may order additional copies to be printed to meet demand.

SECTION 10. AMENDMENT. Subsection 3 of Joint Rule 1001 is amended as follows:

3. Membership in the Legislative Assembly is not a full-time occupation and is not compensated on that basis. ~~Membership~~ Continued membership is in two-year or four-year terms on an elected-term basis, requiring each member to recognize and contemplate that election will not provide any career tenure. These characteristics ensure that each member is rooted to a community and that legislation reflects the needs and values of citizens.

MOTION

REP. KRETSCHMAR MOVED to adopt the permanent rules, which motion prevailed.

REPORT OF PROCEDURAL COMMITTEE

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

**2005 NORTH DAKOTA LEGISLATIVE ASSEMBLY
HOUSE STANDING COMMITTEES**

Appropriations Committee

Committee Chairman - Svedjan
Vice Chairman - Timm

Education and Environment Division

Committee Chairman - Martinson
Vice Chairman - Brusegaard
Rennerfeldt
Wald

Aarsvold
Gulleson

Government Operations Division

Committee Chairman - Carlisle
Vice Chairman - Timm

Williams
Kroeber

Kempenich
Thoreson

Government Performance Division

Committee Chairman - Carlson
Vice Chairman - Skarphol
Monson

Glassheim

Human Resources Division

Committee Chairman - Delzer
Vice Chairman - Pollert
Bellew
Wieland

Kerzman
Metcalf

Education Committee

Committee Chairman - R. Kelsch
Vice Chairman - D. Johnson
Haas
Hawken
Herbel
Horter
Meier, L.
Norland
Sitte
Wall

Hanson
Hunskor
Mueller
Solberg

Finance and Taxation Committee

Committee Chairman - Belter
Vice Chairman - Drovdal
Brandenburg
Grande
Headland
Iverson
Nicholas
Owens
Weiler
Wrangham

Conrad
Froelich
Kelsh, S.
Schmidt

Human Services Committee

Committee Chairman - Price
Vice Chairman - Kreidt
Damschen
Devlin
Nelson
Pietsch
Porter
Uglen
Weisz

Kaldor
Potter
Sandvig

Industry, Business and Labor

Committee Chairman - Keiser
Vice Chairman - N. Johnson
Clark
Dietrich
Dosch
Froseth
Kasper
Nottestad
Ruby
Vigesaa

Amerman
Boe
Ekstrom
Thorpe

Judiciary Committee

Committee Chairman - DeKrey
Vice Chairman - Maragos
Bernstein
Boehning
Charging
Galvin
Kingsbury
Klemin

Delmore
Meyer, S.
Onstad
Zaiser

Koppelman
Kretschmar

Agriculture Committee

Committee Chairman - Nicholas
Vice Chairman - Kingsbury
Belter
Brandenburg
Damschen
Headland
Kreidt
Uglen
Wall

Boe
Froelich
Mueller
Onstad

Government and Veterans Affairs Committee

Committee Chairman - Haas
Vice Chairman - Grande
Boehning
Froseth
Galvin
Horter
Kasper
Klemin
Meier, L.
Sitte

Amerman
Conrad
Potter
Sandvig

Natural Resources Committee

Committee Chairman - Nelson
Vice Chairman - Porter
Charging
Clark
DeKrey
Drovdal
Johnson, D.
Keiser
Norland
Nottestad

Hanson
Hunskor
Kelsh, S.
Solberg

Political Subdivisions Committee

Committee Chairman - Devlin
Vice Chairman - Herbel
Dietrich
Johnson, N.
Koppelman
Kretschmar
Maragos
Pietsch
Wrangham

Ekstrom
Kaldor
Zaiser

Transportation Committee

Committee Chairman - Weisz
Vice Chairman - Hawken
Bernstein
Dosch
Iverson
Kelsch, R.
Owens
Price
Ruby
Vigesaa
Weiler

Delmore
Meyer, S.
Schmidt
Thorpe

Constitutional Revision Committee

Committee Chairman - Koppelman
Vice Chairman - Kretschmar
Kasper
Klemin
Meier, L.

Conrad
Sandvig

MOTION

REP. MONSON MOVED that the report of the Committee on Committees be adopted, which motion prevailed.

MOTION

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

JOINT SESSION

The Joint Session of the House and Senate convened at 9:55 a.m. with Speaker Klein presiding.

MOTION

REP. MONSON MOVED that a committee of two be appointed to escort the Honorable Lt. Governor Jack Dalrymple to the rostrum, which motion prevailed.

SPEAKER KLEIN APPOINTED Reps. Maragos and Glassheim to the escort committee and Lt. Governor Dalrymple called the Joint Session to order.

MOTION

REP. MONSON MOVED that a committee of four be appointed to escort the Honorable John Hoeven, Governor, to the rostrum and First Lady, Mikey Hoeven, to a special reserved seat in the chamber and that Governor Hoeven's remarks, as submitted to the front desk, be printed in the Journal, which motion prevailed.

THE CHAIR APPOINTED Senators Hacker and Seymour and Representatives Martinson and Hanson to the escort committee.

**Governor John Hoeven
2005-2007 Budget Message
December 8, 2004**

Good morning. I wish to welcome the members of the 59th North Dakota Legislative Assembly, elected officials, cabinet members, state employees, First Lady Mikey, and my fellow North Dakotans.

I also want to acknowledge our men and women in uniform, those who are with us today, and those who are defending our nation overseas. Thank you, from the bottom of our hearts, for your service to our state and to our country.

Today, I am pleased to present the executive budget for the 2005-2007 biennium.

First, I want to recognize the Office of Management and Budget, our state agencies, and my staff for their hard work and diligence in construction our new budget.

Our work has produced a responsive - and fiscally responsible - budget for the people of North Dakota. Thank you to all who have worked so hard on it.

Let me summarize the core of our budget:

- Our budget is conservative. It includes a rainy day fund of more than \$60 million, one of the largest we've ever had.
- Our budget invests in the future of our state to continue the growth of our economy and expand the opportunities available to our citizens.
- Our budget provides for the basic needs of our citizens, who need our help and deserve our support.
- And our budget includes no tax increases.

For the past four years, we have made expanding our economy and creating good paying jobs priority number one.

In the 2001 session, we created a Department of Commerce to streamline our economic development resources and provide one-stop shopping for businesses.

We have forged a statewide economic development strategic plan, which has targeted industries where North Dakota has natural advantages - industries like value-added agriculture, energy, advanced manufacturing, technology and tourism.

We have simplified our corporate income tax, created a variety of new tax incentives to promote economic growth, improved our regulatory environment, and created one of the most competitive business climates not only in America, but in the world.

To make our business climate more widely known, we have launched the most aggressive campaign in our state's history to market North Dakota as a great place to live, work, and do business.

The results are a matter of record.

- Over the past four years, we have balanced our budget when other states couldn't.
- Forty-seven states faced deficits and raised taxes by almost \$10 billion. Many of them, like Minnesota, still face deficits, forcing them to make tough choices between reducing services and raising taxes.
- Here in North Dakota, through aggressive economic development efforts, and with the hard work of people across our state, we have grown and expanded our economy.
- Last year, we led the nation in per capita income growth, and our wage growth was the second fastest in the nation.
- We were the only state in America where household income grew and poverty declined.
- We created jobs when other states lost jobs, and growing sales and income tax revenues reflect a growing economy and a rising standard of living for our citizens.

The results of our sound fiscal management and aggressive economic development efforts were recognized this November by Moody's Investor Services.

Moody's, which rates states' credit worthiness nationwide, has just raised our state's bond rating from Aa3 to Aa2.

This upgrade in North Dakota's credit rating further demonstrates that our approach is producing solid economic and fiscal gains for our state, as well as new opportunities for our people.

We have done these things together, and to our legislators, I say thank you. But, there is more to do.

For the next biennium, we have advanced three priorities in our budget:

- First, to exercise sound fiscal management that will help to ensure the financial health of our state for years to come.
- Second, to stimulate solid, sustainable economic growth for the future.
- Third, to provide for the basic needs of the people who need our help and deserve our support, including our seniors, our children, and our veterans.

We've made progress on all these fronts, but now we need to take our efforts to the next level.

Working together, we can build a brighter future for the people of North Dakota.

GOOD FISCAL MANAGEMENT

Due to our more dynamic economy and good fiscal management during the current biennium, our ending balance will be about \$127 million.

That includes the one-time \$50 million fiscal relief and represents the largest ending balance in 20 years.

In addition, our forecast for the 2005-2007 biennium contains about \$82 million more in revenue growth over this biennium's income. We also have \$41 million growth in the oil trust fund.

As good stewards of the taxpayers' money, we have looked carefully at our revenues and our expenditures to make sure we are spending within our means, and that we have healthy reserves going forward.

To meet our goal, our reserves, or rainy day funds, total more than \$60 million. That includes a \$10 million ending fund balance, \$41 million in the oil trust fund, and \$10 million in reserves at the Bank of North Dakota.

At the same time, we are proposing to further strengthen BND's capital structure. We recommend raising the floor on the Bank's statutory capital level from \$140 million to \$150 million.

With these substantial reserves in place, we are left with about \$200 million of revenue growth to invest in vital services and growing our economy.

Revenues and reserves, of course, are only part of the picture. The other part is expenditures, and we do have significant additional costs.

Due to North Dakota's growing economy and per capita income, our state has had to assume a larger share of the cost of Medicaid.

That increased share amounts to \$32 million next biennium, an amount equal to the reduction of our federal Medicaid match, or FMAP. In other words, we must replace federal dollars we will no longer receive with state dollars.

Also, the budget includes one-time expenditures of \$11.9 million, and increased funding of more than \$16 million for the legislative and judicial branches, as required by law.

As good stewards of the taxpayers' money, however, we have been careful to ensure that projected revenue growth will exceed the rate of growth in expenditures. Ongoing revenues - that is, revenues excluding transfers - are projected to grow at a rate of 4.3 percent annually.

When we adjust for costs we can't control - like the loss of federal funds for Medicaid, legislative and judicial increases, and committed one-time expenditures - we find we have growth in spending of just 3.6 percent per annum, well below our projected growth of 4.3 percent for revenues.

Also our budget also doesn't rely on reserve funds. Our only significant transfer is \$16.9 million from the health care trust fund for nursing homes. This is half of what we used last biennium, and we are using it for its dedicated purpose - nursing homes.

Having budgeted conservatively - with revenues exceeding expenditures, and a prudent reserve going forward - we now have the resources we need to further invest in our priorities.

Working together, we can build a brighter future for North Dakota.

INVESTING TO GROW OUR ECONOMY

Investing to grow our economy begins with education.

EDUCATION

A world-class education system encompasses K-12 and Higher Education, but also more broadly, Career and Technical Education, lifelong learning, Workforce Development, and job force training.

K-12 Education

Our budget dedicates an increase of \$37.5 million to K-12 education in the next biennium and fulfills the first installment of our plan to increase support for education by \$75 million over the next four years.

Our plan for K-12 education has three main components: first, to further improve teacher compensation; second, to achieve greater funding equity among schools; and third to provide schools and districts with the funding they need to share resources and economize on costs.

Teacher Compensation

We need to attract and retain the best and brightest teachers to prepare a new generation of North Dakotans for the jobs and opportunities of the future. To do that, we are targeting 70 percent of all state aid and Tuition Apportionment dollars for increased teacher compensation.

We will also introduce legislation to raise beginning teacher salaries by \$1,500 each year of the biennium.

Our ultimate goal is to see this work through the salary schedule to increase average teacher compensation by at least \$3,000 over two years.

Improving School Equity

To improve school funding equity, we are proposing a series of measures:

- First, we propose a 50 percent increase in supplemental payments, increasing our commitment - from \$5 million to \$7.5 million.
- Second, we propose a change in the weighting factors, so that no school, regardless of size, will get less than 100 percent of its authorized per pupil payment.
- Third, we have simplified the weighting-factor categories to group schools according to their appropriate peer group, and thereby provide greater fairness.
- And fourth, we have increased payments to address the unique needs of schools that meet the statutory definition for small and isolated to further achieve equity.

Joint Powers Agreements

In addition to improving equity, we can also do more with Joint Powers Agreements.

Cooperation and sharing among school districts multiplies resources and provides more and better education experiences for our children.

To help school districts further the effort we began last session, we are proposing \$2 million in state support for Joint Powers Agreements.

JPA's not only provide school districts with a blueprint for increasing efficiency and improving curriculum, but also help to reduce the pressure on local property taxes.

These agreements have demonstrated their ability to create educational opportunities for our children and cost savings for our school districts.

JPA's are the most promising plan we have seen to leverage school resources for the benefit of our students.

We call our plan the Quality Schools program, and believe it will become worthy of more funding in the coming years.

Career and Technical Education

In addition to traditional education, to truly benefit from the opportunities created by our growing and increasingly diverse economy, we must continue to build a workforce with the technical skills and training that they need to compete in a world economy.

Technology, in fact, is a common thread throughout all of the industries we've targeted for growth in North Dakota.

We have, therefore, recommended a total of \$5.7 million for Career and Technical Education, information technology training and services, and continued funding for online resources at our libraries and K-12 schools.

This includes funding for STAGEnet - the state's voice, video, and data network; for Educational Technology Council grants; and for the state's K-12 High Tech Consortiums, which pool resources, equipment, and curriculum to make them available to more North Dakota students.

Higher Education

Working to build the best educational system means committing more resources to higher education as well.

There is broad agreement on the importance of our state's higher education system - as a source of both personal enrichment and economic vitality for the future of North Dakota.

Last biennium we called upon our campuses to be partners with us in economic development.

We asked them to leverage state, federal and private resources to drive economic growth and jobs, to provide excellence in education, and to train our young people for higher paying jobs - the careers of the future.

As a result, today they are planning new and innovative career paths for students, and partnering with private industry and government at all levels to help us build a brighter future right here in North Dakota.

For the next biennium, in order to take our efforts to the next level, we are proposing an increase of almost \$29 million in core funding for the North Dakota University System.

This significant increase follows the recommendation of the Higher Education Roundtable that funding for our campuses grow as our economy grows.

We propose to fund our university system at a level equal to 21 percent of recurring revenues, which will help to keep tuition and the cost of a college education affordable for all.

Centers of Excellence

To expand and strengthen the bridge between our universities and the business community, we are proposing a significant expansion of our **Centers of Excellence** initiative as a \$50 million, multi-biennium program with the Bank of North Dakota.

BND will be repaid through funding from the Department of Commerce, and we have included \$5 million in that agency's biennial budget for that purpose.

The state's funding authority would be matched with resources from the private- and public-sector to create up to \$150 million for development of **Centers of Excellence** on campuses throughout North Dakota.

Centers of Excellence bring everyone together to work on economic development - our campuses, business communities, local developers and students, as well as local, state and federal government partners.

Most importantly, **Centers of Excellence** mean better paying jobs, more dynamic campuses, and a more vibrant economy for communities all across our state.

It is an investment that will pay for itself many times over, and when you look at what other states are doing, it is an investment we must make or we will simply be left behind.

We look forward to working with legislators, our university system, our businesses, and community leaders to build these **Centers of Excellence**, and with them, a better standard of living and a brighter future for North Dakota.

ENERGY AND AGRICULTURE

At the same time, we need to continue our investments in energy and agriculture, two of the industries we've targeted for growth in North Dakota.

The fact is, energy in North Dakota is all around us, literally on the wind and in the land, and we are working hard to harness all of these sources for the good of our state and our nation.

Biofuels are the point at which value-added agriculture and energy development intersect.

In the coming biennium, we will continue funding for our ethanol incentive program, designed to boost both production and consumption of ethanol in North Dakota.

We will also continue to work with the Corn Council and other renewable fuel groups to develop additional means to encourage greater use of ethanol and biodiesel in North Dakota.

At the same time, we will also continue our work with Lignite Vision 21 to advance both wind and coal generated energy production in North Dakota.

So far, we have enrolled three major companies in Lignite Vision 21, a public sector, private sector joint venture to build new clean coal-fired power plants in the state.

Thanks in large part to the wind energy incentives we together put in place over the past two sessions, two major projects generating 60 megawatts of electricity have been completed in Edgeley and Kulm.

North Dakota Transmission Authority

The bottleneck in our efforts to expand both lignite and wind energy, however, is a lack of transmission capacity, which prevents us from getting our product to markets outside North Dakota.

Earlier this fall, we recommend that the Industrial Commission submit legislation to establish a North Dakota Transmission Authority.

This transmission authority would serve as a catalyst for new investment, provide low-cost financing to help North Dakota compete with surrounding states, and serve as a partner to investors, providing access to public sector financing not available otherwise.

Transmission is the key to unlocking our potential as a state for further development of our abundant sources of electricity, both wind and coal, and the creation of new, good paying jobs.

North Dakota Trade Office

Just as we seek solutions to growing our economy and creating good paying jobs within our state, we also need to look outward. We need to fully engage in the global marketplace.

To accomplish that, we have budgeted up to \$500,000 to leverage North Dakota products in foreign markets, and we ask North Dakota exporters and export service professionals to match that amount for a total of \$1 million.

Over the past year alone, North Dakota trade missions have reaped more than \$12 million in foreign sales of agriculture and manufactured products to Taiwan, Japan, Cuba and China.

The North Dakota Trade Office has provided a good return on our investment for North Dakota citizens, and now we need to expand our efforts in cooperation with the private sector to build on our initial successes.

Public Service Commission Rail Rate Complaint Case

As we expand our opportunities, both at home and abroad, in energy and agriculture, we will work on behalf of our agricultural producers to ensure fair trade and transportation practices.

On behalf of our shippers, especially our wheat farmers and elevator operators, we have budgeted \$900,000 for the Public Service Commission to press a rail rate complaint before the federal Surface Transportation Board.

Economic Development Accountability

As we expand our economic development efforts in all of these areas, we also need strong accountability measures.

In cooperation with legislators and North Dakota's economic development community, we will advance a plan to require the reporting of specific data regarding our progress.

To help us implement the plan, we have budgeted more than \$100,000 to gather, analyze and make available statistical data concerning economic development projects in North Dakota.

All of these investments - investments in education and training, **Centers of Excellence**, energy development, a transmission authority, value-added agriculture, and the North Dakota Trade Office - they all represent investments in building our economy, creating jobs, and building a better standard of living for our citizens. Working together, we can build a brighter future for North Dakota.

CARING FOR PEOPLE

Good financial stewardship and a commitment to economic development have provided our state with solid revenue growth.

As we take a portion of these revenues to reinvest in our state, we must also dedicate a portion to honor one of our most important obligations - taking care of our people in need.

That means:

- Providing for our elderly, our children, and people with disabilities.
- It means tax relief for our seniors.
- It means ensuring law enforcement agencies and courts have the tools they need to keep North Dakotans safe.

- It means providing a pay increase for state employees.
- And it means financial assistance to show our veterans and their families that we are grateful for the sacrifices they have made and are continuing to make for our state and our nation.

Veterans Benefits

America is at war, and in time of war, no one makes greater sacrifices than our military and their families.

We must find real and practical ways not only to say thank you, but also to help them and their loved ones get through challenging times.

To do that, we are proposing \$5 million for a Veterans Bonus Program to help those who have served in Iraq, Afghanistan, Somalia, Bosnia, Kosovo and here at home.

Our plan will provide \$100 for each month of overseas service, up to \$1,800, and \$50 for each month of domestic service, up to \$900. It also provides \$2,500 for Purple Heart recipients and for the families of those who made the ultimate sacrifice in the service of their nation.

Further, we are proposing another \$1 million in funding to expand the Tuition Assistance Program for National Guard members, doubling student aid from \$500 per semester to \$1,000, in addition to the 25 percent tuition discount provided by the University System.

Our men and women in the North Dakota military are making a tremendous effort for all of us, and we must do all we can to recognize their sacrifices.

Senior Security

We also recognize the need to take care of another group of North Dakotans to whom we owe so much - our seniors.

Our budget includes a range of initiatives we call Senior Security, which will not only say thank you, but will also make a real difference in the lives of the elderly.

Homestead Tax Credit

First, we propose to provide our seniors with property tax relief.

To do that, we are proposing more than \$3 million to enhance the Homestead Tax Credit for the elderly and those with disabilities.

Under the plan, homeowners 65 years of age or older would be eligible for a \$3,600 reduction in their home's tax valuation, depending on income and assets.

The maximum benefit would be raised from the first \$44,000 of a home's value to allow the full reduction on an \$80,000 house.

Seniors and people with disabilities under 65 who rent, rather than own, would also qualify, and receive a partial refund on their rent.

Social Security/Unemployment Insurance Offset

Also, we are proposing legislation to repeal the Social Security offset for unemployment insurance, which our seniors currently incur. The cost is about \$700,000.

Our retired seniors should not be penalized for continuing to participate in the North Dakota workforce. They should be treated fairly, like all other employees, for contributing their talents and experience to North Dakota.

Nursing Home Reimbursement Rates

Our budget recommendation for nursing homes is designed to maintain quality, cost-effective services for our seniors.

Working closely with industry leaders, our plan includes a new formula that works better for nursing homes and for the state.

First, we have agreed to compensation for direct care reimbursement based on the median percentile method plus a percentage, rather than the old cost-plus-a-percentage method.

Second, we have fully funded their operating margin and their incentive payments to promote greater efficiency.

And third, we will re-base nursing home reimbursement rates to reflect the industry's current cost structure.

Home and Community Based Care

In addition, our budget expands funding for seniors who can and desire to stay in their homes and communities. To help meet the needs of these seniors, we have increased funding for Home and Community Based Care.

It is money well spent, and well deserved.

Human Services and Medicaid

Further, it is vitally important that we adequately fund Medicaid to care for our poor and our elderly. Our Department of Human Services budget does just that.

The increase for the Department of Human Services budget includes \$32 million, which is the cost of making up the reduction in the federal share of Medicaid.

The balance of the increase for the Human Services budget will fund all current programs at existing eligibility factors.

It will also cover all costs not controlled by the department, such as rate setting rules, federal mandates, insurance premiums, and drug costs.

In addition, we have funded the replacement of the Department of Human Service's outdated Medicaid Management Information System at a cost of \$3.7 million, to be matched by more than \$25 million in federal money.

At the same time, our budget recognizes the needs of our medical professionals and organizations that provide Medicaid services.

To better support their efforts, we have included a 4 percent increase for all providers over the next biennium.

We have worked hard to find cost-effective ways to meet the growing costs of health care services faced by our state. It is truly a challenge, and we look forward to working with the Legislature to continue to meet that challenge.

Corrections and Public Safety

As our veterans and military protect our homeland, our law enforcement and corrections professionals protect our state.

Although North Dakota remains the safest state in the nation, we must never grow complacent. We are not immune from serious offenses.

Just over one year ago, our state and nation were outraged by the Dru Sjodin murder, and moved by the grief and dignity of her family in the aftermath of such a horrible crime.

Over the past year, we have held a series of task force meetings with corrections officials, law enforcement professionals, judges, prosecutors and other concerned citizens to see how we could strengthen our criminal justice system to better protect our citizens from violent criminals.

Although we can never ensure that such a terrible crime doesn't happen again, we can take aggressive steps to make sure that we have done everything possible to prevent it.

We must also meet the demands of a significantly larger and growing prison population.

Meeting these needs requires an increase of more than \$20 million in new money for our Department of Corrections budget, and more than \$3 million in our Human Services budget.

This funding will cover expanded monitoring of sex offenders, enhanced civil commitments in both the community and at the State Hospital, and an increased number of treatment officers and sex offender specialists at our prisons.

Our plan includes such measures as mandatory supervised probation and DNA testing for all felony sex offenders; enhanced sentencing for the most heinous sexual crimes; and enforcement of our tough standards for offenders who relocate from other states.

Our budget invests in the kinds of technology and treatment methods that will improve the safety of our citizens.

We propose to add three field service professionals to monitor sex offenders and five new sex offender specialists.

Our plan also includes funding to monitor sex offenders with Global Positioning System devices that can track an offender 24 hours a day, 7 days a week.

Enhanced treatment and monitoring not only reduce the risk to the public, but also reduce costs by cutting the recidivism rate and the need for prison beds.

In addition, we have proposed \$1 million in equity funding to address salary issues in the Department of Corrections budget.

State Employee Compensation

This brings us to the issue of our hard-working state employees.

All across our state, these employees work hard for the citizens of North Dakota, and they deserve an increase in compensation.

Last legislative session, we were able to absorb an increase in health care premiums for state employees, but they did not receive a salary increase.

We support following the recommendation of the State Employee Compensation Committee to allow an increase of four percent in each year of the 2005-2007 biennium.

The full four percent compensation increase is funded in the first year of the biennium and a three percent increase is funded in the second year of the biennium.

The additional one percent in the second year of the biennium can be provided by agencies to their employees, but they must find cost savings and efficiencies to fund it. This approach is both supportive of our state employees and prudent for taxpayers.

In addition, our budget follows the committee's recommendation to fully fund family health insurance premiums for state employees, as well as the establishment of a \$5 million state equity pool, split between the general fund and special funds, to address equity issues within state agencies.

State Aid Distribution

Finally, good fiscal management and a growing economy have also enhanced our ability to meet the needs of our cities and counties, and provide additional property tax relief.

In the current biennium, our cities and counties will have received \$4 million more in revenue sharing than was anticipated, and in the next biennium, they will see an additional \$4.3 million.

Improved state aid distribution, along with our proposed increase in state aid to education, will help reduce pressure on property taxes.

PLANNING FOR THE FUTURE

Caring for our people, investing in our future, and sound fiscal management are the principles we've built into our budget.

Today, I ask you join with me to summon the vision, leadership, and resolve to invest in the people of North Dakota - to invest in their talents, their ingenuity, their energy and their outstanding work ethic.

Wherever I travel in North Dakota - from Grand Forks to Williston to Crosby - from Fargo to Rugby to Dickinson - in large towns and small - I sense a new attitude:

- We can create more, good paying jobs and careers.
- We can grow and diversity our state's economy.
- We can build upon our state's agricultural and energy base.
- We can take our place as a state where technology, tourism, and advanced manufacturing thrive.

- We can retain our outstanding quality of life and use it to help us grow and prosper.
- And at the same time, we can provide for the needs of our people - without increasing their taxes.

Our budget is designed to unleash the potential of the people of North Dakota and ensure continued economic growth and opportunity.

Our time is now - together we can build a brighter future for our state.

Thank you, and may God bless North Dakota.

MOTION

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

THE HOUSE RECONVENED following the Joint Session.

MOTION

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

REP. MONSON MOVED that the House stand adjourned until 12:00 noon, January 4, 2005, which motion prevailed.

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

Bradley C. Fay, Chief Clerk

