

2025 State of the State Address
Gov. Kelly Armstrong
House chamber, State Capitol
Jan. 7, 2025

Good afternoon. Lieutenant Governor Strinden, Justices of the North Dakota Supreme Court, Mr. Speaker, members of the 69th Legislative Assembly, elected officials, tribal leaders, former Governor Schafer, Manitoba Premier Kinew, family and friends, and fellow citizens. Thank you for joining us today, and welcome.

Addressing you this afternoon as the 34th governor of the great state of North Dakota is the honor of a lifetime.

And to serve during this period of unprecedented opportunity in our state is a blessing.

As we begin this journey together, I think it is worth reflecting on just how far our state has come in a such a short amount of time.

Twenty years ago, our state's population was 634,000 people – that's 56,000 fewer residents than we had in 1930. In 74 years, we'd lost the equivalent of the city of Grand Forks.

Then, because of hard work, ingenuity and smart policy, our state was about to experience exponential growth because someone decided to take a risk and to try something new.

That "something" was horizontal drilling and hydraulic fracturing into the Bakken shale formation, revitalizing the long stagnant oil and gas industry in North Dakota.

Fast-forward to just a few weeks ago, the Census Bureau released its 2024 population estimate. North Dakota now has 796,568 people. Under our state's conservative leadership and pro-business policies, we've gained back the equivalent of the city of Grand Forks – not once, not twice, but three times over. North Dakota has gained over 162,000 people in 20 years – and we're not done yet. To quote Gov. Burgum and Gov. Dalrymple, and with credit to them as well as Governors Hoeven and Schafer – the State of the State is stronger than ever.

We are not the biggest state. We don't claim to be. We don't want to be. But the people of North Dakota have big hearts and big ideas, and we have always had the courage to try new things.

Summoning that courage is essential if we are going to solve some of our most pressing issues – first and foremost, property taxes.

Growing by that many people over 20 years is a good thing. People who previously had to leave to find opportunity can now build a career, build a family and build a life in North Dakota.

But a consequence of that growth is higher property taxes gnawing away at the wallets of North Dakotans who just want to stay in their homes and provide for their families.

Providing real property tax relief and real property tax reform must be No. 1 on our agenda.

But it's not the only thing on our agenda.

With rapid growth also comes the need for mental health services and the challenge of overcrowded jails and prisons making our streets less safe and our citizens more vulnerable. We need solutions, both short-term and long-term.

Regulations and bureaucratic growth that were necessary during a time of rapid economic expansion now run the risk of making us less competitive with other states for workforce and investment.

Solving these challenges will require us to embrace new approaches, to identify new solutions – again, to try new things.

I've been in this job just under a month, and I can tell you we have a lot of hardworking, dedicated people in state government. They come to work every day trying to make North Dakotans' lives better. As someone who spent the last six years in D.C., the federal bureaucracy could learn a lot from our dedicated North Dakota public servants.

At the same time, we need to recognize government doesn't create jobs. It doesn't create wealth. It doesn't create growth. The North Dakota people do.

Our mission should be to create a governing framework that allows our citizens to achieve these goals – allowing our risk takers to take risks and allowing our farmers, ranchers, energy producers ... our businesses owners big and small, to thrive.

That's the North Dakota I know and love. So, let's get to work and make that happen.

Our first job is no small task. For far too many North Dakotans, the dream of homeownership continues to slip away. Our property taxes are too high.

Over the past year, I've spent time with constituents across our state, from east to west, in ag towns and oil towns ... in communities large and small. And I can say with full confidence that property tax is their top priority – and it should be ours.

In recent years, the State has played an ever-expanding role in trying to reduce the property tax burden through mill buydowns, shifting the cost of social services from local to state, growing the funding share of K-12 education to 80%, and approving a 500-dollar primary residence property tax credit last session.

Like it or not, the state is involved in property taxes. And, to be honest, it hasn't worked. I was here. I voted for some of those bills. But it really is the worst kind of policy. It's incredibly expensive, and people are as frustrated as they've ever been.

And I know you all know this, because there have been over 50 different bills introduced this session. But we cannot have paralysis by analysis.

We need to act now to provide real property tax relief and real reform.

This is not an unsolvable problem. We've been meeting with legislators since June to listen to their ideas and develop a property tax plan.

Our job is to focus on a proposal that incorporates these ideas into the most significant relief and reform package possible. I especially want to thank Leader Hogue and Leader Lefor for helping us facilitate so many of these conversations.

Recognizing the frustration of our constituents and using the expertise and background of our legislators, we are offering the most aggressive, durable and responsible plan to reduce property taxes that has ever been proposed. While the different elements are

familiar, the overall framework is unique, because in order to solve an old problem, we need to try new things.

First, the reform:

Buying down property taxes without reform has not worked. The definition of insanity is doing the same thing over and over again, and expecting a different result.

But we should not put an artificial cap on increases in property values. Those increases are based on what the market is willing to pay, and government should not interfere. People's homes are worth more money than they used to be, and that's a good thing, benefitting homeowners, our communities, and the entire state.

However, we can – and we should – put a cap on future increases in local property tax budgets. Today we are proposing a 3% cap on growth. If the entire 3% isn't used, the remainder of it can be carried over for up to 5 years. This will encourage cities, counties, schools, and park districts to budget prudently and plan ahead.

And to those who say the state shouldn't be capping local budgets: When this package is approved, the state will be paying over 50% of the local share of property taxes. We absolutely have a say in their budget growth.

Now, the relief:

In neighborhoods across the state, citizens say the biggest burden is the property tax on their primary residence. Homeowners are getting squeezed at an unsustainable rate.

First, we propose increasing the existing primary residence credit from 500 dollars to 1,000 dollars per year, at a cost to the general fund of 310 million dollars. In addition, we will create a primary residence classification so this relief will become automatic and not require homeowners to file for a credit.

Second, our plan will use a dedicated stream of Legacy Fund earnings to provide additional funds to the primary residence credit. This stream will grow as the fund grows, giving every North Dakota homeowner a direct stake in the overall success of the Legacy Fund.

The total combined primary residence relief will be 1,550 dollars per year for the next biennium and at least 2,000 dollars per year in the following biennium. Combined with

the 3% cap, the Legislature will deliver significant relief that will grow exponentially faster than your property tax bill.

The sustainable part of our plan is that when the Legacy Fund earnings stream grows to more than 2,000 dollars per year, every additional dollar will be split evenly between more property tax relief and decreasing the ongoing general fund expense of providing that relief.

This will eventually lower the general fund's ongoing cost to zero, ensuring we don't saddle future legislatures with having to fund this tax relief. As the Legacy Fund grows, it will eventually cover the entire cost of this plan.

As I said earlier, this plan is aggressive, durable and responsible, meaning it can survive market swings, because our state's economy is still driven by commodities. This plan will work even if oil is at 55 dollars a barrel and soybeans are at 6 dollars a bushel.

Homeowners will see a significant, immediate impact. Combined with the expanded Homestead Tax Credit, the initial 1,550 dollars will eliminate property taxes for an entire class of homeowners who need it the most. And it will put the bulk of primary residences on a path to zero within the next decade.

Our workforce recruitment efforts will benefit. Thanks to the historic income tax relief you all passed last session, combined with our pro-business environment and high quality of life, our low property taxes will make North Dakota an even better place to live, work and raise a family.

In keeping with the theme of trying new things, I urge my friends in the Legislature to make this property tax plan one of the first pieces of legislation you send to my desk, because it will affect every other aspect of the budget.

We can afford it. The people of North Dakota are demanding it. This plan is real relief and it is real reform. It's responsible, achievable, and durable. It creates Legacy Fund buy-in. And it is the single most impactful thing we can do for the citizens of North Dakota this session. Let's get it done.

This property tax plan will be the main difference in our executive budget we will deliver to you next week, but it won't be the only one.

We've spent our first three weeks in office carefully evaluating spending to provide the highest R-O-I possible for our taxpayers.

And to be honest, I'm worried less about spending more, and I'm worried less about spending less. What I am concerned about is spending smarter – making sure our past promises and our current priorities are covered.

Because property taxes are far from the only challenge we need to address.

Some of you were lucky enough to know my grandmother, Myrt. She dedicated her life to the service of others, leading the Mental Health Association of North Dakota for over 25 years.

Myrt led with her heart. She was the nicest bully I ever knew. <laughter> She was a force to be reckoned with, and she wasn't afraid to try new things to help those struggling with their mental health. And she did this at a time when we didn't talk about mental health the way we talk about it now. It's a tough issue to deal with today; it was a real tough issue to deal with in 1985.

She once said, "In this kind of work we are constantly risking it all, constantly setting out in uncharted waters. Even in brief moments of victory, we know we cannot rest, because the pain of those for whom we struggle – our fuel and our focus – is always there with us."

Myrt would have been proud of the progress we've made in North Dakota. The work of former First Lady Kathryn Burgum through Recovery Reinvented, and the Behavioral Health Division at D-H-H-S, has laid a foundation for eliminating the shame and stigma of addiction and helping individuals find hope in recovery.

From the successful Free Through Recovery program to the training of 1,200 peer support specialists, North Dakota has made major strides.

We want to build on that progress – and we want to take it to the next level.

That's why I am announcing today that we are creating a new cabinet position, Commissioner of Recovery and Re-entry. To fill this position, I've appointed Jonathan Holth, who is in long-term recovery and most recently served as director of Recovery Reinvented.

The goal of this position will be to operationalize the relationships between the Legislature, DOCR, county jails, law enforcement, the judicial system, our tribal partners, addiction counselors, and everybody else who cares about providing services to the people in our communities who need them the most.

We must take an all-of-government approach to the challenges of addiction and behavioral health. Thank you to my friend Jonathan for embracing this leadership role.

Our jails are full. We need to address the overcrowding in our correctional system. We cannot build our way out of this. We need an approach that's smart on crime, not soft on crime. Finding practical solutions that will increase access to services while reducing the reliance on our jails and prisons as treatment centers is a top priority of our administration.

But we absolutely need a more immediate solution. We commend the Legislature and the previous administration for securing funding for a new Missouri River Correctional Center, a women's correctional center and the State Hospital. There is also a proposal to expand the State Penitentiary, but at the earliest, those beds would not be available until 2030.

By "more immediate solution," I mean as soon as possible. By the time we deliver our budget address next week, we plan to announce a tangible, turnkey solution to DOCR's overcrowding.

As both a state senator and a congressman, I've pushed for criminal justice reform that moves addiction and recovery resources upstream – investing in diversion and deflection programs on the front end of the justice system in order to spare taxpayers the enormous costs on the back end, and utilizing technology and pretrial services to encourage less pretrial detention at the county level.

That's why we are going to robustly fund Free Through Recovery and Community Connect. These programs are important because they provide services with the resources we have, not the resources we wish we had.

By making better use of these services, we will free up our prison and jail beds, we will save taxpayers money, we will ensure that we have the space to lock up the most serious offenders, and, most importantly, we will keep our communities safe.

Agriculture and energy form the bedrock of our economy in North Dakota.

We feed and fuel the world, and we do it better, cheaper and safer than anyone else.

What we do in North Dakota is really important to us. But it is also really important to everybody else. People who once demonized our way of life now want what we have.

Under the Trump administration, we have a tremendous opportunity to reset the national narrative on production agriculture, dispatchable energy, and ESG. We owe it to our farmers, ranchers and energy producers to engage in this fight. We owe it to our citizens to defend our way of life. We owe it to the rest of the country, and really the rest of the world, to be the grown-ups in the room.

With support from the Legislature and in coordination with Attorney General Wrigley, we will be aggressive in our legal strategy, we will continue to push back against federal bureaucracy that does nothing to make our food safer or our energy cleaner but makes everything more expensive and stifles our ability to grow.

We created the pro-business environment for the energy industry to come here – to take risks and try new things.

There is nothing particularly special about the Bakken versus other shale formations. The difference was that the North Dakota Legislature created a regulatory framework that incentivized those risk-takers to try those new things right here in North Dakota.

We've done it before. It worked. We need to do it again.

For all of the advancements in energy production – we're producing 1.2 million barrels per day – we are still leaving over 80% of oil in the ground. And if we do things exactly the same way we're doing them now, we will always leave 80% of the oil in the ground.

For all the political and ideological sparring around C-0-2, its greatest attribute to the state of North Dakota is its utilization in enhanced oil recovery.

Crafting policy that encourages companies to crack that code is essential to creating generational wealth for kids in North Dakota who haven't even been born yet.

We can't forget where that wealth comes from.

Oilfield work is tough work. It's long hours, early mornings and late nights. Ten percent of every one of those worker's days goes to fund public education, tax relief, infrastructure projects, flood protection, airports, hospitals, and pretty much everything in between.

It's why we have over 12 billion dollars in the Legacy Fund and over 7 billion dollars in the Common Schools Trust Fund – the benefits of which will far outlast any of us in this room.

In addition, to ensure the longevity of the Bakken, we need to offload our natural gas.

For as valuable as it is, natural gas is actually a detriment to our state budget because it limits our ability to grow. To reduce flaring and increase oil production, we need to move our gas, and we must work with industry to build out pipeline infrastructure.

We will continue to promote pro-agriculture policies, creating opportunities for value-added ag across the state.

A prime example of this is taking Red River Valley soybeans, crushing them in Spiritwood, and turning them into renewable diesel in Dickinson. Continuing to add value to our commodities benefits every farmer and rancher across the state.

These don't all have to be big projects. We should expand the Farm-to-School program, allowing local producers to feed local kids. Not only is it healthier, but it allows North Dakota students to learn about North Dakota agriculture.

Working together, we will promote more value-added products in agriculture. We will protect the backbone of our state against outside agitators who have no idea what it takes to feed an ever-hungrier world.

Nobody cares more about the future of North Dakota, our country and our land than our farmers and ranchers, and we will never stop fighting for them.

Using government services should be easy. We are going to refocus our efforts to be consumer-driven, meeting North Dakotans where they are.

In state government, we have 154 different boards and commissions. That's too many. Every single one comes with a price tag, even the volunteer boards.

My team has been working with Senator Roers and Representative Louser to shrink government by reducing the number of boards and commissions.

Senator Roers will be introducing a bill that will, among other things, create a task force to review all current boards and commissions. They will report back before the next legislative session on which boards can be dissolved, which boards can be combined, and which boards are essential to the core functions of government.

And to get this party started, this morning I signed an executive order to dissolve five of these groups that have not met in over a calendar year. It's not enough, but it's a pretty good start.

We spend a lot of time talking about North Dakota's natural resources. But we must never forget that our most important resource is right now sitting at a desk in classrooms all across the state.

We need to offer 21st century learning environments that engage students, expand educational opportunities and empower parents.

Our Career and Technical Education programs are an absolute gamechanger. Along with Gov. Burgum, you all put North Dakota on the national stage with the funding and construction of 13 CTE centers.

As the parent of a kid who goes to the Bismarck academy, I want to say thank you. I can personally attest that these schools have had a massive positive impact on our students and will develop the workforce our North Dakota businesses are starving for, so give yourselves a hand.

Our budget will support Education Savings Accounts – funding set aside for each student to direct toward services or tuition across our public, nonpublic or homeschool settings. The money follows the student, not the school, ensuring every student has the tools they need to prepare for college, a career or the military.

We also support building on the innovations and flexibility the Legislature approved with the previous administration. That includes providing the option to create public

charter schools, which are accountable to performance standards just like our K-12 public system. This policy change will create another choice for families when selecting the learning environment they feel is best suited for their child's needs.

With Lt. Gov. Strinden's leadership and our legislative partners, we can ensure every parent has the freedom and flexibility to choose the right educational plan for their child.

The single best workforce recruitment tool North Dakota has is our University System. As we go through this legislative session, there will be a lot of discussion about board governance and how we position higher ed to succeed. Because change is coming in this space.

We have to allow our institutions to adapt to the changing demographics and learning models, whether it's our two premier research universities at UND or NDSU or our nine other college campuses.

This conversation needs to start, and it needs to start now. We need to stop talking about closing campuses and refocus on how to make our institutions more responsive to our workforce needs. We don't want Mayville State, Valley City State or Dickinson State to just survive. We want them to adapt and thrive so that they can continue to benefit our students, our communities and the entire state.

One thing that hasn't changed is that Challenge Grants work. They leverage public funds with private dollars to support students with scholarships. They help keep North Dakota kids in North Dakota schools. That's why our budget increases the funding to 50 million dollars, which will drive 150 million dollars of investment in higher ed over the next two years.

We know we have challenges, but they aren't insurmountable.

The legislature has invested heavily in housing, day care, workforce attraction and retention. We must evaluate how those resources are being spent, figure out what is working and what isn't, and streamline those programs and deploy them to communities large and small in a way that works for them. We need more solutions and fewer programs.

We spend a lot of time selling other people on what's good about our state. We have to do a better job of selling it to our own kids. If we can increase access to hunting, fishing and the outdoors, we can create an entire generation of North Dakotans who want to make this place their home.

North Dakota is a special place. Since its inception, it been home to risk takers. Climbing off a rock 3 miles up a fjord in Norway, packing everything you own into one trunk, getting on a boat and sailing halfway across the world to a place you've never been is not for the faint of heart.

The native people who made North Dakota home before the first immigrant ever got on a boat were tough. The people who settled here were tough. The people who live here now are tough.

We deal with blizzards, floods, tornadoes, wildfires, hail and drought. What most people call climate change, we call Tuesday.

Our families and communities have endured ice-cold winters and wind-swept summers, through good times and bad. And that resilience has persevered throughout our history.

It's a huge risk to plant a field in the spring not knowing if you'll have a crop to harvest in the fall.

It's a huge risk to start a brick-and-mortar business on Main Street in small town North Dakota.

It's a huge risk to invest millions of dollars in capital in a coal-fired power plant when way too many people demonize a power source they absolutely need.

It's also really important for us to remember that whether we're dealing with workforce, addiction, housing or infrastructure, it requires more than just a state response.

We need the collaboration of our tribal partners if we want our state to truly succeed. Their challenges are our challenges. Their successes are our successes.

I've been blessed to work with our tribal leaders during my last six years in Congress and I'm excited to continue that work with them from the Governor's Office.

One of the reasons North Dakotans are so willing to take these risks is because they know they don't take them alone. Our families, our friends, our communities are filled with the kindest, toughest, most generous people we know. We have each other's backs.

As we move forward this legislative session, we have a responsibility to our citizens to try new things so they can keep doing what they do best, which is taking care of each other.

We can provide property tax relief and reform.

We can continue to address the mental health challenges our most vulnerable people face.

We can continue to work on short-term and long-term solutions to our workforce, child care and housing challenges.

At the same time, we'll continue to support our law enforcement, our firefighters and our first responders – who literally have the toughest and most important jobs in each and every one of our communities.

And we'll continue to build on policy that makes North Dakota the most military-friendly state in the country.

North Dakota is not broken. It does not need fixing.

We are home to the best people on Earth. The State of the State is as resilient as its people.

As we navigate the next four months and the next four years, our sole focus should be to make their lives easier. To promote policies that make North Dakota the best place to live, work and raise a family.

I am humbled and honored to be standing here as the 34th governor of this great state. Thank you for allowing me to address you today. God Bless you and may God continue to bless the State of North Dakota.
