

## 2025-2027 EXECUTIVE BUDGET ADDRESS

Gov. Doug Burgum

December 4, 2024

### **INTRO**

Thirty-eight years ago in 1986, on this same day, Dec. 4, lawmakers were gathered here, in this same room, much as we are today – except that instead of an organizational session, the Legislature was called back to Bismarck for a special session by then-Gov. George Sinner.

The reason for the special session? To make off-year budget cuts, and to pass “revenue enhancements” – that’s code word for raising taxes – to avoid ending the budget cycle with a \$27.7 million deficit (about \$80 million in today’s dollars).

This budget emergency happened in the wake of the devastating 1980s farm crisis, when North Dakota’s agriculture and energy industries were hammered with high interest rates and crippling debt, depressed farmland values and plummeting oil prices that caused the state’s oil boom to go bust.

It was a time of scarcity. To cover the revenue shortfall, lawmakers raised the individual income tax rate to 14%, AND raised state sales tax and the motor vehicle excise tax.

I remember that era well. Our population was declining, and educated youth were leaving our state in droves.

As a young software entrepreneur – when almost no one had heard of software – I was recruiting kids from across the state to stay in, or return to North Dakota. We eventually had team members who hailed from over 220 different North Dakota cities and towns. A few years after that special session, during North Dakota’s centennial in 1989, I was asked to serve on a statewide coalition called Vision 2000 – whose mission was to strategize on how to stop the “brain drain,” reverse out-migration, and reinvigorate our economy.

Fast-forward 35 years to today, and that scarcity has been replaced with incredible abundance.

Innovation, the original source of American greatness, has flourished in North Dakota and unlocked amazing opportunities, and our industries and citizens have prospered.

Yet due to global forces beyond our control, 8 years ago, North Dakota's economy faced a revenue crisis of greater magnitude. In December of 2016, we took office facing a \$1.7 billion revenue shortfall, AND the Dakota Access Pipeline protests.

In 71 days, we peacefully resolved the protest. And instead of raising taxes, we made it through that year – and all eight years of our administration – without a **single tax increase**.

Even in our first session back in 2017, when together with the 66<sup>th</sup> Assembly, we had to cut \$1.7 billion from a \$6 billion general fund budget, we didn't raise taxes – we didn't even consider it.

And, last year, in the spring of 2023, working with the 68th Legislature, we passed the **largest income tax reduction package in state history!**

Today our reserve funds are full and continue to grow to record levels. Our revenues for the biennium ending June 30<sup>th</sup>, 2025, are 11%, or \$392 million, ahead of forecast. And our ag and energy sectors – which form the bedrock of our economy – are strong and more diversified than ever.

Yes, this is a time of abundance in North Dakota. And as you, the members of the 69<sup>th</sup> Legislative Assembly, convene, you are facing perhaps the greatest levels of opportunity ever presented to any prior Assembly in our state's 135-year history.

It is my distinct honor to present to you – one last time – the Executive Budget for the 2025-2027 biennium.

\*\*\*

## **WELCOME**

I would like to welcome to all those gathered here in our State Capitol: new and returning legislators, esteemed Justices of the Supreme Court, First Lady Kathryn, Lieutenant Governor Tammy Miller and second gentlemen Craig Palmer, Speaker Robin Weisz, our outstanding statewide elected officials, fantastic cabinet leaders, dedicated state team members and ALL fellow North Dakotans, including all those enrolled members of the 5 Tribal Nations with whom we share geography. And to those joining us online, thank you as well!

Serving in elected office requires time, commitment and a willingness to be “in the arena” on behalf of your fellow citizens. And we have some folks experiencing that for the first time this week. Welcome to the 20 newly elected legislators during their first session. Please stand and be welcomed to the seat of state government!

We look forward to working with all of you in our final weeks, including your returning elected leaders, House Majority Leader Mike Lefor and Senate Majority Leader David Hogue, House Minority Leader Zac Ista and Senate Minority Leader Kathy Hogan, and your appropriations chairs, Sen. Brad Bekkedahl and Rep. Don Vigessaa. It has been an honor to work closely with each of you during your time in leadership, and I thank you for your service to our state.

### **GRATITUDE**

I am here today to execute my constitutional duty to “present information on the condition of the state, together with any recommended legislation,” to the legislative assembly.

We would especially like to thank Office of Management and Budget Director Susan Sisk and the small and mighty band of OMB analysts, as well as our cabinet leaders and their fiscal teams, the Governor’s Office team, our statewide elected officials and their teams, and all state agencies for participating in the strategy and budget review process that guided the executive recommendations – a process which began 11 months ago.

### **PURPOSE STATEMENT**

We also thank the thousands of members of **Team North Dakota** who every day continue to deliver on our administration’s purpose, summarized in six words: **Empower People, Improve Lives, and Inspire Success**. Your dedication, commitment and hard work make it possible for us to deliver the programs and services approved by this body to the citizens of our great state.

And I must acknowledge this fall’s historic wildfires. We have requested a major presidential disaster declaration to unlock federal aid to help communities recover from the more than \$8 million in public infrastructure damage.

The damage would have been far greater if not for the incredible work of our firefighters, first responders, emergency managers, many local volunteer fire departments, state agencies including the North Dakota Forest Service, Department of Emergency Services, ND National Guard, ND Highway Patrol, federal agencies, and others who battled the wildfires that began on Oct 5<sup>th</sup>.

Their tireless efforts to protect people, livestock and property should inspire awe and pride in every North Dakotan, and they deserve our deepest gratitude.

\*\*\*

### **UPWARD TRAJECTORY**

Today marks the 10th time I've addressed this chamber – four budget addresses and six State of the State addresses, including two special sessions. This is my final opportunity to address you in this formal setting as governor, and I've been asked to keep this under one hour. However, as a point of privilege, I've decided that today I am going to speak as long as I want.

But I guess many people in this chamber think that is exactly what I have been doing for the past 8 years!

Throughout our administration, I've stressed something I learned after more than 30 years competing in one of the most competitive industries in the private sector.

Companies win, and states win, by attracting two things: capital and talent. Meaning: attracting business investment and workforce. In an innovation economy, these are the keys to our economic success.

As governor, I'm keenly aware that we compete with ALL OTHER STATES for capital and talent. Capital and talent flows to states with the highest return on investment. Highest returns occur in stable, friendly, low tax and low regulation states.

And the following rankings speak to our current success.

We're the 3rd youngest state.

We have the nation's 3rd lowest unemployment rate – and we had the lowest rate for five consecutive months earlier this year. < CA over 5.4 % 49<sup>th</sup> >

We have the 3rd happiest workforce in the country.

We're the 2<sup>nd</sup> best state to raise a family.

We're 2<sup>nd</sup> in fiscal stability.

And we're the 2<sup>nd</sup> best state for education and child care.

We're the #1 state for business friendliness.

We're #1 in infrastructure. <Thank you! Legislature!>

We're #1 in labor force participation.

And we're the hardest working state in the country!

Our gross domestic product, or GDP, per capita also ranks in the top six in the nation and the highest among all the Midwest, Great Plains and Rocky Mountain states, including Texas. (So I guess not everything's bigger in Texas!)

Our population hit another record high last year. And thanks to a recent report based on U.S. Census data, we know North Dakota last year had a higher state-to-state net migration rate than **any other state in the nation.**

North Dakota led the country with a net IN-migration rate of 1.76%. By comparison, 45 states had net migration rates below 1%, and 18 states had **negative** migration rates, meaning more people moved out than moved in from other states. (on the other end of the scale, NY is 50<sup>th</sup>, with the most out migration).

This is a significant milestone for our state, especially when you consider that North Dakota is the only state in the country that had more people in 1930 than we did in 2010.

People are choosing to move here because of our abundant opportunities, low cost of living and high quality of life. And every person in this chamber should be proud of that fact because you've **all** played a role in reversing the trend and setting us on this path of growth.

\*\*\*

## **STRATEGY FOR BUDGET**

Our state's pro-business, low-tax, fiscally conservative approach and daily focus on **innovation over regulation** have paved the way for our current prosperity and fiscal stability in North Dakota.

With that in mind, today we are proposing a strategy-driven budget that addresses our No. 1 barrier to economic growth, our workforce challenge. This includes investments that support workforce including in housing, infrastructure, child care, education, research and economic development, and other priorities to build upon the progress we've made in growing and diversifying the economy.

## **TRIBAL RELATIONS**

In all these efforts, we've been intentional about engaging our tribal partners – Standing Rock Sioux Tribe, Mandan Hidatsa & Arikara, or MHA Nation, Turtle Mountain Band of Chippewa Indians, Spirit Lake Nation, and Sisseton Wahpeton Oyate – the five sovereign nations with whom we share geography. We recognize that every enrolled member is also a North Dakota citizen and that we all want the same things: economic opportunity, good schools, quality health care, safe communities and a brighter future for our children.

We've signed gaming compacts and oil tax revenue sharing agreements. We've enhanced child welfare and offered cybersecurity services. We've collaborated on law enforcement jurisdiction, roads and water projects, as well as addiction and recovery services. And we made the long overdue decision to display the five tribal flags in the State Capitol – a display made permanent by the Legislature.

Our tribal engagement has grown through understanding and mutual respect. We encourage the 69<sup>th</sup> Legislature to build on this momentum and continue to enhance our state-tribal relations, which are stronger than ever.

## **STRATEGY REVIEWS**

To deliver cost-effective services to our citizens, and to treat our taxpayers like the customers they are, then **strategy must drive budget**, not vice versa.

In total, we met with 73 agencies for strategy and budget reviews, giving leaders the opportunity to discuss their visions for the future and share their ideas on how to cut red tape to streamline government.

These thousands of hours of work by state agencies and dozens of meetings with Lt. Gov. Miller, myself, the Governor's Office, NDIT and OMB have reviewed billions of

dollars of requests in over one thousand decision packages. We've prioritized for you the strongest possible starting point for your budgeting and policy making processes.

Today, we offer a budget roadmap to continue down the path to even greater prosperity with a focus on workforce, by supporting families and healthy, vibrant communities, investing in education, critical infrastructure, and positioning North Dakota for long-term success.

Our executive budget for 2025-27 recommends increasing the general fund from \$6.1 billion to \$6.5 billion, which is still \$343 million below the record high general fund budget for the 2013-15 biennium.

North Dakota has maintained a steady and disciplined approach to fiscal management, with general fund expenditures increasing by less than 1.2% from 2017 to 2024 – one of the smallest increases in the nation.

Using a portion of our beginning balance and over \$4 billion from our four major tax types, we've constructed a fully funded general fund budget that includes only \$600 million from oil and gas taxes and **no transfers** from the Bank of North Dakota, the State Mill & Elevator or the Strategic Investment and Improvements Fund.

Federal and special funds, formula-driven increases and inflationary costs push our total proposed budget to just under \$19.6 billion, a slight decrease from the current budget.

### **STRONG FINANCIAL POSITION**

This financial outlook reflects our state's incredibly strong position.

Between the State Investment Board, chaired by Lt. Gov. Miller, and the state Land Board, comprised of four statewide elected officials and myself as chair, our state's assets under management in various funds have **doubled** to \$32.6 billion since we took office in 2017. (The Land Board also oversees an estimated \$2.46 billion in mineral value.)

We're grateful to these boards, the teams and leadership at the Retirement and Investment Office and Department of Trust Lands, and the legislators and elected officials who provide guidance and set the allocation strategy for these assets.

As these funds grow, the more earnings they generate and spin off – the more they can fulfill our commitments to funding our schools, health care and infrastructure – and the more we can lower taxes on our citizens.

As these funds grow, North Dakota should keep taking steps to become the 10th state with no individual income tax – along with energy producing states Texas, Wyoming and Alaska and neighbor South Dakota – states that we directly compete with for workforce.

Because **real** tax relief – which means actually reducing the taxes collected- and keeping that money in the hands of citizens – is something worth pursuing **every day**.

### **TAX RELIEF SUCCESS**

Working with you last session, we delivered the largest tax relief package in state history and took a significant step toward eliminating individual income tax. Combine that with the income tax credit we passed during the special session in November 2021, and we've provided more than \$570 million in income tax relief in just the last three years.

This proposed budget continues the significant income tax relief approved last session, which effectively eliminated income taxes for 3 out of 5 North Dakota taxpayers.

We also approved \$157 million in additional **targeted** property tax relief during last year's session.

### **PROPERTY TAX REFORM**

However, most so-called property tax "relief" hasn't been narrowly targeted like the Homestead Tax Credit, which helps seniors and those with disabilities stay in their homes. Rather, it's distributed through a shotgun approach of subsidies to local political subdivisions. And those school districts, park districts, counties, and townships, may or may not make decisions to control local spending.

When one looks at the big picture, more than \$5 billion in state funds are dedicated this biennium to covering the costs of local K-12 education, county social services and direct assistance to political subdivisions, including municipalities, counties and townships in oil-producing regions.

The Legislature has been generous regarding property taxes – they have constantly picked up the tab for the decisions of local governments, largely without restrictions.

Yet the Legislature can't fix this problem with a blanket approach, because property taxes are set at the local level and vary widely across North Dakota.



Current and past proposals to eliminate or reduce property taxes have been simply redistribution schemes, using tax money from one group of taxpayers to pay another's bills, and they haven't effectively lowered property taxes.

Given the wild disparities in local spending and tax rates, it's time for the Legislature to stop picking up the tab, stop blindly subsidizing decisions made at the local level and start seeking true reform.

In 2017, I highlighted how our state's property tax buydown program redistributed tax dollars but failed to address those underlying disparities. While not intentionally, the program incentivized local spending at unsustainable levels. It showed that true tax reform requires a deeper, more balanced approach to ensure fairness for all taxpayers.

Our budget contains \$5 million for property tax transparency portal. (DB will explain-hold here til he continues)

As this assembly appropriately debates property tax reform in the coming months, I would urge you to remember this axiom:

If you want less of something, tax it.

If you want more of something, subsidize it.

\*\*\*

## **EDUCATION**

School district tax levies give local residents "skin in the game" when it comes to the education system in their communities. Just as they invest in their children's education, the state has demonstrated our commitment to student success through substantial investments and a collaborative effort to drive innovation in K-12 education.

The Innovative Education Task Force, which we created through executive order in 2017, paved the way for several groundbreaking policies and programs such as Learn Everywhere and Graduation Pathways – giving school districts the flexibility to enhance student-centered, personalized learning.

If there's been a shortcoming of these innovative tools, it's that too few school districts have adopted them. And that's unfair, because not all students are getting the same

opportunity. We would again challenge those districts that haven't taken advantage of these tools to take the leap.

### **CONTINUED SUPPORT**

Over time, we have continued to invest heavily in our public K-12 system. Funding for the per pupil payment alone has increased by \$420 million since 2017, while the student population increased by around 8,000 during the same period.

In addition, we've worked to correct inequities within the K-12 School Funding Formula that directly impact instruction and public school operations.

Last session we made sure that all school districts that were underfunded by the per pupil payment were put on the formula. We also implemented on-time funding, eliminating the lag time between when a student starts at a school and when the state starts providing funding to educate them. This was major financial input for our fastest growing districts.

For next biennium, we propose ripping the Band-aid off what are known as transition minimum adjustments. This will ensure fairness in the funding that school districts receive from the formula, regardless of how big or small they are. This is another way to ensure every state dollar is being used to maximum effect.

### **COMPETITION**

Whether it's in education, software or the business world in general, we know competition is good. It forces competitors to constantly improve their products and measure their outcomes – or risk losing their customers to someone who's doing it better, faster and cheaper.

And we continually hear that parents want more choice in education, which in North Dakota is largely a captive market, especially in rural areas.

In response to these market demands, our budget proposes \$50 million for Educational Savings Accounts, or ESAs, on top of a fully funded public K-12 education system.

During the last interim, legislators and stakeholders discussed ways to expand educational opportunities and provide more choice to students and families. Our administration also has advocated for school choice. ESA programs provide families with a menu of options to access direct services that expand learning, support areas of academic need and provide behavioral health programming, among other pre-approved choices.

This is not about public versus private education. This is about ensuring that **every** student has what they need to support a pathway to career, college or military readiness. We recommend developing a program that drives an ESA forward to continue putting North Dakota on the map for serving all students – public, private and homeschool.

### **CAREER ACADEMIES**

During the special session in November 2021, the Legislature approved matching funds for private-sector investment in career centers where high school students could pursue high-demand careers in the trades, technology and other sectors. That effort resulted in 13 career academy projects across the state, and our budget expands programming.

One of their success stories is Sasha Stieg (*STEEG*), a Montana transplant and senior at Watford City High School. Sasha leveraged the Bakken Area Skill Center this past year to get her Certified Nursing Assistant license, utilizing state-of-the-art equipment and training.

In fact, Sasha's entire class passed their CNA testing on the first attempt.

Now, Sasha works 2 to 5 p.m. Monday through Friday, earning class credit and wages.

So, on behalf of Sasha and all those students, educators and employers benefiting from the career academies, we say thank you, and give yourselves a hand!

### **HIGHER EDUCATION**

Like K-12 education, higher education in North Dakota has received robust support from this Legislature and our administration over the past eight years.

Total ongoing funding for higher ed has increased by nearly \$100 million from 2015 to our proposed budget today. Headcount enrollment systemwide has increased by over 1,800 students in the past three years, largely due to online high school dual-credit students.

Higher education continues to face unstoppable economic, demographic, technological, and cultural forces that demand our institutions evolve rapidly. Our institutions must embrace stackable credentials that align with workforce demands, provide access to learning when and where students want it, and generate new revenues through partnerships rather than relying solely on students and taxpayers.

We're making progress. The Challenge Grant program, matching \$1 of public funding for every \$2 of private funding, has provided over \$125 million for scholarships, endowed chairs, research, and education technology. We've included \$30 million in the executive budget which will drive \$90 million of investment over the next two years.

At the start of our administration, we created a task force that proposed changes to the higher ed governance structure. While the specifics can be debated, updating the nearly 100-year-old governance structure is long overdue and essential.

Today, I challenge this legislature and all listening to create a modern higher education governance structure that supports innovation, embraces flexibility and leverages the skills, talents and resources of our alumni, wherever they may live. And by doing so, we can advance shared services and collaboration across our institutions to lower costs and better align our campuses with workforce needs.

\*\*\*

## **WORKFORCE**

While we've made strides in addressing our workforce needs, we know it continues to be our No. 1 barrier to economic growth.

That's important because a robust workforce allows for economic expansion – creating jobs, strengthening communities and driving tax revenue that supports schools, hospitals, street maintenance, law enforcement and other services.

The good news is North Dakota's labor force has grown by over 9,200 workers since 2017, a 2.2% increase, while the number of unemployed individuals dropped by an impressive 49.3%, or 7,390 people. With an unemployment rate that's 1.9% lower than when we took office, and a nation-leading labor force participation rate of 68.8%, our state continues to demonstrate strong workforce engagement.

We need to build on this success, including support for automation and innovation. Our budget invests across multiple agencies to accomplish this.

That includes re-upping on elements of last session's historic child care package, which has led to a net increase of 1,000 child care slots.

Today, North Dakota child care providers have space to enroll more children than ever. And that includes care for infants and toddlers. In the last year, grants from the Grow Child Care program have helped new or expanding child care businesses add 342 spaces -- 40% of them for children younger than 3. And approximately 6,400 kids and their families are better able to afford quality care in part because of the state's bold investment in child care assistance.

State grants also are helping providers to invest in their facilities, staff and training. They're able to access assistance when caring for children with special needs. And they are seeing financial benefits for investments in quality.

This is all because of the work you as policymakers have done to demonstrate that in North Dakota, we understand that child care is a workforce issue.

We also know there's more to do on workforce. Our budget continues the investments made last session, with a \$53.8 million total workforce package which includes over \$19 million to support DHHS child care initiatives.

We must continue to take bold steps to make sure quality child care is available when and where working families need it.

\*\*\*

## **HOUSING**

Like child care, housing is workforce infrastructure. And while housing is primarily a private market activity, it's also affected by public sector decisions and actions.

Our budget proposes a \$95 million housing package designed to address housing accessibility, affordability and stability, and to help remove housing as a barrier to workforce attraction and participation.

We're grateful for the work of the Housing Initiative Advisory Committee we appointed earlier this year, consisting of members from across the state including Representatives Beltz, Schauer and Senator Rummel and Bekkedahl.

North Dakota's housing challenges have become more urgent as our state continues to grow and evolve.

Home values and rents have risen significantly, placing increased burdens on many households. At the same time, the state faces a critical shortage of affordable housing, with over 20,000 new units needed by 2027 to meet demand.

Our housing package provides funding for innovative financing approaches such as gap financing for new single- and multi-family homes by leveraging the ND Housing Incentive Fund. The package will grow the construction worker pipeline, cut red tape and support vibrant housing markets.

By building in a smart, efficient manner and maximizing the use of existing infrastructure and housing stock, we can lift housing affordability, accessibility and stability, increase workforce participation **and** lower the burden of property taxes.

Other recommendations to address workforce include a combined \$22.5 million for the successful Regional Workforce Impact Program, which has funded 111 projects including 54 child care projects with 2,390 total slots, as well as the Find the Good Life workforce attraction campaign. The budget also continues funding for the Office of Legal Immigration and tech skills training grants.

Speaking specifically to our workforce in state government, past and present, we propose a \$200 million transfer from SIF and oil tax revenues to the Public Employees Retirement System to further address our unfunded pension liability. Making these investments now will save taxpayers millions of dollars in the long run and ensure we will meet our long-term pension obligations to retired members of Team ND.

Our recommended total compensation package for current Team ND members calls for performance increases of 4% in the first year and 3% in the second year of the biennium, with no change to the existing health insurance plan, whose costs to the state are increasing by over 15%.

\*\*\*

### **TOURISM AND OUTDOOR ECONOMY**

We also know that if we want to keep attracting and retaining workers, we need healthy, vibrant communities with amenities, activities and destinations that contribute to our high quality of life.

That's why we created the Office of Community Development and Rural Prosperity last January – to support smart and strategic community planning and build on our progress made these past eight years under the Main Street Initiative, but with a dedicated focus on the challenges and opportunities facing rural communities.

Last year we proposed, and the Legislature approved, a plan to elevate the beautiful Pembina Gorge State Recreation Area into North Dakota's 14<sup>th</sup> state park with a modern campground – part of a broader effort to improve parks statewide.

The Destination Development grant program that we proposed and the Legislature funded with \$25 million in matching funds last session also has attracted huge interest. We received requests to fund over 81 projects totaling over \$151 million in 42 communities. Thirteen grants were ultimately awarded for projects ranging from a downtown public plaza in Minot and riverfront festival grounds in Bismarck to enhancing tribal tourism offerings and upgrading ski resorts.

Our budget for next biennium proposes increasing the available matching funds to \$30 million to answer this strong demand signal for destinations.

This year we became the 22<sup>nd</sup> state to establish a dedicated Office of Outdoor Recreation – led by Parks & Rec, Game and Fish and Tourism – to grow our outdoor recreation economy by strengthening partnerships with the private sector and increasing collaboration among all stakeholders.

We've also partnered with Canada to upgrade the International Peace Garden; secured an initial state commitment to add a publicly and privately funded military history wing at the North Dakota Heritage Center & State Museum; and championed the development of the Theodore Roosevelt Presidential Library in the Badlands, a world-class attraction that will draw visitors from across the nation and beyond.

This is especially exciting because North Dakota will have the opportunity to play an outsized role in the celebration of America's 250<sup>th</sup> birthday celebration. The opening of the TR Presidential Library has been named one of the country's featured USA 250 celebration events and one of the largest in the Midwest, in addition to the recently announced idea of Great American State Fair in Iowa. This budget includes \$7 million to organize, plan and create celebrations across our state and an additional \$5 million to ensure North Dakota has the best representation of any state at the State Fair in Iowa.

Our nation's birthday is a reminder of the military service members, veterans and their families who have sacrificed so much to defend our freedom. We have a duty to show our gratitude for their service.

That's why we've worked so hard to make North Dakota the most military friendly state in the nation through tax exemptions on military pay, occupational licensing reform for trailing spouses and expanded services for justice-involved veterans.

In this budget, we further recommend honoring our military with continued support for the North Dakota Military Gallery, which will be a place for everyone to reflect upon, honor and celebrate the men and women who fight for our freedom. If you have served or are currently serving, please rise and be recognized.

\*\*\*

### **ECONOMIC DEVELOPMENT**

We're also stronger as a nation and a state when we diversify our economy, which has been a passion these past eight years.

From the innovators and entrepreneurs who staked our leadership position in the UAS and autonomous ag sectors, to the surge of data centers that will help America win the A.I. race, we continue to diversify and make our state less vulnerable to the volatile commodity markets for agriculture and energy – still the bedrock of our economy.

Tens of billions of dollars in projects have expressed interest in coming to North Dakota or are actively pursuing permits and financing to bring their businesses here. We've also supported manufacturing expansion – such as extending natural gas service to Bobcat in Gwinner in 2017 – and growth in our tech and biotech industries, including global leaders like Aldevron.

And here's an interesting data point: While our state's electricity generation has increased by 11% since 2016, our electricity exports have actually **decreased** by over 28%. That's a good thing, because it means more of the electricity we produce is being consumed right here in North Dakota to fuel our economic growth and value-added industries.

Unfortunately, North Dakota's energy sector and ability to produce baseload electricity have been under attack by the current federal administration. As the nation's No. 3 oil



producing and large baseload power state, we're battling more than 30 rules and regulations that threaten our energy industry and its ability to deliver affordable, reliable energy to customers. We appreciate the Legislature's ongoing support for these legal battles, and we're optimistic that the next four years will bring a focus on innovation over regulation when it comes to responsibly developing our resources.

The rapid, premature shutdown of baseload generation puts our nation's grid at risk of blackouts and brownouts. We should be pursuing energy addition, not an energy transition, to win the AI arms race and ensure national security and global stability.

Ensuring that our largest ever economic development project list comes to fruition will require continued strategic investment.

Our budget supports highly successful programs that incent innovation and private investment, including \$10 million for the LIFT research fund, \$10 million for autonomous ag, \$30 million for Clean Sustainable Energy grants, and \$50 million for the ND Development Fund. This will give our state more tools in the toolbox to compete.

## **UAS**

A shining example of our state's winning vision is the Northern Plains UAS Test Site and Vantis.

Over the past eight years, North Dakota has strategically invested in Grand Sky and the UAS Test Site, building a robust ecosystem for unmanned aircraft systems. These efforts have solidified our position as a leader in UAS innovation and operations.

Through the development of Vantis, the nation's first statewide network enabling Beyond Visual Line of Sight (BVLOS) UAS flights, North Dakota is poised to become the epicenter of commercial UAS activity in the United States. As critical UAS infrastructure, Vantis stands alone in its scale and capability, working with systems integrator Thales (Tal-us) to explore new frontiers.

This budget provides \$20 million to keep Vantis at the forefront. It also supports Grand Sky infrastructure with a \$5 million commitment, increases investment in the UAS Test Site and most importantly, takes advantage of a new strategic partnership.

With the help of Rep. Mike Nathe, we urge this assembly to fast-track a drone replacement and FAA data investment bill totaling \$26 million. With this investment, North Dakota will be the only entity outside the federal government to access FAA radar

data for BVLOS. Additionally, we will ensure that any drone used by state agencies or within the university system is manufactured in the United States or allied nations.

Through these bold investments, we're securing North Dakota's leadership in UAS and safeguarding our national interests for today and tomorrow.

\*\*\*

## **INFRASTRUCTURE**

### **SLIDE: 10-year infrastructure plan map**

Infrastructure is the foundation that supports our economy and way of life, and we've invested heavily these past eight years to ensure North Dakota's infrastructure is second to none.

US News & World Report this year ranked North Dakota as No. 1 in overall infrastructure. With strong support from the Legislature, the state has invested over \$3.6 billion in nearly 1,500 transportation infrastructure projects since 2017.

To build on this momentum, we recommend continuing the successful Flexible Transportation Fund with \$171 million, matching our federal aid formula at \$171 million and providing \$150 million to the Department of Transportation to use as matching funds to win federal discretionary grants.

## **WATER PROJECTS**

Since 2017, we've also committed over \$2.1 billion in state funding as part of more than \$3.5 billion in total water infrastructure projects.

We worked to complete funding for the Fargo-Moorhead Diversion, support rural water initiatives like Southwest Pipeline and Northwest Area Water Supply, and we jumpstarted the Red River Valley Water Supply Project, ensuring reliable water access for future generations.

Together, these investments will protect 27 cities with a combined 462,970 people in 37 water resource districts – nearly 60% of our state's population.

Continuing this progress is critical for our citizens, economy and environment. This budget recommends investing \$435 million from the Resources Trust Fund to support \$129 million for flood control in Minot, Mandan, Bismarck, Valley City and other

communities, as well as over \$238 million for water supply projects. It also provides \$46 million for the rural water project needs and \$20 million for municipal needs.

## **AIRPORTS**

North Dakota's airports also are key infrastructure, contributing over \$1.6 billion annually to our state's economy and supporting more than 32,000 jobs.

In 2024, we're on track to set record-breaking air travel numbers, with over 2.4 million passengers projected to pass through our eight commercial airports that connect our communities to global markets. And we know, Aeronautics has identified \$1.2 billion of infrastructure needs over the next decade.

This budget specifically supports a new primary runway for Grand Forks, the terminal expansion for Fargo and a new terminal for Dickinson, together totaling \$120 million.

## **A.I. AND MAINFRAMES**

During this administration, we have experienced a fundamental shift in the power of technology.

A.I. is transforming our world, and state government must be prepared to harness this new power safely and responsibly to increase efficiency and shift some of our more tedious and mundane tasks to a computer. This budget can help us get started. We propose allocating \$15 million to advance A.I. technology and utilization in education, literacy and workforce development, and enhance A.I. toolsets and compute capacity across the state.

While using some of the newest technology, our state is still unfortunately addressing some of the oldest technology. Our administration has made major progress on retiring antiquated mainframe computers. And with this budget proposal, I am thrilled to say, we will no longer have mainframes at the state of North Dakota, which could have been a great headline – if it had happened in 1998.

Including the mainframes, this budget calls for \$45.7 million to update technology and provide the experience citizens expect. This includes funding to build out the Business Gateway and advance a citizen portal, creating an Amazon-like experience for citizens interacting with state government.

\*\*\*

## **CORRECTIONS**

Right now, North Dakota is experiencing intense pressure on our corrections system – pressure felt from local jails all the way to the state penitentiary. Our Department of Corrections and Rehabilitation currently is exceeding capacity for both men and women sentenced to DOCR custody.

To address these state and local capacity challenges in the long-term, our budget proposes funding for the planning, design and initial construction of a new 600-resident Missouri River Correctional Center.

We've also included \$36.5 million to complete the much-needed Heart River Women's Transformational Center in Mandan.

\*\*\*

## **BEHAVIORAL HEALTH AND ADDICTION**

Over the past eight years, we've engaged in a coordinated effort to improve behavioral health across North Dakota. While the state has made great strides in expanding services, we know the needs continue to grow amid our nation's mental health crisis.

We've worked to increase understanding of the science of addiction, thus reducing stigma and increasing access to services. And we're grateful that the Legislature has engaged and identified solutions and championed new programs.

I'd also like to offer my deepest appreciation to someone who has used her voice and her personal story to advocate for recovery services and empower individuals to seek help. She's been representing North Dakota on the national stage for the past 18 months and is a courageous and unyielding champion of North Dakota and ALL her people, including all those who have been trapped by the disease of addiction – our amazing First Lady, Kathryn Helgaas Burgum!

Overall, our budget recommends increasing behavioral health supports by an additional **\$37.2 million** over the current two-year budget.

This includes an additional \$9.8 million for youth stabilization and treatment and a combined \$10.5 million increase for Free Through Recovery, launched in 2018, and Community Connect, launched in 2021. Those two successful programs have provided care coordination, peer support and recovery support for over 14,000 North Dakotans.

We've trained more than 1,200 peer support specialists who use their lived experience to assist others on their journey to recovery and wellness. Since the first Opioid Treatment Program in the state opened in 2016, we now have four programs serving 1,125 individuals.

We also recommend increasing funding by \$3.5 million for the hugely popular SUD voucher, which has created opportunities for 8,500 individuals to access treatment from private providers.

\*\*\*

## **BONDING**

This executive budget gives the Legislature and the next administration a starting point that funds priorities while not increasing taxes. Still, we recognize there are key generational projects that need to move further down the field than what can be reasonably provided here.

So, I will wrap up the budget proposal with an opportunity – an opportunity to leverage our strong financial position to address – and in some cases, complete – some of our biggest road, water, air and facility needs.

Bonding. If the bond rates make financial sense, bonding is an economically sound tool to support our infrastructure while freeing up capacity in the general fund and Resources Trust Fund.

Today, we're providing a framework for a \$1.5 billion bonding package, if the puzzle pieces fit, resulting in \$115 million annual payments for 20 years.

This bonding package would support significant progress on four-laning Highway 85 and propel the Red River Valley Water Supply Project forward – not only to prepare for catastrophic drought but also to stake a claim to our Missouri River water resources in North Dakota, rather than shipping them off to the West Coast.

The package also would complete the Mouse River Flood Protection project to defend Minot from future flood disasters and ensure that much-needed airport improvements happen in Fargo, Grand Forks and Dickinson.

Lastly, this package would fully fund the rebuilding of the Missouri River Correctional Center, increasing bed space for the future, and provide the funding to ensure the State Hospital can be replaced when plans are completed.

By moving these projects forward, our state will be even better positioned for the next generation.

\*\*\*

## **CLOSING**

I began this address talking about scarcity versus abundance. Recently, we had the opportunity to witness a stark example of that on the other side of the world.

During our recent ND trade and investment mission to the Republic of Korea, we witnessed the freedom-loving people of South Korea – 52 million strong in a country slightly over half the size of North Dakota – enjoying incredible prosperity thanks to a robust, free-market economy that rewards hard work and teamwork.

Across the DMZ, communist North Korea has 20% more land than South Korea but only half the population and just a fraction of South Korea's GDP. An estimated 60% of the North Korean population lives in poverty – essentially prisoners of their own government, with economic opportunity and freedom nowhere to be found.

In the South Korean capital of Seoul, we visited the impressive War Memorial of Korea, where I had the solemn honor of laying a wreath at the foot of the panel inscribed with the names of 188 North Dakotans who made the ultimate sacrifice in the Korean War.

As I spoke with the president of the War Memorial, it struck me how even today, 71 years after signing the armistice to end combat in the region, South Koreans remain genuinely grateful for the sacrifices made by America and its allies so they may live free.

And it reminded me of what I already knew – what I've always known – which is that the United States is the greatest country in the world.

And within this great nation, North Dakota truly is the Best of America.

We are blessed with abundant God-given resources:

The rich soil that nourishes our crops and supplies the feed that sustains our livestock, keeping our farmers and ranchers on the land generation after generation.

Our clean water of flowing rivers and over 400 beautiful fish-stocked lakes, and the rich mineral deposits and all-of-the-above resources that power our industries, our cars and tractors, our lights, heaters and air conditioners.

And, most importantly, our greatest resource of all: the hardworking, resilient, exceptional people who call this place home.

North Dakota's 135-year evolution into an ag and energy powerhouse for the nation and world has made the United States and its people safer and more secure.

Every North Dakotan should feel pride in what they and their fellow citizens have accomplished.

Most of all, we should feel gratitude.

For eight incredible years, Kathryn and I have greeted every day with enormous gratitude for the opportunity to serve the citizens of North Dakota as governor and first lady.

We have been rewarded with a deeper sense of love and appreciation than we ever thought possible for this exceptional place where we were born, where we became and raised a family, and where we embarked on an immensely rewarding journey into public service.

This work – firmly rooted in the values of courage, curiosity, gratitude and humility – has been fulfilling beyond measure.

141 years ago, President Theodore Roosevelt came through Bismarck on his way to the Badlands. He stepped off a train as an eastern dude, and here in the Badlands he embraced the strenuous life. His time in Dakota transformed him and he went on to transform our nation and the world.

Roosevelt said, "Far and away the best prize that life offers is the chance to work hard at work worth doing."

You are doing that meaningful work now.

The 69<sup>th</sup> Legislature has an opportunity to etch itself into our state's history.

We owe North Dakota's positive outlook to the private-sector innovators and entrepreneurs --- the bold leaders and risk-takers --- the teachers, nurses, mechanics, peace officers and other workers on the front lines --- and the outstanding efforts of the dedicated members of Team North Dakota who strive every day to ensure that state government lives up to our purpose statement: **Empower People, Improve Lives and Inspire Success.**

Our state has never been stronger. Our future has never been brighter. Thank you for being part of this success, and giving us this opportunity to serve.

May God bless you, the Great State of North Dakota, and the United States of America!

\*\*\*