

Announcer: Ladies and gentlemen, please welcome the best lieutenant governor in the nation, Brent Sanford.

Brent Sanford: Well, thank you. I just can't figure out where that one came from, but I have to thank the governor for that one. Good morning, welcome to the 2018 State of the State Address. I want to first begin by thanking Minot State University President Steve Shirley for hosting. What a wonderful venue, and from our team to yours, this was a significant undertaking, and you've been nothing but first class. Thank you very much.

There's other presidents in attendance from the higher ed system, John Richman from NDSCS, Thomas Mitzel from DSU, also Chancellor Hagerott, and also, last but not least, from our host group, Mayor Chuck Barney. Thank you so much for the hospitality in the city of Minot. Let's give them all an applause. Thank you very much.

Next, I'd like to thank the GNDC, the Greater North Dakota Chamber, for their sponsorship, want to thank Chair Bernie Dardis, Brent Bogar, the entire GNDC team. Let's also give them a round of applause, thank you very much.

Thank you to the Minot Air Force Base Honor Guard, Minot High Change Of Pace Singers for the National Anthem, Minot State Concert Band for the pre- and post-show entertainment, the Leeds Banner Girls for helping us out in the atrium and entryway as all of you filed in. Let's also give them a round of applause.

It's also my distinct pleasure to introduce my wife, Second Lady Sandi Sanford. Thank you for your attendance today.

And we are also grateful for this beautiful auditorium, which was rededicated in 2003 in memory of Ann Nicole Nelson. Ann was among the more than nearly 3,000 people who died in the attacks on 9/11, having worked as a bond broker on the 104th floor of the World Trade Center. We honor her memory here today.

And now, it's my pleasure to welcome to the stage someone I am very proud to work alongside every day on behalf of the citizens of North Dakota. Ladies and gentlemen, please welcome the 33rd Governor of the great state of North Dakota Doug Burgum.

Doug Burgum: Thank you, Lieutenant Governor Sanford. It is absolutely a pleasure serving with you, and we appreciate so much that everything that you're doing, and you and Sandi, the sacrifices you're making, and also appreciate the fact that you're staying so close to Watford, your kids ... I can't even get through the first line. This guy is amazing, as a dad, as a partner, as a CPA, as a former CFO. He's exactly what the state needs right now, and he's been a key part of what we've gotten done this last year.

Governing is a team effort, and there's three branches of government, and we are well represented here today. We have four of the five Supreme Court justices

that serve our state here today, including the chief justice, the longest serving justice in the history of North Dakota, but let's honor our judicial court, if you guys could stand and be recognized.

And we have a fabulous turnout of state legislators that are here from across the state. They've driven from all over. These people serve all of you, not just when they're in session, but all year round, and so if we could have all of our state senators and representatives that are here today please stand.

And Brent and I are also very fortunate to be able to serve along a number of other very dedicated statewide elected officials, and there's a number of them here today, and so if we could have stand Secretary Al Jaeger, Auditor Josh Gallion, Tax Commissioner Ryan Rauschenberger ... You guys can stand, you guys can do that, and then Public Service Commissioner Brian Kroshus. They're also here, so thank you.

And of course, in our state, we're fortunate to have within our borders five tribal nations that touch our state, and we have lots of things that we're working to partner with our tribal leaders. A number of them have come from all over the state to be here today, so again would like to acknowledge all the tribal leaders that are here today, if they could please stand.

And of course, for me, I also want to acknowledge the First Lady of North Dakota Kathryn, and Joe, Jesse, and Tom, who are not here today, but they're watching I'm sure on some webcast somewhere, probably multi-tasking like your kids are, but anyway. The first family, thank you for your support this last year. It's been amazing.

Doug Burgum:

The place, I think people have learned in the last year, the place I always like to start is with gratitude, but it is such an honor for Brent and Kathryn and I and our entire team in the governor's office to serve all of you. It is an incredible incredible honor to do that. What it all starts with is, like so many people in the state, is there's something about North Dakota, something about the spirit of place where you just can't help but love North Dakota, for its uniqueness, for its difference, for everything it throws at us, it is a place that we can love, and we love the people in it, and we love the roles that we're in, because in the roles that we're in, we have a chance to make a difference in people's lives every day, and we're so grateful that we've had a chance to meet so many people across the state in these roles in the last year, and the people that we meet are so passionate about so many different things, and it doesn't matter even- about agree or disagree, or party, or east or west, you know, whether it's from Fort Yates to Fargo, Grand Forks to Golden Valley, Minto to Minot, I mean, across the state, meeting people that care deeply and are passionate about North Dakota is part of what makes this place great. And when you're in the positions that we're in, the thing that I've learned in this last year is that people share. People want to share with their leaders in the state and they share ... ask the first lady. I mean, people will share with us their most tragic losses. Loss of family members due to an overdose. People will share their stories. They'll share the

struggles that they're doing. But they'll also share their successes and their enthusiasm and about what we can do and what our potential is. Everyone of these interactions gives us a chance to learn from the wisdom of the people in North Dakota.

So, that is just a great, great part of being in this job. But the other part about being in this job is, it's an executive job, and you can actually get stuff done when we learn things that are happening. We have an opportunity to go to work with our partners in government and to actually make things and do things and make things move forward. And then the other thing that you just have to be grateful for, because the context of North Dakota doesn't exist without the context of the United States and to win the ticket, so to speak, of being part of the United States, where we have a country where we've got freedom of speech and freedom of religion and the right to bear arms, and the right to assemble, these freedoms that do not exist everywhere in the world, but they exist here. We should make sure that we remain grateful for that opportunity.

Then, also the fact that we've got free markets and the ability to take risks, because the success we're seeing in our state right now, the resilience we have, is really about, it's not about government, it's about the private sector. It's about entrepreneurs and innovators and the people. It's that spirit of innovation that's driven our state since the beginning and continues to drive it forward. As part of this idea that we get to make a difference in people's lives every day, that Brent and Kathryn and I and everyone we work with, is we want to bring that forward. So, our administration is adopting a purpose statement and that purpose statement is simple. Six words. Empower people, improve lives and inspire success, because this is what anybody who works in state government gets to do this every single day and that is a fantastic way to spend your time.

So, I stand here before you today, if we were just going to wrap this up, and the State of the State was going to be over in the next minute, which it won't be, but if we're going to wrap it up, I would just say, in conclusion, the State of the State is one of unlimited promise and potential, provided that we embrace change, we diversify our economy, and we harness the unstoppable forces of technology. The first half of that sentence is absolutely true for our state, unlimited promise and potential. The second half represents a set of challenges that we have to work together, collectively, to overcome and if we do that, the top half is going to be ours.

So, let's dive in and take a look at that. A year ago, again, the State of the State, was honored to step in and serve in this role, and it began a journey and that journey at last year's State of the State, which if anybody, it's available online if you want to go back and watch that one. Some people might like that one better than this one. We'll see. Beauty of online recordings, right? But, at that State of the State a year ago, we laid out some very important themes. We talked about the budget. We talked about property taxes. We talked about transforming education. We talked about the impact of addiction on individuals in our state. We talked about the need for improved tribal relations. We talked about building

stronger communities, and I'm grateful for the team effort throughout this last year that we've been able to tackle a number of those initiatives, and those things that we talked about last year fanatically became the big, strategic initiatives that we're working on throughout the year.

So, we're grateful to everybody that helped us make progress on that. But, before we look ahead at the strategic initiatives and what we're doing in 2018, let's take a quick look back at 2017, because this was a year that brought a number of challenges. Some that were foreseen, some that were unforeseen and it did consume a lot of leadership time across government to deal with the crises that came up.

And, of course, the first one, a year ago, that was, not just on the front pages here, but on the front pages around the world, was the protests around the Dakota Access Pipeline project. These protests started peaceful and prayerful. They began with, I think, a powerful, spiritual intent. There was some incredible, historic moments that occurred at the beginning, but by the time Brent and I took office in December, it had evolved into something much differently. And it's important that we respect the right for people to assemble. Respect the right of free speech. We do that, but we also said, hey, we've got to understand what the people of North Dakota, and we're working for every citizen in North Dakota, so, one of the first things that we did in office, is we went down and we spent time listening on Standing Rock. We spent time in the community of Cannon Ball. We met with ranchers in Morton County and we listened. Sometimes we listened for hours and hours and hours and I think there's a great lesson here for all of us in the middle of conflict, the power of being able to be present and to listen and really, truly understand what was some of the energy and the passion behind this historic event.

But from that, we learned that, and understood, that Standing Rock themselves wanted to have the protest camps closed, and so we worked in partnership with Standing Rock and we worked across a whole of government approach, and when I say whole of government, by the time we got this thing, by the time the last protestor left the camp, at 76 days after Brent and I took office, we did engage with 11 different federal agencies, we had help from 22 different states, four non-governmental groups, 31 emergency EMAC jurisdictions, 110 local jurisdictions from around the state. In total we were coordinating 175 different partnerships to deal with something that was unprecedented in our history.

One of the key things that we had was, we were going to resolve it peacefully and we we're going to clean it up, because part of the original intention was that this was about, initially, about protecting the water, where the camp was situated, you can see in this aerial photo, was right next to the Cannon Ball River, this is before the historic snowfall started coming a few weeks later in December. On the right-hand side of the slide, you see last July. We got this cleanup achieved before the spring melt and runoff. We were able to keep the, what was over 10 million pounds of debris that were left behind in the camp, from polluting the Cannon Ball or the Missouri River, and that also would not have

happened without a great team effort from our Indian Affairs Group, Scott Davis, partnership, his friends and relatives at Standing Rock, the tribal groups that helped us with this cleanup, a huge team effort. While there is more dialogue to be had about the future of infrastructure in our state, about the impact of industries on the environment, we can have those dialogues as North Dakotan's in a peaceful way and we can have that in a productive way, but this is a celebration where we all came together and protected the environment. We're all on the clean water team.

So, what we knew that when we took office, that the protests were occurring, what we didn't know in the middle of all of the record snow that we were having in central and western North Dakota when we took office, was that less than five months later, we were going to be in the middle of a historic drought, but this is part of what you love about North Dakota. So, this is the drought map from July 25th last year. The darkest areas are exceptional drought. The red is extreme. The light orange is severe. And so you can see that virtually the entire western half of the state was in severe, extreme or exceptional drought. This led to all kinds of economic challenges for farmers and ranchers and required a response. Again, our approach was, let's get out and listen, because again, farm programs are complex. There's federal, there's state, lots of different agencies involved, lots of bureaucratic programs that are meant to help, that may in the context of a drought, maybe not be helping. So, we got out there and listened and we did that-

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again, as a whole of government. We had great partnerships with the Department of Ag, Department of Human Services, Bank of North Dakota, State Water Commission, NDSU Extension, North Dakota State Emergency Services, the State Fire Marshal, North Dakota National Guard. Delegates from the Congressional Offices were at all these to help represent the Federal standpoint. But we held these around western North Dakota, in communities like Beach and like Carson, and listened. And part of what is, again ... Droughts are not, don't make great front page pictures. Fires make great front page pictures, flood from hurricanes make, you know, great television 'cause you got all the water. A drought is something that just eats away, and it eats away economically, at family operations, family ranches, at their livestock.

So there is serious, serious stress, not just economically but on families, which is ... again when we went to these things with the whole of government, we're like, hey, you know, you're taking care of your cattle, make sure you're taking care of yourself. Because these ... a drought like this can tear communities and families apart. But we, from listening from all of that, we came up with a number of ideas.

We issued over 10 executive orders, which helped us, you know ... By declaring the drought and fire emergencies we waived permit fees, we waived distance requirements for hauling, we waived hours of service, we established the livestock water supply program. There was a number of things that we did to help provide relief. And if those of you that aren't farmers and ranchers, I mean,

to understand this ... When we met people at those drought things, people that normally would have had 1,400 bales to feed their cattle, during the drought, in some cases were pulling less than 40 bales off that same property. We're talking about 2 or 3 percent of their normal crop that they were getting. Not 50 percent, not 75 percent, 2 or 3 percent. So people that were desperately in need. So we either had to get the cattle to the feed or the feed to the cattle.

And one of the things that we partnered with Commissioner Goehring on, and his team, was a hay lottery. There was 492 applicants, where people applied ... ranchers in North Dakota applied to do that. That program moved over 289,000 of these round bales, 1.3 million miles ... and to help save and serve over 126,000 livestock. So, with that, we were able to provide almost \$4.1 million of assistance. And that reimbursed about 36 percent of people's cost to do this. It's not, doesn't save the day but everything helps when you're in the midst of a crisis like this.

The State Water Commission ... worked on coming up with one point three million dollars of committed dollars. Each green dot in here represents where a rancher applied for a project to receive disaster livestock water supply. These were for new projects. Every green dot here represents us building our resiliency, because each one of these projects is not temporary, they're permanent. And these will help provide permanent water supplies to pastures going forward.

When you've got that much drought, you end up with fires, and we had an incredible year. There was over four hundred and thirty wildfires reported in western North Dakota last summer, a near record, the largest of which was the Magpie Fire, which was on Little Missouri National Grasslands. The Federal Government was involved in that. 5,400 acres burned. These are reported. There was many more fires that weren't because sometimes the local fire department or rancher themselves gets a fire put out before they even ask for help.

But I do wanna give a shout out to the North Dakota Forestry crews, a shout out to our State Forester, Larry Kotchman, who is the longest serving state forester in the state of North, or, in the country, and his team. And also just, we need to share our gratitude with the firefighters, most of whom are volunteers. Nearly all of them are volunteers who are out fighting these fires during the last year. So ... and those volunteers are also often farmers, ranchers, and wearing five other hats in their house. But those volunteer fire departments in the western part of our state did a fabulous job this year and let's give them a hand.

The drought impacts not only affected livestock and people in communities, it also affected wildlife, which is a big part of the hunting and fishing culture, is an enormous part of North Dakota's culture ... And for economically there's many communities that also depend on hunting revenue. But license purchases were down 30 percent from the prior year. The brood count was down 63 percent on pheasants. So they were way down. Deer hunting, again, also some stress there. But we did have over 54,000 deer permits issued. And again, it's fabulous to live

in a state that has got the kinds of natural resources that we have and the outdoor activities and ... If you're not taking advantage of this, it's another reason to live here.

But challenges remain, which is today we may think that, as we enter into winter, we stop thinking about drought but if you can tell here, we've moved out of the extreme and exceptional, but we still have areas that are considered severe, and the western half of the state is still considered moderate. The eastern is abnormally dry, and I know when we're, you know ... If you're driving a school bus or going to your kids' games you're probably really happy there's not a lot of snow on the roads, but ... We're short of moisture, and we could find ourselves continuing to have challenges going into the next year.

But we're a state of extremes, and right here in Minot, just now seven years ago, the incredible historic floods... I wanted to say to the people of Minot a couple of things. One is we haven't forgotten about the nearly \$700 million in damage, and the 4,700 hundred structures that were there. The legislature has been, has stood behind Minot, has already committed over \$178 million dollars, you know, through the Water Commission towards flood and other control projects here. And I wanna say congratulations to everybody in Minot for achieving the record of decision for the Mouse River Project from the Army Corps of Engineers, 'cause that's not an easy thing to do. But flood control continues to be a major initiative of our legislature and spending. And so, we're, you know, continuing to charge ahead on that.

Over on the other end of the state, which has had significant flooding multiple times, there is great progress being made there. The City of Fargo also achieved its record of decision from the Army Corps of Engineers. And it achieved Federal authorization, passed the sales tax, had the funding from the State Legislature had been beginning construction to protect, which would be the largest flood protection project in the state. But it was also protecting 17 percent of the taxable sales, 30 percent of the open jobs that we have in the state, and over \$14 billion of property value would be protected by the Fargo diversion. So records on many measures in terms of the scope and scale of that project.

But that all came to a halt with litigation through the State of Minnesota. And so, the entire project was stopped through connecting with Governor Dayton in Minnesota. We agreed to get together to form a task force. Governor Dayton and the head of the DNR came to all six meetings, one pre-meeting and five task force meetings that were held in either Fargo or Moorhead. Full day-long meetings, so I got a chance to spend five full days with our neighboring Governor. And from that work, we issued the final report.

The engineers are working. We think that we have a possibility to solve the issues, which we were trying to solve ... there, in terms of, you know maintaining the federal authorization; making sure that we had a project so that people wouldn't also have to buy flood insurance; getting more of the water off of Minnesota and onto North Dakota; taking care of downstream and upstream.

There's about five problems we're trying to solve at the same time. And I said it was like, you know, riding horseback with a bow and arrow and trying to, you know, hit a bullseye with, when the targets are moving. But, it was, through all that, we believe we have a plan coming out of this that should solve all those problems. And we can get back to work at protecting one of the most significant economic engines in our region.

The budget challenges were there when we took office last year, and everybody knew this coming in. Legislature understood it. The prior appropriations in the previous session had been \$6 billion. Through a lot of teamwork we balanced a budget together and did that with care, bringing spending down to \$4.3 billion dollars, which is a historic shift that no legislature's ever had to really drive through in dollar amount. From a percentage basis it's the hardest piece of work that's been done since the Great Depression, in responding to that. And we also were able to shrink government, but still maintain services. So we got 327 less full-time equivalents. That does not count higher education and 642 fewer budgeted employees going into this thing. But still working, trying to work smarter and to keep delivering great services. And we funded virtually all the priorities that we chose to do, including fully funding K through 12.

Gov. Burgum:

But one of the things in our state ... if we don't diversify the economy, we end up being very dependent on things we can't control, particularly commodity prices. Because, ag and energy, both being our biggest industries, and both being commodity related ... You know, if we take a look at what we've been through in the last 10 years, just take a look at the price of corn, and you can see that there was a time when corn prices were very high. And perhaps, which might be the tendency, they get high, and you think they're going to stay high forever, but you can see the precipitous drop that they went through, and then they've stayed low. This puts pressure on our ag communities, and ag producers, and everybody in the system, and it also puts pressure on the state, because of the revenues that we produce.

From an energy standpoint, the same thing. Energy prices are volatile. There's lots of competition. We have an approach in our state, which is all of the above. So we're supporting oil and gas. We're supporting coal. We're supporting wind. Oil and gas, obviously, most of that, a lot of that's going towards transportation fuels.

With coal and with the wind, that's to power our grid, and if we didn't have the coal industry we would have today ... We do have some of the lowest electric rates in the country, some of the most reliable electricity in the country, because of the base load that we get provided by coal. As the renewable continues to grow and grow, at a low variable cost, those dynamics put pressure on the economics between those two. We have to continue to sort that out as we go forward.

But from a revenue standpoint to the state, we are very dependent on revenue that comes from the oil and gas industry. As you can see again, here, we had a

huge drop from June of '14 to January of '16, where we had about a 70 percent drop in the price of oil, and that makes very difficult for any organization, when you've got this kind of volatility on the revenue side, to figure out how you're going to do your spending.

The good news is that oil production is back up, as you can see on the prior page. As oil prices have come up, production is starting to climb up. It's very likely in the next few months we'll break our previous record high, in terms of barrels of oil produced per day. That is absolutely, positively due to the fact that this industry has figured out through technology and entrepreneurship to figure out a way to get their breakeven costs down.

Because today, if we're, say, roughly at \$60 a barrel, we've got people that are investing and making money. Four or five years ago, they needed to have prices at \$80 or \$90 to make money. When we're doing things that are smart, like drilling more wells on a pad. We're having less surface impacts, and we're providing better economics in terms of how we do this.

Some of the challenges we have here related to workforce, there'd be more activity going on in our state if we could fill the jobs. And then we also, as we produce more oil, we also produce more gas, and if we produce more gas, we have to do more gas capture, which means infrastructure, which means gas lines, which means working both at the state level and at the federal level, because the federal lands are tribal lands in our state, we've got some burdensome federal regulations to make sure we're doing the gas capture, to make sure that we're capturing all the gas that we want to capture as we go forward.

But with this oil revenue being highly variable ... Again, this is the challenge that the legislature was facing. There was almost \$6 billion in oil revenue in '13 and '15. That dropped in half in '15-'17. We're projected to be about the same in this thing. But we're having to deal with about half the revenue that came in from this very important source.

The other thing which made forecasting tricky was we had a huge run-up in sales tax collections during the time that the boom was going on. If you take a look from just in two bienniums, from '07-'09 to '11-'13, it doubled from '09 to '13. It doubled. You might say, "Hey, wow. That trend is just going to keep on going." But when oil activity dropped, and oil prices dropped, sales tax revenues followed to a lower level. Again, creating great challenges for us from a forecasting standpoint.

As I said earlier, through great teamwork with the legislature, able to reduce general fund appropriations from \$6 billion down to \$4.3, and keep driving ahead on all the important initiatives. The good news and the bad news of how we got that done ... The good news is that prior legislatures had built up some really significant reserves across different funds. Tax Relief Fund. Foundation Aid, which especially goes to schools. Budget Stabilization, which is meant for budget fluctuation. Strategic Investment and Improvement Fund. And the General Fund

ending balance, kind of like leaving money in your checking account, if you think of that last column as that. Money tucked away in a bunch of places.

When the revenues dropped, we had a period of time when revenues were less than what we were spending, and we were able to keep those government services rolling with our savings account or reserve fund balances. But if you can see where we are in the gray, the gray is where we are projected to end in 2019, our balances are going to be substantially lower. In some cases, they were run almost down to zero and then back up again. We're working our way back out of this situation. The risk is not, we're not risk-free, and so again, more work ahead for the legislature, from an appropriating standpoint, to try to make sure that we're matching our expenses with our revenues at a time when we've got lower revenues, and we've got depleted balances.

One other really great thing that all of you, if you are of an age that you were voting at that time, was the creation of a Legacy Fund. The Legacy Fund takes 30 percent of the total revenue derived from oil and gas production, and puts it away into a fund for the future. Through 2016, that money just grew, and it was created by a vote of the people. Put on the ballot by the legislature through a bipartisan resolution, and that money just grew.

Last year, for the first time, there was ability to access the interest and income off of it, and that little orange piece down there was \$200 million that came from that, that we were able to use, that went towards funding that \$4.3 million. It'll continue to grow through 2018 and into 2019, as the earnings go in there. But I would just say, again, I'll stake out my position on this, is I don't think we should be tapping the principal, and when we come to spending the interest and earnings, I would like us to think really creatively about how we can use those dollars to actually transform what we're doing, not just fund the basic services and operations of government.

We may have to use this again, to get us through this period of time where we're just using it to fund government. But certainly all the young people who are here, in your lifetime, there's going to be an opportunity to use the Legacy Fund earnings for something that is really transformative. Part of the challenge I have to everybody in the state is to keep the ideas coming about what would really be impactful, because it's very special that North Dakota has this, and has this as a potential tool for the future.

In spite of cutting down from the \$6 (billion) to the \$4.3 (billion), the legislature, again, very supportive and very strategic on spending money on infrastructure. Now, these numbers are way down from what we were spending during the boom, when we were trying to catch up. But worth noting that state government still continues to be a huge economic stimulus in itself, in terms of building new roads, water projects, whether that's flood or water supply, and then of course, of airports in particular, building the new regional airport at Williston. A lot of money being spent. You add all of this up, it's over \$1.3, \$1.4 billion being spend

in this biennium on infrastructure by the state government. We continue to invest in ourselves and in the future.

I want to spend a couple minutes on property taxes, because this is such an important story, and I think one that is not well understood. It's important to understand, again, the work that the state legislature's been doing on this. Prior to 2009, it was about an equal split between what the state provided towards local school districts, and what local property taxes paid for that. And there was some amount of money that came from the feds.

But when the oil boom happened, and the oil money was coming in, one of the things that the state decided to do was say, "Let's take on a bigger share of paying for local K-12 funding." That's where those lines separate. You see the orange line starting to head skyward, and the local line staying flat.

In dollar amounts, today, in 2017, local school districts, through property taxes, are actually contributing just under \$100 million less than they were back in that 2010 timeframe. The state, on the other hand, is paying almost \$570 million more than we were at that time frame. This has gone from a one-to-one ratio to almost more than a two-to-one ratio, approaching a three-to-one in terms of what the state pays versus the local.

If you hear someone at the state or state legislature talking about permanent property tax relief, this is the slide. By the state permanently taking on a higher portion of K-12 spending through state revenue sources, it's lowered the burden on local taxpayers. If you look at it in percentage basis, the local used to pay about 45 percent of it, and now the local is paying about half of that, in terms of the K-12 on a per-student basis.

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So, what does this mean? Again, there has been a lot of discussion about one element here, which is the gray bar ending the 12 percent buy down, been very little discussion about the blue bars. So, since we have all the students here, we can do a little math together. The additional K-12 relief that is coming through the increases in student funding on the formulas shown here from the state is estimated to be \$154 million more dollars coming from the state.

The state also has taken on the transfer of the payments for county social services. That equals about \$161 (million). So, the county was also another group that taxed through property taxes to pay for that. The state did end the 12 percent buy down. This is something I talked about in the state of the state last year which is it was unsustainable.

The state needed to have an off ramp for property taxes because the property taxes are driven by local decisions, not state decisions and it was unsustainable going into the future because it was a percentage of something that somebody else decided. Even in worse cases, it actually subsidized local spending that may not have been affordable by the local jurisdictions. So, very smartly, a legislature getting out of that. The net of those things together just in this session is that

there's more net relief going and so I know that if you're from a city like Minot and your property taxes have gone up, you're looking at this chart and going what the heck? I would just say individual results may vary because if you're valuation has gone up, if your city leaders, the local school board, the county, the park district, has decided to offer more services and any of those have increased their mills, that could have an impact on your taxes.

It'll vary by individual property and by individual city, but understand that from a state standpoint, the state is doing more than ever between the K-12 and the social services to help keep property taxes down. So if you have a concern about property taxes, I have a simple piece of advice. Talk to your park board, talk to your county commission, and talk to your city elected officials because that is the group that is making the decision. That gets back to how we design our communities which we'll talk about in main street.

Federal Partnerships, it's been an incredible year. Not something that Brent and I expected was that we were going to have so much access and so much interaction with federal decision makers who can make decisions. Again, in many cases, a presidential visit to a small rural state like North Dakota will occur in the last month of the last day of their second term. Here we've got a new sitting president who is not only eight months into his term, decides to do a major policy. This was the kickoff of the tax reform for the nation. It happened in North Dakota. That was one of many partnerships.

At the cabinet level, whether it's in Secretary Zinke of the Interior, Secretary Chao who was in Fargo for the Drone Focus event, Secretary Perdue who was very helpful in working with Commissioner Goehring and I on the drought relief. EPA director Pruitt who had taken the lead in helping roll back the WOTUS, the Waters of the USA which was going to be detrimental to virtually every farmer in North Dakota.

At the Cabinet level interaction, lots of things that are happening that are pro-business, pro-energy, pro-agriculture, pro-North Dakota and I've had a chance to meet 40-plus other governors from both parties. It doesn't matter which party they're in, they say they've never had more access to cabinet people. They've had more access in the last eight months or 12 months to cabinet leaders than they had in the previous eight years. Cabinet leaders are the ones that make it happen for states like us and so I would say focus that signal.

There's a lot of other stuff that goes on in D.C. that's noise, and that gets the headlines. The signal is that we've got cabinet leaders that are helping make our state better every day. Up north, we've got this border with Canada that we sometimes don't even talk about, but 310 miles long, 18 border crossings, Canada is our number one trading partner both in ag and in energy. It's been quite a year on that front where we had a chance this last summer to meet Prime Minister Justin Trudeau. That's Kathryn and I. I want to give a shout out, that's my daughter Jesse and today is her 22nd birthday, so Happy Birthday Jesse.

Lower left, that's the Canadian Ambassador, David McNaughton. I've had a chance to meet him three times, outgoing Premier Brad Wall who is the premier Saskatchewan. And then Brian Pallister and his wife Esther, the premier and his wife of Manitoba. You can tell from that picture, they were both collegiate basketball players. Brian's also a fast-pitch softball player. He's been to like 20 tournaments in Fargo, so he really knows Fargo. I was joking with him and we forget that up in Winnipeg, there's 675,000 people living in Winnipeg, and we've only got 750,000 in the whole state of North Dakota. He goes, what are the things you're working on? I said, we've got 13,000 jobs open. I'm working on getting 13,000 people to move south from Winnipeg to fill all these jobs.

Anyway, we've got some great partners up there. We do touch, not only trade but water. You get it right here with the Souris River. You understand how important the relationships are and we want to keep working with the Red River Basin which crosses the borders, the Assiniboine Basin which crosses the borders. There are lots of things that we can continue to build partnerships with Canada for a better future for North Dakota. Those federal partnerships of course also lead to the military.

We are honored in just a month after the presidential visit to have the secretary of the Air Force and the vice president of the United States visit. Minot, it's not only critical to our local economy in a time where we still have unfortunately global tensions and potentially global nuclear tensions which are again an unthinkable thing that I thought I could maybe quit thinking about from the 60's and 70's when we were kids and doing the drills when you're kids in school. We would like to think that we could maybe get past that, but in the meantime, it's very important for our country and for all freedom loving people everywhere that we have a strong deterrent when we have rogue nations that are threatening nuclear activity.

Here in Minot, we have the only base in that nation that has a dual nuclear mission, both a missile wing, and an air wing. That was the reason why the air force and the vice president were here. Then, we've also got security at that air base provided by North Dakota National Guard in a unique partnership that doesn't exist elsewhere.

We do have a number of folks here that are representing that important work that is going on and I would like to make a few introductions. We've got of course our North Dakota National Guard Adjutant General, Alan Dohrmann is here. We've got Colonel Sloan Hollis who is the vice commander of the fifth bomb wing from Minot Air Force Base. He's joined by Colonel Benjamin Spencer, the wing commander of the Grand Forks Air Force Base. Chief Ryan Thomas is here and perhaps others.

If I could ask all of those officers to stand and then if we could, have all of the active duty service men and women that are here today also stand, but let's give our military leaders and friends a great round of applause. And if you guys could

stay standing, if you guys could stay standing, could we have all the veterans in the room, anybody who has served at anytime in your life, all the veterans if you could please stand.

I want to give a special shout out to our tribal leaders because one thing that everybody should know, in our country the group that volunteers and enlists and serves at a higher percentage than any other group in the country is American Indians, Native Americans right there.

It's also an incredibly special honor today that we've got Private First Class Lynn Aas here with us. This gentleman served in World War II and served with distinction. He won the medals for bravery, the Bronze Star, the Purple Heart, and just last year, the country of France awarded Lynn Aas the highest military honor that they have, the Knight of the Legion of Honor. Lynn is right here from Minot, 96 years old, Lynn, World War II vet is here today.

Speaker 1:

Thanks for being here, Lynn. Greatest generation right there. One of the other important parts of this role is the opportunity to interact with the third branch of government, the judicial branch, and we have a system across our state, represented by the colors of district courts. Those are elected by the people positions. If those positions become vacant, the Governor has the honor and the duty to make those appointments, and I was really pleased last year to have an opportunity to appoint six new judges from a pool of highly qualified candidates that are ... Again, I think one of the things that when you learn, for each of these positions, I interviewed at least three candidates. When you interview 18 people who've served with dedication to North Dakota, try to pick 6, not easy, but one of the things you learn from talking to these people is you cannot do this job in North Dakota unless you are face-to-face every single day with addiction, absolutely.

These people are all experts because ... What do we have, 75% of our people in our criminal system have got an addiction? This is another ... When we're trying to solve problems as a state, this is a group that can be a big part of that. And then, of course, extreme honor when we had a vacancy occur with Justice Carol Kapsner retiring, that I had the opportunity and the honor to appoint one of our district judges, Judge Jensen. He, again, not only brings great judicial work, but he also brings this mindset about reinventing government to make sure that we can get more done with less, that we can be not only fair with justice, but also swift in terms of the processes that we build, and he's going to be a great addition to the court. He stood up earlier today, the Judge Jensen. Thank you. Great to be part of your investiture, and thanks for serving the state.

So 2017 was an incredible first year. I had a chance to share gratitude with a lot of you for all the help across all that. It was a huge team effort, but in addition to the work that was laid, the foundations laid, the crises that were managed, we began laying a foundation for trying to drive forward, and as we look ahead, there are challenges that abound. The world is changing, but, for us, if we're going to achieve our unlimited promise and potential, as we said, it requires that

we embrace change, we diversify the economy, and we harness the unstoppable forces of technology, and we want to talk about that.

While I'm on this slide, when I look ahead, when I see this slide, I also see more NDSU Bison championships in the future, too, but I just thought ... That's for my ... Thank you.

What are the unstoppable forces of technology? This is an hour-long keynote in 30 seconds. We have cheap storage, gigabit Internet, ubiquitous sensors, pervasive mobility, meaning there's a super computer in your pocket if you have a smartphone. You wrap that all up with the magic of software, you throw in machine learning and artificial intelligence, which is computers themselves actually learning and getting smarter through the software that runs, and so that you don't need people to make the software better. The machines can keep making it better and more intelligent as it goes along. You throw all those things together, and what happens is it changes every job in every company in every industry.

Represented there on the left, the energy industry, like I said, without the changes in technology, we would not have an oil industry in North Dakota today at the prices. People wouldn't be drilling if they hadn't made the technological advances. The technological advances driven by the things in the prior page is what allows an industry that's got free market forces to continue to move forward.

Agriculture, the free market forces there, in North Dakota, in 1900, 31 percent of North Dakotans worked in production agriculture. Today, it's a teeny fraction of that, and we produce more and better food than we've ever produced ever before because of the productivity. American farmers are great. North Dakota farmers and ranchers are some of the best in the world, and they are adopting technology at a very, very rapid rate.

What do we have on the right-hand side there? We've got healthcare and education. We didn't break it back out in the budgets earlier, but on the 70 percent of what we spend across our budgets goes to either health, human services, K12 or higher ed, 70 percent. If you're going to be in this job, and I can say, "Hey, this is like the CEO job," well, I'm CEO of healthcare, CEO, of education, along with these university presidents and others, but this is a ... Those healthcare and education are not immune from the forces here. They got a little more insulation because of all the federal involvement that's been and all the traditions there, but digital disruption comes in waves, and it's coming, and it's coming sooner than we think, and for us to be successful as a state, we have to figure out a way to embrace the digital transformation.

Of course, you can't embrace change without having the culture set, and that's part of why the purpose that we talked about earlier in terms of empowering people, improving lives, and inspiring success as a state, as state employees of which there are over 16,000 state employees. We have to all agree on a common

purpose, and we have to drive forward to do that and we have to be open-minded about how we're going to get that done, and there's five areas that, at least, driving out of our administration across the cabinets that we're really focused on, and these are the five strategic initiatives: reinventing government, behavioral health and addiction, tribal engagement, transforming education, and the Main Street Initiative.

Again, when we say crosscutting, means there isn't just one agency working on each of these. We might have up to a dozen agencies working on one of these crosscutting initiatives.

Let's start with reinventing government. A year ago, at the State of the State, basically, we embarked on a mission to reinvent. The statement said was, "Look, if anybody wants to defend their institution, probably not gonna have time for that meeting. If you want to talk about reinventing your institution and your approaches and your processes and your systems, we'll meet till midnight." Hey, we got a lot of fantastic North Dakotans that want to do their very best, that want to reinvent how they do stuff. We had a lot of meetings till midnight this last year with people that had great ideas about how to do that, started with our own cabinet.

We challenged the cabinet to think about how to make tough decisions, how to drive change, be in a relentless pursuit of the exceptional, and we put together a group of leaders that was a mix of veterans with new. We've got eight new cabinet members, nine veterans, that are in there, and it's a balance of institutional knowledge and fresh perspectives, but this team meets multiple times a month, driving through on the crosscutting initiatives, and we have a great leadership team that's helping drive the core government agencies.

One of the things that's important during a cultural transformation is to understand the people that are on the front lines, the snowplow drivers, the school teachers, the people that are doing counseling or work on the front lines. We put out a survey and had nearly 4,000 state employees respond to it, coming back with their feedback. This is a word cloud that represents some of the feedback that we got, but this is just one of the tools that we want to start employing regularly to make sure that we understand and listen as we're trying to drive transformation.

We're also pulling together what we call the extended cabinet leadership because we have the cabinet leaders, which run the agencies, but then they have their direct reports. For the first time ever, we'd had an extended cabinet leadership meeting where we pulled everybody together and working to get everybody on the same page to try to drive these crosscutting initiatives and the transformation, so we got everything going, and this is a new way of thinking about how do we do a better job for all of you in terms of delivering government services.

One of the ways that we interact with citizens, of course, is through technology, and as we have approached technology in the past, we've been doing it in the silos of the agencies by program, and everybody's like, "Hey, let's create a website." What we end up with is, today, we have over 160 websites from the state of North Dakota, and none of them interconnect with each other. If you're going to go out today and try to buy a park pass and a fishing license, you got to go two different times, and when you come back, it doesn't know who you are and that you were just on the other website.

If any of you have ever done any shopping online, and let me guess the percentage in this room is probably very high, when I'm in rural North Dakota, it's almost 100 percent of the hands go up with people that have shopped online. When you go online, when you come back again the second time, they remember you, and they remember all the things you looked at when you were there, and they're like, "Welcome back, and here's the things you looked at, but you didn't buy, and it's still in your shopping cart." They know a lot about you from they're doing that when they're out there, but, here, every time you interact with the state of North Dakota, we're like, "Who are you?" You could be somebody that's paying us a lot of taxes. You could be someone who's creating a lot of jobs. We want to be interacting with the people that are helping drive things forward. We have a lot of work to do here on driving a citizen focus as we go forward.

When we think about this, we need to do the deep dive across everything we do in state government. We've done the deep dive across information technology, and we've identified all the people that work in IT in the department called ITD, and we've identified people that work in information technology across all the other cabinet agencies, and then we said, "What are the kinds of things that you're tasked with? Are you working on running existing systems? Are you working on growing

Speaker 1:

those systems? Are you working on transforming government?" It turns out 91 percent of the resources we have is just keeping the lights on, running the systems, and not just 160-plus websites, we have over 800 different business applications we're trying to keep going. Some of those are over 20 years old, they've been discontinued, we got mainframes we're trying to run. We have to figure out a way to harvest resources from the run over to the grow and the transform, and we have to do this across state government if we're going to be able to do that.

In the private sector, you know, if you think of transform as R&D most private sector software companies are running 15-20 percent R&D and we're sort of running at zero. And we've got to figure out a way to keep investing in our future to make sure that's how we're going to service citizens better and how we're going to keep our cost down.

Cybersecurity is another huge risk for us in the state. And that's about all I have to say. It's a huge risk for us. It's a big priority. We have to keep working on this. We have to find out the right systems approaches, processes and funding to

make sure that we address this. We are now averaging 7.3 million attacks person per month on the state of North Dakota. That maybe like shockingly large number, but this is the world we live in. Some of it is state sponsored. Foreign terrorist organizations. Some of it is people doing it for profit. Some of it might be someone trying to harness a bunch of computers to mine bitcoins. It could be a variety of different sources, but in the state, if you interact with a state, we have tax information. We may have health information. We have other vital information. We have an important duty to protect citizen information, and we've got to invest to make sure we're doing that.

A couple of fun things that are happening in terms of the digital transformation reinventing government coming from the DOT. On the right hand side there, they're testing some kiosks. They got them in three locations in Bismarck, both on the campus, but like over at the mall. 18,000 motor vehicle tabs have been redone by people walking up to the kiosk. That's a fun thing. Versus waiting in line, get a number going through that.

There's about 2,000 people that have renewed their driver's license online, that's a cool thing. Where you don't have to go in, take a number and sit and get your driver's license. So we can keep doing things to improve customer service for citizens.

Last year there was a lot of angst around the state about where do we park our snow plows and we want to shift it from where do we park them to where they're actually plowing. And so one of the things that the DOT is test driving right now on 47 of the 350 state snow plows. There's trackers on there. You can download an app and you can go track the snow plow in your area and see where are they? Are they coming? When was the last time they were by here? But, you know, if the pilot works we'll roll it out to all the snow plows.

But again, this is part of the unique things that we can do as a state. And in closing on this section I would just say as part of this innovation in reinventing government, one of the things that we launched last week in conjunction with the department of health and with the DOT, the highway patrol, and we want to also have our collaboration with counties, with cities, with the tribes. We want to do this, which is Vision Zero. Zero fatalities on our highways. Zero excuses. Well you would say, "Hey, is that doable?" You can say, "Oh, that's probably not doable. I don't think that's doable, won't be doable in my lifetime. The question you want to ask is, what is the right number for your family? How many people in your family should die from an auto accident. Is there any number other than zero for a family member, for your friends, for your cousins, for the kids you teach? The number has to be zero. And if any state can do it, it could be us.

Now we might get there. We might have a week or two weeks that we go without it. We'll celebrate that. We might have a couple of counties that go a whole year without it. We'll keep building the building blocks. We can get to this number and I think we can get there before any other state does. But what does

it take? It doesn't take government. It takes government plus technology. 'Cause 91 percent of the accidents are human error.

Hey, by the way, in the next 10 years we're going to have autonomous vehicles, which are going to help drive that number down. It's also going to take us to be aspirational about keeping at this over multiyear ongoing. But it's also going to be the personal responsibility of it, wear your seatbelt. If you have a friend, don't let them drive if they're impaired. If you've got kids, have them take the pledge they don't text when they're driving. Personal responsibility is the only way we're going to get to zero on this thing. But anyway, that's the new signs. They're up Vision Zero. Get on board, find out how your community can partner with it, and NDDOT, you'll learn more about it.

Behavioral health and addiction. Addiction can happen to anyone, anywhere, anytime. This is tearing apart the social fabric of our communities around the country. And from a state level we've got to everything we can to try to reverse that trend. And it's staggering the numbers nationally. We will have more overdose deaths in 2017 than auto deaths plus gun deaths combined. It will be the worst year in the history of all of us saying, "Hey, war on drugs." Which started in the 1980s. Worst ever in terms of overdose deaths. And it's driven by more powerful and more fatal drugs. A lot of them related to opioids and fentanyl. And North Dakota is not immune. Numbers aren't in yet for 2017, but probably 70-plus overdose deaths last year in North Dakota.

And so we need to attack this on a multi-dimensional front, but we need to start with the understanding that addiction is a disease. And you can't treat a chronic lifetime disease with 28 days of treatment any more than you can treat diabetes with 28 days of insulin. We have to change our cultural view of how we think about this, and that will change our approaches.

You can't incarcerate people who have a health issue and expect them to get better if they're not getting treatment while they're incarcerated. And as Leann Bertsch says, who leads our corrections is doing a great job with that. We have 98 percent of the people in North Dakota get back out of incarceration. We need to be making better neighbors, not better prisoners. We've got to make better neighbors.

And in many states there's a tie between this and workforce that we can also be tapping. But we are making some progress, opioid in awareness efforts. We've actually reduced about 11,000 fewer prescriptions in 2017 than '16, we had a state-wide taskforce that was looking at that. Some of that involved changes in the software, people dispensing it. Some involved getting the dentist more involved, but there's things we're going to keep chipping away at all this. But it's staggeringly high. There was almost 60 doses per every man, woman and child prescribed in our state in 2016. 60 doses for every man, woman and child. I don't think we need that much pain medication as a state.

So we need to think about how do we use it appropriately and how do we make sure we manage the supply and manage the challenges of the disease of addiction. One of the things that we did to bring attention to new approaches on reinventing recovery was an event. The first lady helped drive this event, and it was fabulous turnout, fabulous speakers, speakers from all over the country that were there. And at the end of the day it was interesting. People got done, said, "Did you love the speakers?" "Speakers were amazing." Five of the people that spoke today on stage at this conference were felons.

The woman from LA, the lawyer who works in Hollywood, felon. We have to understand that we have to get rid of the stigma associated with this, and start looking at the root problem. And the first lady has been doing amazing work prior to this. Part of the ideas and the speakers that came to this event came from her five visits, to five other states, to five other governors on her own dime and her own time. New Hampshire, Vermont, Massachusetts, California, Arizona, New Jersey with Chris Christie. Anyway, bringing ideas and bringing speakers back to help catalyze this thing, and then great team work from Pam Sagness and her team in human services. Great teamwork effort driving this thing.

One of the things that happened at that event was we said, "Let's give out Narcan." Narcan is the nasal spray that can reverse an overdose. Some people said, "This is North Dakota. A: We don't have a problem. And B: Why are we giving out something that's just going to support addicts?" That's the kind of language and thinking we have to get rid of. This is a lifesaving tool for people that have a disease.

326 kits were distributed after we gave training on stage. Five days later there's parents that came. The parents came and listened the whole day at Recovery Reinvented. They left with their Narcan. They were there because they had an adult son early 20s. They were concerned about his addiction. Five days later they come home. He's unresponsive on the bathroom floor, the dad applies the Narcan, saves his life. Saved his life.

And the legislature is in the judicial branch they're on this. They're on this and they're making great progress. Passed the bill last year, one of the most significant pieces of legislation, the justice reinvestment. This moves \$7 million out of corrections upstream to start working on solutions, keep people out of incarceration, get them into treatment ...

Speaker 1:

The brand name for that effort coming out of human services is Free Through Recovery. This is for us to support up to 600 people with services previously not available in North Dakota. If we can provide 600 people with services and keep them out of incarceration it costs all of you, not the state of North Dakota, it cost taxpayers \$41,000 a year to incarcerate someone. It costs a fraction of that for us to give them treatment and then they can be with their family, with their kids, working, generating taxes. War on drugs is tough on taxpayers, that's what it is. We need to come up with solutions that solve the problem and work for taxpayers.

We need more investment in this going forward, but again, great team effort. Had the first training yesterday morning. The First Lady was there, spoke, Pam, they had about 25 percent more people show up than they thought that were going to, in terms of people around the state that are going to work on this. It's fantastic.

At the federal level, you know, your First Lady's also been very busy. Last week she's getting a shout out from President Trump. She's met with the White House drug czar, Richard Baum. She met with the FDA commissioner, Gottlieb. She continues to build these relationship at the national level and do that. I would just want to say to the First Lady, your courage to put yourself out there on this thing is amazing and it's making a difference. Thank you. Thank you.

Coming up next, recovery is one of the elements. We want to focus on prevention. We want to focus on early intervention. We want to focus on treatment. We want to focus on recovery. The four elements when we're approaching this holistically. We had the day focused on recovery. Now this spring we're having a day of prevention. Register at RecoveryReinvented.com. I challenge people to get there, particularly if you're clean and sober and got friends, school friends, other classmates that aren't, think about getting out of school and coming to this thing. Ask your principal, superintendent, "Why aren't we sending a bus to this thing? Why aren't we getting more people involved in this thing?" This is an everybody issue.

Tribal engagement. This is one of the top priorities. At our inauguration, we had a tribal luncheon. First week that Brent and I were in office we met with all the tribal leaders. We had everybody come in. We have gone out and had meetings at all the tribes. Where are we? We had a long way to go. I mean, trust was very, very low last year, and probably for good reasons. We're digging in on this thing because it's so important to the future of our state.

You know what we have here is a history that goes back before we were a state. Long before North Dakota was here, started in 1899, we've got tribal nations that were here with a complex mix of this tragic history and interaction with the feds and broken promises and treaty debates that all happened before we got here. Forced assimilation. I mean it is a tragic history.

One of the challenges we have is not enough people in North Dakota understand that history. The challenge that I'm going to put out to all of you is to try to better understand that history. We need people that really work to understand where we've been, so that you could also understand what is the inspirational resolve of our tribal nations to try to work on behalf of their people to create better situations. We have a federal system that is, I think incredibly ... the federal system is incredibly dysfunctional and it has led to multi-generational poverty and lots of other challenges.

We have to, whether it's addiction, whether it's K-12, whether it's higher ed, all of our other initiatives that we're working on also will apply here. It's just that, in this case, we're working on nation-to-nation relationships and so we have to approach it a little bit differently, but we have to figure out a way to work together to try to resolve that. I'm grateful for the partnerships we've built with the leaders that are here. They've been incredible hosts when Kathryn and I and Brent have been there, and we want to continue to keep those dialogues going this year to work on the big issues that are facing us.

Some of those areas relate to taxes. We've created, for the first time ever, a tribal taxation committee that was formed by the legislature. We've got the leaders from both parties, a tax commissioner, a lieutenant governor, myself, Scott Davis from Indian Affairs. It's a historic group of leaders that's put together on one group to really put the leadership working on tribal relations from the legislature and the executive branch working together. We're hoping that that can lead to legislation that can help solve some of the challenges that we're facing.

We need to listen more and we have to understand. If you get out and spend time listening, you understand, yes, we're separate nations, we're all North Dakotans. We're all parents. We've all got kids. We all want the same thing. Bright future for the children. Opportunity, safety. We all want the same thing. Let's go figure out how to get it done.

We had a chance to ... Jamie, who's here. Congratulations on your new responsibilities, but thank you for hosting and inviting Kathryn and I up to the addiction summit that happened last summer up at Turtle Mountain. Of course, a shout out to all the leaders, but Monica, from MHA, has been great working with Kathryn on a number of things. She received recognition at the Recovery Reinvented, but thank you. Chairman Fox, thanks for your leadership on the tribal taxation efforts. We got a great crew of folks here. Thank you. Thank you all for being here. We look forward to continuing to work with you.

Education. This is a biggie. 40 percent of our budget, 20 percent of the state budget K-12, another 20 percent on higher ed. We are teaching kids, in many cases, kind of the same way we taught them 120 years ago. There is competition. We realize it on K-12 because we're very insular and we think that we have a monopoly as a state government in delivering private education for the most part, because there's about 109,000 students in K-12. There's about 9,000 kids that are either homeschooled or doing that ... 3,000 homeschooled and about 9,000 that are in parochial schools in our state. At 109,000 we have the state delivered education is essentially monopoly market share with not much competition. We have to figure out a way through our own efforts to try to adopt the technology and the approaches and the processes to help transform this.

This picture was taken here at Kindred School. Go Vikings. They had all the elementary kids out there working on an hour of coding. Teaching kids about

how to code. Private partnerships involved that were there. Microsoft was there. 4-H ambassadors was there. This was an incredible day with incredible energy with kids learning all kinds of things.

Again, legislature deeply involved. The Senate Bill 2186, the Innovation Bill. This is about bottoms up innovation. This is not top down Washington D decides, Bismarck decides. This is each individual school district can adopt an innovation plan and they can decide locally what they think the best way to try to drive education, you know, hands on, experience based education in their areas. To get out and really understand more about how we can make that happen we have created a K-12 task force. We've been holding our meetings. This one was out with in Garrison, home of the Troopers, and had a chance to interact with students there as part of that task force thing. We're going to Oakes next week, but we're going to continue to get out into the schools and understand what people are doing to help drive these innovative initiatives forward.

Last year we had a great Governor's Conference on innovative education. In Bismarck about 600 people attended. This year we're just now announcing that the Innovative Education Summit's going to be two days long. It's going to be at Northern Cass, which is a consolidated school in Northern Cass County, which absorbed Arthur, if you've heard of that town. You guys know the history. The Knights merged with the Hornets and the Braves and became the Warriors. Then the Warriors merged with the Eagles and the Gophers and some other people and now they're the Northern Cass Jaguars.

Basically everybody I played now goes to the same school is sort of how I think about it, but we're all arch rivals except for the Casselton Squirrels are not part of this group. Anyway, this is going to be a great event. My challenge to all of you is to get out there and to do that. We may have the ... Is the Northern Cass School Board president Susie Carlson here? Wave your hand. Yes? No? There she is over there. Thank you for hosting us Susie. We look forward to seeing you at Northern Cass. Thank you.

Higher Ed Governance Task Force. Again we've got a governance system in higher ed that's been around since 1939. We've decided it's time to take a look at that.

Speaker 1:

We're going to work through 2018. We may or may not, depending on the results of the task force, have legislation to be introduced to the legislature or to the people a year from now, but we've got this awesome task force. The task force had over 230 applicants. Getting down to 150 was hard. Getting down to 100 was really difficult. Getting down to 50 was impossible, and then from the 50 we had to pick 15, but we have a fantastic task force. The Chief Justice is one of the ones that's serving on this as well, but we've had our first meeting, and we've got some traction going in terms of how we want to take a look at this thing. The goal here, of course, is to make sure that, again, we do lots of listening, and part of that listening is that the Governor's Office is going to do education tours, so during this year I'm going to get to all 11 campuses around the state, starting with Minot State this afternoon-

Speaker 2: Woo.

Speaker 1: ... but we are going to, yeah ... Let's go Minot, here we go.

Speaker 3: Woo.

Speaker 1: But we want to listen to the needs of students, faculty, staff, the community, and we want to make sure get an understanding of where we are, and then understand how can we create a governance system that allows our higher education to be nimble and dynamic at a time of dramatic change, at a time when knowledge transfer, knowledge creation, is changing at a different and faster rate than it ever has. We have to figure out how do we get our education system to match that.

Main Street, this is about empowering local leaders and communities to help attract 21st century workforce and compete in the global economy. That's what it's about. There's three pillars. The workforce component. One way you get workforce today is you have a healthy, vibrant community, and the last piece is you have smart, efficient infrastructure, which supports the other two. We have almost 13,000 jobs open in North Dakota. That's fantastic that we have that many jobs open. The problem is we have that many jobs open, because if these were filled, this would be like adding a Jamestown to North Dakota.

We've been out talking with folks around the state and two things come through to the top. We've done 13 visits to different communities. Workforce, workforce, workforce. Workforce in healthcare is probably the highest one within that, because we've got a shortage of nurses and a shortage of providers across the state. And then the other piece, which is a big takeaway, is youth engagement, and I guess one of my challenges to all of you is, we've got communities that are graduating all kinds of high school kids, graduating all kinds of college kids, and their population is flat. Do the math. If your population is flat and you're graduating high school kids and college kids, that means they're ... For every person that comes, somebody else is leaving. So we need to really engage our youth and understand what it is that they would want. We can't build communities that we want. We need to build the communities that they want, and so this is my challenge to everybody is, deeper youth engagement.

Main Street Summit coming up February 12th and 13th, Bismarck Event Center. Reserve your space now at MainStreetND.com. We've got a set of fantastic national speakers, great local speakers. Everybody that's coming to this thing, it's going to be inspirational and, again, my challenge to you, we're ... Right now I think Grand Forks has more people registered than anyone, but Minot, my challenge to you here in Minot is let's have Minot have the most number of people at this event.

On the strategic initiatives, there they are. Cross cutting, working across, making progress, there's opportunities for you to participate in all these, and there's a

challenge behind all of these as well, and so look forward to your participation. When we close out here, looking at the road ahead, this is a road in the Red River Valley, not far where I grew up, and if you grew up in this part of the country, that road is fine if it hasn't rained for a week or two. If that road is, if it has rained, man, you are not getting down that road. You're going to be stuck in that thing so fast, and so this is a little bit ... The road ahead of us for North Dakota, it's not some paved super freeway. It requires judgment. It requires effort. It requires some thought. It requires us to think about it, and we've always in the past, been able to think of ourselves as a state that knows how to persevere, and we know to endure, but now we have to add to that. We have to add to that that we're also the state that knows how to innovate, we know how to learn, and we know how to lead because we pride ourselves on being able to put up with the worst weather, and the coldest storms, and the biggest blizzards, and the hardest droughts.

I mean that is built into our character that that's what we do, but we have to expand that to understand part of what being a North Dakotan, part of what created, you know whether it's the Bobcats or the Steigers that was innovation. That was leadership. These companies were created here by people that had their feet on the soil. They were tied to the land. They had all that great capability of perseverance and endurance, but that also helped them become innovators, and entrepreneurs, and making new ideas. To do that you have to have a growth mindset, and on a growth mindset, you welcome feedback. You like new challenges. You're willing to accept new things. You know how to listen to people.

The fixed mindset is, "I've already decided I know what I need to know, you can't tell me anything I don't need to know because I know what I need to know, or I know what I need to know because I heard it from somebody else, or I watched it on TV. I can't learn anymore. I'm fixed in my thinking." And if we have these two things colliding, we're not going to reach our full potential. We have to be able to listen to each other. We have to be able to listen deeply. We have to be able to learn.

As I said last year, I know I can learn ... I learned something very powerful in December of 2015 when I met a homeless addict on the street in an alley in downtown Fargo. I learned something from that individual, and I have been learning every day I've been in this job this last year from all the people that have come up and shared stories with me. We need a whole state of people to get up in the morning and go, "What am I going to learn today?" To do that, to be a continuous learner, you have to have the courage to understand that some of the things that you hold true may actually not be true. You have to be willing to let go of perceptions that we've been bring up. You have to have the humility to understand that you can learn from anyone. You have to have the curiosity to keep driving forward with a set of questions that helps you come up with an answer that works for everybody.

I tell you gratitude ... There's a bucket sitting next to you called the gratitude bucket, and you can reach into that bucket, and you can share it every day, every day with everybody that you run into, and the bucket, when you get up the next morning, it's actually filled up again. But some people don't even know that bucket is sitting next to them because it's too easy to get in a world where everything is a complaint when we have so much to be grateful for in terms of what we have as a state, as families, as a country, the resources that we have. We have a lot to be grateful for, and so this is something ... My challenge to all of you today, I was trying to think, we have 750,000 people in the state of North Dakota. How do we get the gratitude engine, because gratitude is a force multiplier. How do we get this thing really rolling?

If 750,000 people ... Now, okay, now I understand if you're between the age of one and three, that maybe doesn't apply, so we'll take those out of the population, but your parents can write two notes. You can write the thing, but the challenge would be, the challenge is, that if 750,000 people, if you went out and said I'm going to write a note of gratitude, a note. I'm going to write a hand-written note. I'm going to write a hand-written note to somebody who made a difference in my life, a coach, a teacher, a parent, an uncle, an aunt, a friend, because you all know who those people are. You're probably thinking of them right now. If you took the time to send them a note, that is a force multiplier. If we did that as a state once, it would make a difference. If we did that every week, we'd be the most amazing place to live in the world.

We have this thing that's free. It doesn't require legislative, judicial, executive branch authority. This is personal responsibility, power to the people, bottoms up, anybody can do it, but take the time, write a note of gratitude to someone who made a difference in your life, and guess what. You're going to make them feel amazing, and then do a check-in on yourself and see how good you feel after you've done that for them. Okay? Just try it. So anyway, that's my closing challenge.

We are in a state of unlimited potential and promise. One way we get there is being a state of gratitude. "Far and away the best prize that life has to offer is the chance to work hard at work worth doing." Teddy Roosevelt said that. He knew it. He understood it. He built his character here in North Dakota. We have a chance. We have won the prize. We have an opportunity to empower people, improve lives, inspire success, every single day we get up. That's one of the reasons why Brent, and Kathryn, and I love this job. We love serving all of you. Let's go make it happen. Thank you.