

Governor Doug Burgum

State of the State Address – Jan. 3, 2017

(Note: written speech differs slightly from delivered speech)

Lieutenant Governor Sanford, Governor Schafer, Justices of the Supreme Court, Mr. Speaker, distinguished members of the 65th Legislative Assembly, elected officials, tribal leaders, First Lady Kathryn and children Joe, Jesse, and Tom, Sandi Sanford, fellow citizens of North Dakota, family and friends, welcome and thank you all for being here today.

Where do we start? Let us begin with gratitude.

I've personally experienced the power of gratitude and watched it change outcomes, change organizations and change lives.

Gratitude's power comes from intention and expression. Gratitude requires us to think beyond ourselves. Gratitude can warm our hearts on the coldest of days (like today).

We all hold the power to create and express as much gratitude as we choose. As North Dakotans, we have so much for which to be grateful.

First, a thank you to all elected officials serving our citizens at all levels of government. Your courage to be "in the arena" stands out and deserves our respect and acknowledgement.

This past year, our citizen-led Legislature was singled out in TIME magazine, which called North Dakota's approach "A government Jefferson could love," and further stated, "what still carries the day is a sense of common purpose."

The November election brought many new faces to Bismarck to join in that common purpose. I would ask that all 32 legislators serving in their first session, and the new statewide officeholders Josh Gallion, Jon Godfread and Jerod Tufte, stand and be recognized. Welcome to Bismarck! It's fun to have a big freshman class join Brent and me as we begin this journey!

Our state owes a debt of gratitude to Governor Jack Dalrymple and First Lady Betsy, who have generously served our state in public life for more than 30 years. Kathryn and I are grateful for their gracious efforts that made this such an effective transition. North Dakota is truly a better place because of their service.

Too often we take for granted the importance of public servants on the front lines. They keep our roads plowed, they teach our kids and they protect our environment. We're indebted to your dedication and service.

Today I'd like to recognize three citizens for their outstanding commitment to the safety and security of our state.

The first is North Dakota National Guard Sergeant First Class James Howey, who owns an electrical business in Fargo. Sergeant First Class Howey needed just two weeks in December to connect two separate Guard and law enforcement operations in southern Morton County to the local power grid.

His quick and capable work will save the state hundreds of thousands of dollars. The project could not have been done without his knowledge base, his civilian-acquired skills and his ability to lead soldiers effectively.

Second is Captain Bryan Niewind of the North Dakota Highway Patrol, who's spent his career ensuring our safety, including helping to save a motorist's life from a watery crash in 2009.

Captain Niewind currently serves as our Highway Patrol's Emergency Response Team Commander. In this role he's been working tirelessly to reach a peaceful resolution to the protests, while at the same time ensuring the safety of all involved.

Sergeant Bryan Steele is an Army veteran and 17-year member of the Morton County Sheriff's Department. He has responded to every protest event in the county since Aug. 10, sometimes working 14-hour shifts for more than 20 days in a row, often working holidays and missing anniversaries, birthdays and other family events.

So to each of you three, and to the hundreds of individuals from across the state involved in law enforcement, emergency management and support operations, we offer our deepest regard for your service, professionalism and restraint.

Every day we get to serve the amazing people of North Dakota and do our work in the context of North Dakota being one of the greatest states in the greatest country in the world.

A place which honors and protects freedom of speech, freedom of religion and the right to bear arms. A country whose entrepreneurs and innovators are the envy and the engine of the world's economy.

Today we live in a world of fundamental change due to the powerful and unstoppable forces of technology.

This combination of incredibly cheap digital storage, fast bandwidth, cell phones so powerful they are really mobile supercomputers, enormous amounts of highly accurate, automatically collected data, all powered by the magic of software – these forces are changing everything every job, every company and every industry.

Yes, we're facing a budget revenue shortfall. But not because of scarcity.

When I was in high school, I was told two things were certain about our world. First, the world's population would explode and we wouldn't have enough food. And second, we'd run out of energy.

Fast forward to today. America's and North Dakota's farmers are among the most productive in the world. A drive across our state this fall revealed bumper crops of corn that exceeded our ever-expanding storage capacities.

The world is awash in energy. Oil, gas, coal, solar and wind energy is being produced in record amounts. And technology pioneered in North Dakota has moved us to the No. 2 oil producing state in the country. The U.S. is producing 73 percent more oil than it was in 2008.

Prices are low, farm income is way down, and our state revenues are lower by nearly \$1.5 billion because of this abundance – abundance driven by technological changes.

But the most significant change we're facing is the abundance of information.

A common error made in our thinking is that change is linear. We've all seen change before. So we convince ourselves we're prepared. But the underlying digital forces driving today's change are not linear, they're exponential.

This means simply that change is accelerating at an ever-increasing rate. In just another decade, computing power will be up to 64 times more powerful, and at a fraction of today's cost.

Think of it: In less than eight years, Uber, which doesn't own a vehicle, has become one of the world's largest transportation companies.

And in less than eight years, Airbnb now offers 2 million rooms – more rooms per night than the top major hotel chains combined – and Airbnb doesn't own any property.

Technological forces will not only affect the service industry but transform primary sector industries like manufacturing. 3-D printers have dropped in price from \$18,000 to \$400 in only 10 years, and become 100 times faster.

Autonomous vehicles, both on land and in the air, are poised to rapidly revolutionize transportation, agriculture and distribution industries. In Grand Forks, just last week, the Northern Plains Unmanned Aircraft Systems Test Site announced FAA approval to launch a phased approach to operate large unmanned aircraft beyond visual line of sight – a first in the nation.

A search yesterday on Microsoft's Bing produced 51.6 million responses when I typed in "online courses."

These powerful technological forces are fueling an underlying change in our economy and will challenge all of our existing approaches, systems and institutions.

Harnessing these forces can lead to lower costs and better outcomes in health care, education and infrastructure. And these areas are some of the biggest cost drivers of our state budget.

Understanding these forces is essential. They'll shape how we live and the cities we build. They'll also help us create and retain a 21st century workforce, attract more entrepreneurs and innovators and keep our children and grandchildren in North Dakota.

For the most part, government needs to get out of the way and let the powerful, positive forces of free markets – including competition, price and consumer choice – shape our future.

Over regulation not only increases costs, it can also dangerously misallocate both human and financial capital, misallocating these important resources away from the investments that do the most good for the most people.

But in some areas and instances, government is the appropriate vehicle for creating and delivering basic services and functions. And in these necessary areas the question is not, “Is government good?” or “Is government bad?” The question is, “Can government be better?”

The answer to that question is “yes.” In fact, in the context of a rapidly changing world and economy, the answer is a resounding and unequivocal “Yes!”

One place that demands change is our approach to education.

Education is the foundation of our future. Education helps to create responsible and engaged citizens, attract businesses and further strengthen our economy. The quality of our education system will determine North Dakota’s success in the 21st century.

There’s lots of good news about education in North Dakota. By many traditional measures, our education system is strong. And for this we owe a great deal of thanks to our educators.

But here’s our challenge.

Our basic education model dates back to before statehood. The primary method of knowledge transfer then was a teacher in a one-room schoolhouse, and a few books.

One hundred years later, when I attended high school in Arthur, there were a few more teachers and a few more books. But the method of knowledge transfer was still the same.

And for my youngest son Tom, a senior in high school, his experience doesn’t look much different. Most North Dakota students still study isolated subjects, sit in rows of desks for 50-minute periods and wait for the next bell to ring.

Yet nearly all of the world’s information is now available online, anywhere, anytime, for free. Knowledge transfer, whether in K-12 or at universities, is no longer only tied to the school day in a school building during the school year.

We can’t prepare our kids for the 21st century using a 19th-century model.

Across our state, I hear the same thing from educators, parents, business people, policymakers and students: It’s not enough for students to do well on traditional measures. They need to be creative problem solvers, effective communicators, informed and responsible citizens who are strong collaborators.

The challenge for our schools is how to equip our students with these essential skills and learning mindsets. But our challenge is also our opportunity. Some schools are already kindling the fire of transformation.

Together, I believe North Dakota can lead the way in education across America. Our schools can be world-class in preparing our students for the 21st century. Let me say that again: North Dakota schools can be the best in the world.

History shows that we can change systems. But only by trusting and empowering the people doing the work.

We need our superintendents, principals, teachers and students to lead the way. But we can't put this entirely on their shoulders. Parents, businesses, community organizations and legislators have a role to play.

We must also reframe education to be a lifelong endeavor, not something that merely ends with a diploma. Education affects every person and every industry. And its outcomes can be measured in the daily lives of everyday North Dakotans.

In today's world of abundant, free and mobile information, we have to start rethinking all of our institutions that were built around the idea that information is scarce and only accessed at physical locations.

To thrive in this new paradigm, we need to instill a powerful culture of courageous curiosity across our state. Anything being done simply because "that's the way we have always done it" should be and must be rigorously and respectfully questioned.

Wherever we're spending public dollars on infrastructure, we can upgrade our methods, systems and frequency for gathering input and feedback.

As we're learning, better consultation with citizens and neighbors can identify areas for collaboration and lower costs.

And no matter what, we must all have the courage to admit that we can always do better.

As North Dakota embraces the 21st century economy, government must also embrace the technologies and processes that drive success and innovation in the private sector.

Our budgeting practices are ripe for this kind of reinvention.

Starting in the next full budget cycle, we should implement zero-based budgeting. Combined with better success metrics, we can focus our spending where we get the highest return.

We need to examine our forecasting systems and models. Forecasting is difficult when there's no insulation from the volatile price swings in the energy and agriculture sectors.

Our current revenue forecasting model still is not accurately reflecting the linkage between lower commodity prices and sales tax collections. These continued monthly revenue misses may still require additional attention this biennium to keep the government funded.

Going forward, we need to establish an approach to revenue risk management.

Every grain elevator in North Dakota manages risk through hedging. If they didn't, they'd be out of business. Other governments with energy-rich economies employed hedging when oil prices were at record highs and saved themselves billions in lost revenue. We should consider employing conservative hedging policies when market conditions warrant.

Many big decisions have had to be made with limited or poor data. By harnessing the power of automatically generated data, we can have more frequent and accurate information for decision-making. And we can better communicate with North Dakota citizens.

Many of our farmers have already embraced this data revolution, with impressive results in record-breaking yields and lower input costs. It's time for state government to catch up.

While declining revenues are a problem, the root culprit is spending.

Our general fund budget has more than tripled in the past decade. Our total budget, including federal funds and special funds, has increased by nearly two-and-a-half times.

For the 2015-17 budget cycle, the state's approved general fund budget exceeded \$6 billion and the total budget was more than \$14.2 billion. Gov. Dalrymple's proposed budget for 2017-19 would reduce general fund spending by roughly \$1.2 billion dollars.

This is a great start, and I want to genuinely thank all the agencies and everyone in the Office of Management and Budget for their tremendous effort in putting forth these significant reduction proposals.

But given the revenue uncertainty, we must dig deeper.

Right now is the time to right-size government. To balance our budget without raising taxes. To fund our priorities and do more with less. To measure success not based on the size of our budgets, but on the quality of results and return on investment.

Some of the recent spending growth came from the state's increased role in buying down the local costs of education and property taxes.

We remain committed to funding education. But in light of the changing world, we need to challenge ourselves to find more cost-effective approaches that produce better results.

At the same time, the state should find an “off-ramp” to remove itself from the local property-tax-buydown business, without simply shifting the burden back to local political subdivisions.

Time has shown that our current buydown program approach has multiple shortcomings.

First, it’s not free money. It’s tax money coming in and then being redistributed in an attempt to lower other taxes. Second, because it’s based on a percentage of local government spending, it’s an unsustainable expenditure line that continues to grow and grow. But perhaps most dangerously, it acts as a subsidy which entices communities to make long-term investments they may be ill-equipped to afford.

We must begin the long, hard process of reforming property taxes. And we’re open to any and all ideas to reform our current system.

True long-term property tax reform requires that we reduce the cost of local government. This is why one important aspect of our cross-cutting Main Street Initiative will be focusing on utilizing our current infrastructure to its fullest potential so we can reduce the root cost of local government.

Regardless of population, our city budgets are driven significantly by their linear feet of curb, gutters, sidewalks, roads, sewer, water. The length of overall infrastructure drives the cost of snowplowing, street maintenance, garbage collection and police and fire coverage. It also drives the number of stations, water towers, arterial streets and interchanges.

Repeatedly across the state, the construction of a new school on the outskirts of a metro area has resulted in huge long-term ongoing costs to deliver city services.

Yes, how we design and grow our cities has a huge impact on property taxes.

With better design, we can create great opportunities for private sector investment, keep property taxes in check and attract the talent we need for the 21st century. Because it takes more than great jobs for us to compete today. It takes safe, healthy cities with vibrant, walkable main streets and downtowns to attract and retain a skilled workforce.

That’s why Lt. Gov. Brent Sanford and I will be partnering with mayors and city commissioners from across the state to ensure that the Main Street Initiative provides all interested communities the tools, programs and empowerment for smart, healthy growth.

Reinvention also means taking a hard look at our state agencies. Approaching them not as standalone silos, but as a network of programs with overlapping areas. Through cross-cutting initiatives, we can find efficiencies and savings in all areas of government.

In the coming weeks we’ll offer amendments to Gov. Dalrymple’s budget. And after the session we’ll continue to comb through state government budgets and operations. My leadership team is confident there are many ways to make government leaner and more efficient so we can better serve the citizens of North Dakota.

Let me share a recent experience.

Last month I was walking to work through an alleyway in downtown Fargo. A young man was walking toward me – and for the purposes of today we'll call him Matt.

The temperature was cold, in the teens, and I thought it odd he had his coat wide open and wore no hat.

I recognized him as someone I'd met on the street earlier in the year. Someone who regularly hung out downtown and had proudly shown me the BMX-style bicycle he'd built himself. He clearly had gifts.

On that December morning, he was cold, and I invited him to join me inside and warm up. It became apparent that Matt wasn't only cold. He was also hungry, exhausted and distraught.

I offered to get him food and some winter gear. He politely but firmly refused. He didn't take handouts. Matt had been raised like many in the Midwest, with a proud independence, believing he should be able to take care of himself.

Matt's coat was open because he'd been walking all night. His prized possession was his bike. Out of fear of it being stolen, when he did sleep, he handcuffed himself to his bike.

He had no place to live. Supposed friends that offered shelter only led to further conflict and serious complications.

Members of my team called the City of Fargo, and a homeless outreach specialist named Jillian arrived. She was simply fantastic in every way.

As Matt left that morning with Jillian, I might have even felt a sense of accomplishment. We had made a valuable connection for him with a caring and talented caseworker who could help him navigate a complex world of services.

But when I inquired last week about Matt, I learned he was only 19 years old and that he was addicted to meth. I also learned he had a prior record and had been arrested for a parole violation.

There are many lessons to be learned here.

The first: Regardless of my experiences or my education, Matt knew more of his broken home, lost childhood, homelessness, loneliness, despair and addiction than I did. I was learning from him.

Learning begins with humility. Everyone has something to teach us.

The second lesson from this story is one of addiction. Addiction can happen to anyone, anytime. Regardless of levels of income or education, addiction can devastate lives, families and communities.

The cost of addiction is high. It takes its toll in lost jobs, broken families and, increasingly and tragically, lost lives. Sixty-one people died in North Dakota in 2015 from overdoses. And a record

number of overdose cases were saved through quick action by our state's valiant first responders and EMTs.

Addiction also takes its toll on our budgets. This past decade we spent more than \$260 million on new jails at the city, county and state levels. We now have almost 1,800 inmates across North Dakota, equal in population to the city of Mayville (and Mayville is equal to about 5.1 Arthurs). At the state level, today's annual cost exceeds \$40,000 per inmate, and that cost figure keeps growing.

Many of those in our system are there because of crimes rooted in addiction. Jail time without rehab is not a cure for addiction.

We need to start treating addiction like the chronic disease that it is. By moving resources upstream, we will save lives and save money.

The tragedy of the statewide prescription drug and opioid crisis has awakened us. We need to translate this awakening into collaborative action – across state and local law enforcement, across many state agencies, with communities, faith-based organizations, nonprofits and the judiciary.

To continue this conversation, join us tomorrow morning from 7:30 to 9:00 a.m. at the Radisson, where the First Lady and I are hosting a free service breakfast focused on a collaborative approach to addiction.

In recent months, our state has also become immersed in a crisis drawing national attention and attracting numerous out-of-state agitators.

The Dakota Access Pipeline protests began with a debate concerning legitimate issues raised by the Standing Rock Sioux Tribe, including protecting our valuable water resources and a desire for genuine government-to-government consultation.

Those original concerns have been hijacked by those with alternative agendas.

Peaceful protest is a protected right of all Americans. However, protesters must respect private property rights, court orders and law enforcement personnel. Acts of vandalism, harassment and trespass are not a part of North Dakota's character and will not be tolerated.

Every rural North Dakota family has a right to feel safe in their own home, free from intimidation. To those North Dakotans personally affected by this ongoing dispute, we hear your concerns. Be assured that maintaining the rule of law in our state remains our priority.

The violent actions of some individuals are straining relationships among the people of North Dakota. And ironically, their actions now endanger the waters of the Missouri.

The main protest camp is located directly in the floodplain of the Cannonball-Missouri River confluence. Given the snowfall this winter and historic data on the Cannonball River, the camp will likely flood in early March.

Vacating the unauthorized main camp on Army Corps land, cleaning up the abandoned cars, illegal structures and the human waste from months of occupation, will be a costly and time-consuming effort. The clean-up will require coordination from tribal, county, state and federal agencies.

Anything less than a complete restoration of the area prior to the early March flood will endanger the lives of the protesters and first responders. It will also create an environmental threat to waters of the Missouri.

Chairman Dave Archambault from the Standing Rock Sioux Tribe has repeatedly asked for the remaining protesters to leave. We unequivocally support him in this request.

This crisis has lifted the veil of a troubled social fabric on the northern Great Plains.

The history of American settlement and westward expansion contains many tragic episodes of broken promises, displaced native peoples, and forced assimilation. It is in this context that the Standing Rock situation must be understood.

This is not an issue that will simply go away after the pipeline is completed. Trust has been eroded, and it will take time, effort and leadership to rebuild.

As a state government and as neighbors and citizens, we need to learn more and assume less about the histories and cultures within our borders.

I understand the state alone cannot “solve” the substantial and multi-generational problems in Indian Country. America’s past cannot be changed. But we can acknowledge our history. And we can listen, with an aim to create mutually satisfying protocols of engagement and consultation.

As governor, I pledge my administration to a fresh start in our relations with all tribal nations who live with and among us.

This week we’ll begin meeting with the leaders of each tribe. Our goal is to understand each tribe’s individual issues and circumstances so that we may move forward together toward greater mutual respect, harmony and prosperity.

We must work with resolve to shape a new future. It will require leadership from all sides, equipped with renewed empathy and humility.

Theodore Roosevelt was right when he said that if America does not work for everyone, it cannot really be said to work for anyone. Our state will never achieve its fullest potential until all North Dakotans have an opportunity to build a prosperous future.

As we begin our important work here at home, we also reflect on our brave North Dakota National Guard members preparing to serve abroad.

The 136th Combat Sustainment Support Battalion will soon be deployed to Afghanistan. These brave soldiers – and all of our military veterans across North Dakota – remind us that freedom isn't free. They deserve our support. If you're a veteran in these chambers, please stand and be recognized.

If North Dakota is to be truly exceptional, our three branches of government must pursue a united mission: to serve the citizens of North Dakota to the very best of our ability.

Brent Sanford and I are honored to stand before you as your governor and lieutenant governor. We look forward to working with all state employees and our congressional delegation of Senators Hoeven and Heitkamp and Congressman Cramer, to serve the citizens of North Dakota.

And we look forward to working with the Legislature. We share many of the same goals, chief among them balancing the budget and funding our priorities without raising taxes.

When I took office 19 days ago, I challenged our cabinet members to spend less time defending institutions and more time reinventing them. They're responding with enthusiasm for this quest.

Our private-sector partners have been forced to make cutbacks to weather low commodity prices. We must do the same by relentlessly pursuing new and better ways of delivering services, and we must also possess the courage to make tough decisions where necessary.

As the world-famous, North Dakota-born author Louis L'Amour said, "Nobody got anywhere in the world by simply being content."

Together, let's welcome change with open minds and relentlessly blaze an exceptional trail for North Dakota, guided by gratitude, courage, curiosity and humility.

I challenge everyone here and everyone watching this broadcast to make 2017 a year in which we seek – and find – our very best selves. The amazing people of North Dakota deserve nothing less.

Thank you, and may God bless the United States and the Great State of North Dakota.

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