

2023 State of the State Address

Gov. Doug Burgum

October 23, 2023

Good morning!

--- Mr. Speaker,

--- Lieutenant Governor Miller,

--- distinguished members of the 68th Legislative Assembly,

--- Chief Justice Jensen and justices of the Supreme Court,

--- fellow elected officials,

--- tribal leaders,

--- cabinet members,

--- First Lady Kathryn,

--- family and friends,

--- and all fellow citizens of North Dakota – welcome, and thank you all for joining us today, whether it's in person, online or over the airwaves.

It is not only my duty, but my great honor, to address this special convening of the 68th Legislative Assembly. Tammy, Kathryn and I are grateful to serve the incredible citizens of North Dakota every day, and a historic day like today is no different. Today marks only the 17th special session in our state's 134-year history.

At this time of global conflicts and national economic uncertainty, we are blessed to live in a state with abundant resources, safe communities and a thriving economy, with citizens who cherish the values of freedom and liberty.

We're here today because a long-standing legislative process has been deemed

unconstitutional by the Supreme Court. This process of using the Office of Management and Budget's appropriations bill as an omnibus bill at the end of session had been the practice for at least three decades.

As a result of the Supreme Court's ruling last month, Senate Bill 2015, the OMB budget bill, is now void.

Without action, there is no appropriations authority to pay our OMB team members come Nov. 1, and the agency – and the many services it provides – will effectively shut down.

As you know, Senate Bill 2015 contained 68 sections, and those provisions beyond the OMB budget also must be addressed.

And I want to share gratitude with the Supreme Court for NOT having its recent opinion apply to the State of the State Address, because I WILL be addressing multiple subjects.

Thanks to the work of Legislative Council, this assembly will consider some straightforward, simple, procedural fixes.

But beyond that, I want to challenge this legislative body to seize this historic opportunity to provide tax relief to our citizens whose family budgets have been hit hard by inflation, and to make strategic investments in our state's future.

This is made possible by a record ending fund balance driven by higher-than-forecasted revenues and turnback.

The conservative budgeting and wise investments by our Legislature, and our thriving economy driven by entrepreneurs and a strong focus on innovation over regulation, have created this opportunity to take action for the benefit of our citizens.

We would especially like to thank Majority Leaders Lefor and Hogue and Minority Leaders Ista and

Hogan for their leadership and dedication to all North Dakotans.

We also give thanks to our military members for defending our freedom – the freedom that allows a body of democratically elected senators and representatives like this to convene and conduct business on behalf of the people.

This especially includes our courageous and highly skilled North Dakota National Guard members. Last week, another 125 soldiers deployed to help U.S. Customs and Border Protection secure the southern border. They and their fellow men and women in uniform have earned our thanks and our respect.

To all our military members, past and present, and your families, we share our gratitude for your incredible service and sacrifice. Will those who have served or are currently serving please stand and be recognized?

Sadly, there is one member of the military and this assembly whose presence in this chamber and on this Earth is greatly missed today.

Senator Doug Larsen was a true patriot who served his community, his state and his country with honor, courage and dignity.

The sudden and tragic loss of Senator Larsen, his wife, Amy, and their children, Christian and Everett, has profoundly impacted their family and friends, the Mandan community and, of course, this assembly and all those in state government touched by his passionate service.

Senator Larsen's legacy will live on in these chambers and in the work you carry on in his honor and memory, including preserving the individual liberties and freedoms he fought so hard to protect as both a legislator and lieutenant colonel in the North Dakota National Guard.

Please join me in a moment of silence for Senator Larsen and his family, may they rest in peace.

We also continue to hold in our hearts all the victims of the terrorist attacks in Israel and pray for those still in harm's way or being held hostage.

Two weeks ago today, I was on the phone with Father Phil Ackerman, as he led a group of 84 North Dakotans on a Holy Land tour of Israel, discussing how we could assist in getting his group safely home. He explained his group was eager to get home but in good spirits, and we are grateful for their safe return.

Our support for our longtime friend and ally Israel is unwavering, and today I have issued a proclamation declaring a week of prayer for Israel. While doing so, we pray for all innocent citizens impacted by these terrorist attacks, including Americans, Israeli citizens and all others. We will continue to stand firmly beside our allies and resolutely oppose the

evil forces that are bent on committing atrocities against them.

Almost 10 months ago, on Jan. 3rd, as this assembly convened in regular session, you heard from me that the State of the State was “one of strength and infinite opportunity, blessed with our abundant natural resources, inherent freedoms and industrious, caring people.”

Those words remain just as true now as they were then. Our list of best state achievements continues to grow.

We're the 4th youngest state

4th best state to raise a family

We're 2nd in the nation for infrastructure

And have the 2nd happiest workforce

We're the #1 state for business friendliness

And we're #1 in labor force participation.

North Dakota companies are hiring. Total employment is growing, up more than 3 percent from a year ago. And our unemployment rate of 1.9 percent is the second lowest in the country.

When North Dakota's economy is strong, our state tax revenues follow.

On June 30th, we closed out the 2021-23 biennium with a record general fund ending balance of nearly one-and-a-half **billion** dollars! – that's billion with a B.

And this is **\$288 million** OVER the legislative forecast estimate from April, due to strong revenue collections and more general fund turnback from agencies than expected.

And that's just the ending fund balance. Let's look at reserves.

Our rainy-day Budget Stabilization Fund is at a record high of \$944 million.

The Foundation Aid Stabilization Fund, which is a K-12 rainy day fund, stands at \$428 million, and the Common Schools Trust Fund now sits at around \$6 billion.

The Strategic Investment and Improvements Fund ended the biennium with \$1.55 billion, of which over \$370 million is unobligated.

And the Legacy Fund is valued at just below **\$10 billion** and continues to grow rapidly each month.

Also, we project that we will end the current budget cycle in June 2025 with an unobligated general fund balance of \$417 million, leaving plenty of cushion for the current budget.

Already, after just three months, July, August and September, we're running \$52 million, or 6.1%, ahead of forecast for this biennium.

When our state government collects more than it needs to operate and to fill reserves, our first option should **always** be to return excess money to taxpayers.

And we should ensure that any tax dollars that **are** being utilized have a high return on investment for taxpayers.

By a twist of fate, we now have this special session to accelerate our economic success by capitalizing on this opportunity to provide tax relief and invest in our citizens and our state's future.

During your regular session last April, we worked together to pass and sign the largest income tax relief and property tax relief package in state

history, providing a combined \$515 million in savings for taxpayers.

We zeroed out the bottom income tax brackets and combined the top four into two – 1.95% for middle income and 2.5% for the top bracket – and we provided property tax relief by expanding the homestead tax credit and providing a primary residence tax credit.

This week, given our financial windfall, we have an opportunity to provide additional income tax relief for hardworking North Dakotans.

North Dakotans, like all Americans, are suffering under the insidious effects of inflation, which is raising their costs and eroding their savings.

We can save income taxpayers \$91 million by raising the eligibility threshold for the bottom, or zero percent, tax bracket so that more North Dakotans will pay zero state income tax.

For single filers, the zero tax bracket's eligibility cutoff would increase from \$44,725 to \$60,000. For married filing jointly, the cutoff would increase from \$74,570 to \$100,000.

This will move about 50,000 more filers into the zero tax bracket so they will no longer have to pay state income tax. 50,000 filers is more than the entire population of Minot or nearly the population of Grand Forks.

What's great about this approach is that it not only moves more earners into that zero tax bracket, it also helps those middle income filers who will have a greater share of their income not taxed by the state.

Based on current average wages, those who will benefit from this include nurses, schoolteachers, roofers, CDL truck drivers, and the list goes on.

And again, anyone in the bottom tax bracket already had their state income tax zeroed out, so they will continue to pay just that – zero.

This \$91 million in income tax relief will allow North Dakota workers to keep more of their hard-earned money in their pockets so they can invest it in their families, their communities and themselves. This is a simple thing to do – and it's the RIGHT thing to do.

This also will help us address our No. 1 barrier to economic growth – our workforce shortage. Moving us closer to being a zero income tax state will help North Dakota compete with other states for talent and capital. It will help our employers recruit and retain workers. And most importantly, it will benefit those individuals who are actually working and contributing to our state's economic success.

After funding \$91 million in tax relief package, this Legislature would still find itself with \$197 million in

extra cash lying around in low interest-bearing accounts.

We propose investing \$70 million of that in North Dakota's future to enhance our infrastructure and workforce attraction.

To justify additional investments during a special session, the bar should be set high. Investments should meet three criteria: They must 1) build on an existing program, 2) meet a need that's in high demand or oversubscribed, and 3) have a statewide impact.

With these criteria as guardrails, we propose investing an additional \$50 million of our excess revenue in the North Dakota Department of Transportation's Flexible Transportation Fund created last session.

By making this investment, we can complete more road and bridge projects across the state that leverage federal funding and corridor

improvements on county, city and township roadways. And we can help advance very large, private sector capital investments for value-added ag and value-added energy.

Upgrading our roads will not only enhance the driving experience and safety for travelers across our state, it also will support our farmers, ranchers, energy producers, manufacturers and other industries that haul equipment and goods up and down North Dakota roads every day.

We also propose investing an additional \$20 million into the Destination Development Grant Program, which received \$25 million last session. When this matching grant program was opened up for applications in July, the demand exceeded all expectations – we received 81 applications seeking more than **\$151 million** in funding! This additional funding would remain capped at \$5 million per project, prioritize projects with private sector matches and be utilized for only projects that have already submitted applications.

By boosting the total grants available to \$45 million, we can support more private sector investment and the creation of even more tourism destinations that will attract visitors and workforce to our state, strengthening our economy.

Workforce continues to be our biggest barrier to economic growth. Our competition for workers never ends. We're always competing with other states to attract capital and talent.

Low taxes, modern, efficient infrastructure and exciting destinations and amenities – all of these make North Dakota more competitive in the battle for workforce.

These investments will support growth, diversify our economy and help every business in our state.

There also are a few very specific, low-hanging fruit items that can be resolved while you are here without adding any days to this short session.

These include fixing the income tax exemption for military members to help keep us on track toward being the most military-friendly state in the nation, as well as authorizing UND and Bismarck State College to receive non-state funding for campus improvements.

These were straightforward, common-sense, cleanup bills that were introduced last week but turned down. Let's show North Dakota we can cut through the red tape and bureaucracy. We are here – let's be nimble, efficient and wise.

In our roles as representatives of the people of the great state of North Dakota, we have an opportunity every day to “Empower People, Improve Lives, and Inspire Success.”

We can enact the OMB budget. We can provide meaningful income tax relief. And we can make strategic investments that will strengthen our economy and pave the way for a brighter future ahead for North Dakota. We've been here before, and you've got this!

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

The agenda presented here is work worth doing. Let's work hard to capture that prize for the citizens of North Dakota.

Thank you, God bless America, and God Bless the Great State of North Dakota.
