

**Gov. Doug Burgum's State of the State address to a Joint Session of
the 67th Legislative Assembly
11.8.2021**

Good morning. Today's a historic day for a number of reasons, but let's get the one right off the bat, this has never happened, again, the timing of a special session and the 95th birthday of your sergeant-at-arms. Let's give it up for Sergeant-at-Arms Moszer. Thank you! (applause) And as a reminder to all of our esteemed guests here this morning, don't touch the railing. (laughter)

But I want to say again, good morning, and thank you. Mr. Speaker, Lt. Gov. Sanford, all the distinguished legislators that are here, our Supreme Court justices, fellow elected leaders, Chairman Fox, Chairman Hopkins and other tribal leaders that are here, Chairman Yankton. We just want to say again thank you for being here. But in addition we want to say to our elected leaders, First Lady Kathryn, cabinet members that are here, a number of them upstairs, family, friends and all the fellow citizens across North Dakota that are looking in – welcome. Thank you all for joining us today.

It is not only my duty, but my great honor, to address this special convening of the 67th Legislative Assembly. Brent, 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 16th special session in our state's 132-year history.

We would especially like to thank Majority Leaders Pollert and Wardner and Minority Leaders Boschee and Heckaman for their strong leadership and dedication to all North Dakotans. These have been challenging times for leaders at every level, including city, county, school board, tribal and others. And yet these four leaders have provided steady guidance for their respective chambers and leadership

for the entire state. Please join me in thanking the four legislative leaders. (applause)

We're also eternally grateful this week to our military members – those who have served in the past and those who are currently serving today, both home and abroad, including our brave and capable North Dakota National Guardsmen. With everything happening this week, let's not forget that the most important day of this week is Thursday, Veterans Day, when we honor our men and women in uniform for their incredible courage and sacrifice, defending our freedoms and liberty for nearly 250 years. Would all military members past and present please rise so we can show our gratitude for your service. (applause)

Working together during this special session, we have an unprecedented opportunity. An opportunity to positively impact the lives of our citizens now and the trajectory of our state for decades to come.

Our state Constitution requires our Legislature to conduct legislative redistricting after each 10-year census. We commend Chairman Devlin and the redistricting committee for your diligence and transparency in this important process to ensure representative democracy.

The historic nature of this 2021 redistricting process is worth noting.

This is hard to believe, but this is the first time since 1910 that our state has added more than 100,000 residents in a decade. And it's the first time since 1930 when we have a new record high population. With this, we had the fourth-fastest population growth in the nation this past decade.

We also became the fourth-youngest state in the nation, and we tied our neighbor to the south, South Dakota for having the highest birth

rate in the nation in 2019 – and that’s quite a feat given that their mascot is the Jackrabbits. (laughter) OK, I had to throw in one dad joke.

Our state’s population growth bodes well for the future of our workforce and is a reflection of the many families who have decided not only to come here, but also to put down roots in our great state and grow their families here.

Ten months ago, on Jan. 5, as the 67th Assembly began its regular session, I stood before you at this podium and reported that the State of the State was “one of optimism and new beginnings, built on the confidence of overcoming adversity and the knowledge that we will emerge stronger than ever.”

Today, 10 months later, I’m happy to report that our optimism was entirely justified.

Employment is up, with 4,000 more people employed in September than a year ago.

Our tax revenues are strong. Through the first three months of this biennium, general fund revenues beat the forecast by \$60 million.

Public- and private-sector innovation is thriving. Major economic development projects are being rolled out with frequency. Our farmers, ranchers and energy operators continue to feed and fuel the world with amazing resilience and productivity.

Indeed, we are emerging stronger than ever. (applause)

Thanks to private-sector innovation, we continue to be a national leader in oil and gas production. And our well-head gas production has been growing at a significantly faster rate than oil production thanks to the advancements and innovation in extraction. Major opportunities exist in our future to add value to our abundant gas supplies for both agriculture and energy.

Why is this so important to this assembly and the taxpayers that you represent? Because the oil accounts for over half of our state's tax collections. And without enough takeaway capacity or productive in-state uses for our abundant natural gas, the rising ratio of natural gas will place a ceiling on our state's oil production and we will see lower state revenues. And these are the revenues that feed our Legacy Fund, Common Schools Trust Fund, Foundation Aid Stabilization Fund for K-12, our Resources Trust Fund, our Outdoor Heritage Fund and much more.

Today we produce 3 billion cubic feet of gas per day. Consider this: Each additional 100 million – or about 3% – each additional 100 million cubic feet of natural gas on top of our 3 billion used in-state yields nearly \$270 million of additional oil tax revenue per biennium.

Developing and utilizing these abundant natural gas resources is good for the environment, it's good for the economy, and it's good for taxpayers. (applause)

We have identified private sector companies contemplating and evaluating more than \$25 billion of investment in economic development opportunities in our state. This record dollar amount is driven by several factors, starting with our innovation not regulation approach and our challenge to be a carbon-neutral state – without mandates or regulation – by 2030.

Virtually every North Dakotan is familiar with the Bakken shale formation that has revolutionized America's global energy security and birthed a level of prosperity never before seen in our state.

But now, word is also spreading that North Dakota has hit the geologic jackpot AGAIN, this time with massive, deep underground rock formations which can inject and store carbon dioxide. In fact, we have enough underground capacity to store an estimated 252 billion tons of CO₂ – 50 years' worth of our country's energy-related carbon output – in massive underground storage areas.

Just two weeks ago, North Dakota made history by permitting the **first Class 6 CO₂ storage well in the United States** at the Red Trail Energy ethanol plant near Richardton – a huge milestone for our state and for our country.

We're grateful to the Legislature for the putting the policy framework in place to facilitate these game-changing underground storage projects and to position North Dakota to lead the nation in carbon capture, utilization and storage. So for that, please, give yourselves a hand. (applause)

By investing our federal funds from the American Rescue Plan in infrastructure and economic development and workforce, we can attract businesses seeking to add value to our abundant feedstocks of natural gas, corn, soybeans and other commodities. This investment will continue to support our farmers, ranchers and energy workers, who we know are the best in the nation.

We continue to be the nation's proving ground for unmanned aircraft systems and for autonomous agriculture.

A strong, resilient economy is the essential foundation that translates into strong state tax revenues.

And coming out of this last 20 months, unlike other states, our reserves are healthier than ever.

Our rainy-day Budget Stabilization Fund is at its legislative maximum of \$749 million, also a record high.

The Office of Management and Budget estimates that we will have nearly \$600 million in unobligated balance in our Strategic Investment and Improvements Fund at the end of the biennium – and it could be \$300 million to \$400 million higher than that if the current oil prices and production hold.

We are currently projecting an unobligated general fund balance of \$540 million by the end of the biennium.

Just this last June we ended the biennium with a general fund ending balance of \$1.12 billion. That's \$412 million more than what the Legislature obligated for the current two-year budget cycle.

This \$412 million in excess revenue is the result of conservative budgeting, higher than anticipated Legacy Fund earnings and the very strategic use of federal Coronavirus Relief Funds to pay for state expenses during the last biennium.

Combined with the federal ARPA funding, these excess ending fund dollars present a golden opportunity to invest in our future and provide tax relief and future savings to our citizens.

By investing right now, right here in North Dakota, we can diversify the economy.

We can enhance government services.

And we can avoid inflation, be competitive and create long-term cost savings for citizens – all without raising taxes. (applause)

But to do this, it means that we must invest strategically.

That means one-time expenditures that don't grow government.

It means providing long-term value, efficiency and cost savings for taxpayers.

And it means ensuring a high return-on-investment and leveraging private dollars to maximize the impact of public funds.

Now is the time to unlock these federal funds and harness their investment power.

On Sept. 30, Lt. Gov. Sanford and I released our Accelerate ND plan to do just that. With broad input from the private and public sectors, we delivered a solid starting point for the ARPA investment process.

We're grateful to the legislative leaders for their collaboration working through this unprecedented process. And we thank the interim appropriations committees and their leadership for recognizing and advancing many of these high ROI opportunities. While we believe there are opportunities still untapped, we know that there is strong alignment between the appropriation bills and the Accelerate ND plan.

These investments address our most immediate, highest priority needs and opportunities, which are workforce, economic development and infrastructure.

Workforce remains the No. 1 barrier to economic growth. We have more than 18,300 job listings at Job Service North Dakota – that’s up 40% from a year ago – and we conservatively estimate there are actually more than 30,000 jobs open across our state.

To address this shortage, we need to fund the career academies you approved last spring where our high school students can pursue high-demand careers in tech and trades. And the private sector agrees, as they stand ready to invest \$70 million in matching funds for career and tech.

A Polytechnic Center will help meet the specific needs of industry using hands-on applied learning.

Additional private sector regional matching grants will support local workforce development efforts driven by those closest to the issue.

And with early childhood tuition waivers and child care grants, we’ll support working parents and remove a major barrier to workforce entry.

When we look at local economic development, it requires certain basic resources. And many of our northern and eastern communities are missing a key ingredient that the west has in surplus, and that’s natural gas.

Matching funds for developing a major east-west natural gas pipeline along Highway 2 will support value-added growth and enable more oil production. Under one scenario, the result would generate an

additional \$56 million in monthly oil tax revenues – revenue that supports our schools, water projects and other needs.

We continue to break new ground with Grand Farm, developing technology to help our farmers be as efficient as possible in the world and address the nation’s agricultural workforce shortage.

Grants for hydrogen infrastructure will continue our state’s strong position as an all-of-the-above energy producer and allow new industries to grow in collaboration with existing development.

We encourage this body to consider an additional infusion into the Clean Sustainable Energy Grant program. We are grateful for the vision of Representatives Bosch, Pollert, Delzer, Porter, Mitskog, and Senators Patten, Holmberg, Bell and Wardner, who spearheaded the creation of this program last session with an initial \$275 million appropriation for loans and grants.

Yet we know the demand for these matching grants is quickly exceeding supply. Last week, on Nov. 1, the first grant round, more than \$62 million in submissions were made for Clean Sustainable Energy grants, two and a half times the funding that’s available. And this is just the first round of requests, and it doesn’t include Project Tundra.

The Clean Sustainable Energy Authority board, chaired by Lt. Gov. Sanford, will meet regularly throughout the year as interest is strong. Additional match funding will support economic growth and our ability to lead in both low-emission energy production and importantly, reliable, low-cost baseload.

We have entered an era of competition with every other state – and other nations – for capital investment and talented workforce. It’s an

essential goal for state government to create an environment that successfully attracts private sector capital and great talent. And these proposed workforce and economic development investments can help us achieve that goal.

Reliable, modern infrastructure is also key to supporting economic growth and quality of life.

Our farmers, truckers, commuters, school bus drivers and other citizens depend on safe roads and bridges. The investment package before you contains hundreds of millions of dollars to address these important needs at the state, county, city and township levels. Yet, we can and should do more.

By investing in critical water infrastructure, we will meet our communities' water supply needs and facilitate value-added ag and energy development.

These investments will lead to new and expanded businesses such as the recent announcements of a wet corn milling plant in Grand Forks, a historically large project for that county and city, a gas-to-liquids complex near Trenton, biodegradable plastics manufacturing and growing ethanol plants. Increased energy production will generate more revenue for the Resources Trust Fund, raising additional funds for future water projects.

Also, by investing in our 13 beautiful state parks, we will promote healthy activities, contribute to an improved quality of life that attracts new residents who become part of the state's workforce, and of course, any money that goes into our parks supports the surrounding rural communities across our state.

By investing in broadband, we can finish extending the high-speed data to the last small pockets of North Dakota that are being left behind. Top-quality broadband unlocks opportunity regardless of demographic and geographic differences. It provides every citizen with greater access to telehealth, education and government services. Broadband for all levels the playing field.

For too long, we've put off repairs and upgrades to state facilities. More than \$200 million in deferred maintenance has been identified by comprehensive, legislatively funded studies. Yet the current interim appropriations bill contains only \$10 million. This doesn't even address the most severe and dire needs. The state owns more than 24 million square feet of property, and we should be taking care of our current inventory before adding substantially to it.

Finally, we can improve service delivery, emergency response and health care.

We can smartly continue to move dollars upstream into community-based behavioral health and addiction recovery services.

In addition to all the great state and local providers and policymakers, there's one special person I'd like to thank for her ongoing work to eliminate the shame and stigma of the disease of addiction.

As evidenced by the over 3,000 people who attended Recovery Reinvented in person or online a few weeks ago, her courage continues to be an inspiration to me and to so many others. Please join me in thanking our First Lady Kathryn for her service to our state and our citizens. (applause) Thank you for that because we know the disease of addiction touches every family and every community, and again, Kathryn, thank you for your courage.

On other fronts, we also should renovate our outdated and leaking Public Health Lab, take advantage of the opportunity to modernize some of our IT systems including our outdated Unemployment Insurance system, and beef up cybersecurity to protect our citizens' information and services against attacks.

Again, with these federal dollars, they offer an unprecedented opportunity to make major investments in our state right now that will support growth, diversify our economy, make our state more competitive, enhance government services and create long-term cost savings for all North Dakotans. And of course, as we said earlier, we can do all of that without raising taxes.

But, in fact, we can not only avoid tax increases – we can provide tax relief.

We propose in Accelerate ND using roughly half of our \$412 million in excess ending fund balance to provide an income tax credit of up to \$500 per year, per return, for 2021 and 2022 tax returns.

Again, this last spring when the Legislature adjourned, they were not counting on or expecting this excess revenue. And the final 2019-21 budget did plan for \$700 million in ending fund balance but we topped that with a \$1.12 billion ending fund balance, the second largest ending balance in state history.

It's been suggested by a few that now is not the right time to utilize this excess, unobligated cash to provide income tax relief – relief that would cover nearly 350,000 North Dakotans who kept on working through the pandemic and supported our economic recovery from which we all benefit.

But we should ask: If it's not the right time when our rainy day fund – which, by the way, we didn't even touch during the pandemic or the global economic collapse of last year – it's at a record high and other reserves that we have are flush with cash;

If it's not the right time to provide tax relief when oil prices are topping \$80 per barrel;

If it's not the right time to provide tax relief when general fund revenues this biennium are \$60 million ahead of forecast in just three months;

If it's not the right time to provide tax relief when the corrosive power of rising inflation is hitting the pocketbooks of our citizens across our state and nation;

And if it's not the right time when we're emerging from a once-in-a-century pandemic and people are still recovering financially;

Then I do have to ask: When would be the right time?

Others say that permanent tax policy – changes to tax policy that are permanent – should be addressed in a regular session. We agree completely that that's when you should address permanent changes.

But that potential for permanent change is two years away for our citizens.

Providing tax relief now – for the 2021 and 2022 calendar years – putting money back into the hands of our citizens – is real tax relief, and it's responsive.

We can afford to do it. We should want to do it. And the hardworking taxpayers of North Dakota certainly deserve it. (applause)

We also have an opportunity to provide long-term cost savings to taxpayers by taking steps now, fixing the unfunded liability in our state's pension fund. Injecting \$100 million of excess revenue into the pension fund now – where it could start earning market returns versus near-zero checking account returns that it will be earning otherwise – will move that fund toward solvency more quickly and lower the cost to taxpayers in the long run.

I commend the legislative action this past spring, and Chairman Mike Lefor and the interim Retirement Committee for its work on solving the state's retirement plan, while maintaining our unflinching commitment to all of our existing hardworking state team members who are in that existing plan.

Finally, we can utilize the excess ending fund balance to further support economic development programs that truly work. This includes advancing additional dollars for the North Dakota Development Fund, increasing resources for LIFT and adding further support for the Clean Sustainable Energy Authority. All of these programs help us to compete against other states and countries to expand and attract new industries.

As you consider these and other issues in the coming days, we would also like to echo the sentiments of legislative leadership. An efficient special session will best serve the citizens of North Dakota and limit the expense of convening.

And rest assured, whether it's burdensome regulations, redundant emissions rules or misguided federal vaccine mandates, our administration will continue to push back against federal overreach and intrusion on states' rights. (applause) We will continue to remind the administration and all of the cabinet secretaries that visit our state, remind them that the states created the federal government, not the other way around.

As we begin this historic session, though, I would like to pose a challenge to all North Dakotans. And that challenge is to seek, and to be, the best that humanity can achieve.

We can – coming together with open hearts and open minds, coming together in a good way – we can have the curiosity and the courage to truly seek to understand one another.

We can have the humility to disagree constructively.

And we can live with gratitude to appreciate and understand the incredible gifts and the incredible resources with which we, as North Dakotans, have been blessed.

Each of us has been endowed with the right to life, liberty and the pursuit of happiness. And in these hallowed halls, we can rise above the divisiveness of this brief moment in history and engage in work worth doing, working toward solutions that better the lives of all North Dakotans.

After he was elected as our nation's 16th president, Abraham Lincoln called for unity. And he said, and I quote:

“We are not enemies, but friends. We must not be enemies. Though passion may have strained, it must not break our bonds of affection. The mystic chords of memory ... will yet swell the chorus of the Union, when again touched, as surely they will be, by the better angels of our nature.” End quote.

Together, working in unity, finding and listening to our “better angels,” I am confident the decisions made during this special session will help our citizens, help our communities, and help our state achieve its highest potential. And in doing so, together, we will Empower People, Improve Lives, and Inspire Success for generations to come.

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