

Third Day of Legislative Organizational Session

JOURNAL OF THE HOUSE

Sixty-seventh Legislative Assembly

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Bismarck, December 3, 2020

The House convened at 8:00 a.m., with Speaker K. Koppelman presiding.

The prayer was offered by Pastor Rich Wyatt, Living Hope Nazarene Church, Bismarck.

The roll was called and all members were present except Representatives P. Anderson, Guggisberg, Schmidt, Simons, and Trottier.

A quorum was declared by the Speaker.

MOTION

REP. LOUSER MOVED that Rep. M. Johnson replace Rep. Vigesaa on the Committee on Correction and Revision of the Journal, which motion prevailed.

MOTION

REP. LOUSER MOVED that the House stand in recess until 8:40 a.m., which motion prevailed.

REPORT OF PROCEDURAL COMMITTEE

MR. SPEAKER: Your procedural **Committee on Committees (Rep. Pollert, Chairman)** recommends the following as chairmen, vice chairmen, and members of Standing Committees:

2021 HOUSE STANDING COMMITTEES
Appropriations Committee

Chairman – Jeff Delzer
Vice Chairman – Keith Kempenich

Education and Environment Division

Chairman - David Monson
Vice Chairman - Jim Schmidt
Bob Martinson
Mike Nathe
Mark Sanford
Mike Schatz

Government Operations Division

Chairman - Don Vigesaa
Vice Chairman - Mike Brandenburg
Larry Bellew
Michael Howe
Keith Kempenich
Lisa Meier

Human Resources Division

Chairman - Jon O. Nelson
Vice Chairman - Gary Kreidt
Bert Anderson
Randy A. Schobinger
Michelle Strinden

Education Committee

Chairman - Mark S. Owens
Vice Chairman - Cynthia Schreiber-Beck
Pat D. Heinert

Ron Guggisberg
LaurieBeth Hager

Jeff A. Hoverson
 Dennis Johnson
 Mary Johnson
 Donald Longmuir
 Andrew Marschall
 Brandy Pyle
 David Richter
 Luke Simons
 Denton Zubke

Finance and Taxation Committee

Chairman - Craig Headland
 Vice Chairman - Vicky Steiner
 Dick Anderson
 Glenn Bosch
 Jason Dockter
 Sebastian Ertelt
 Jay Fisher
 Patrick Hatlestad
 Tom Kading
 Ben Koppelman
 Nathan Toman
 Wayne A. Trottier

Zachary Ista
 Marvin E. Nelson

Human Services Committee

Chairman - Robin Weisz

Vice Chairman - Karen M. Rohr
 Mike Beltz
 Chuck Damschen
 Bill Devlin
 Clayton Fegley
 Dwight Kiefert
 Todd Porter
 Matthew Ruby
 Kathy Skroch
 Bill Tveit
 Greg Westlind

Gretchen Dobervich
 Mary Schneider

Industry, Business and Labor Committee

Chairman - Mike Lefor
 Vice Chairman - George Keiser
 Jared C. Hagert
 Jim Kasper
 Scott Louser
 Dave Nehring
 Emily O'Brien
 Mitch Ostlie
 Dan Ruby
 Austen Schauer
 Greg Stemen
 Paul J. Thomas

Mary Adams
 Pamela Anderson

Judiciary Committee

Chairman - Lawrence R. Klemin
 Vice Chairman - Karen Karls
 Rick Becker
 Cole Christensen
 Claire Cory
 Terry B. Jones
 Jeffery J. Magrum
 Bob Paulson
 Gary Paur
 Shannon Roers Jones
 Bernie Satrom

Ruth Buffalo
 Karla Rose Hanson

Steve Vetter

Agriculture Committee

Chairman - Dennis Johnson
 Vice Chairman - Wayne A. Trottier
 Mike Beltz
 Jay Fisher
 Craig Headland
 Dwight Kiefert
 David Richter
 Bernie Satrom
 Cynthia Schreiber-Beck
 Kathy Skroch
 Paul J. Thomas
 Bill Tveit

Ruth Buffalo
 Gretchen Dobervich

Energy and Natural Resources Committee

Chairman - Todd Porter
 Vice Chairman - Chuck Damschen
 Dick Anderson
 Glenn Bosch
 Bill Devlin
 Pat D. Heinert
 George Keiser
 Mike Lefor
 Andrew Marschall
 Shannon Roers Jones
 Matthew Ruby
 Denton Zubke

Ron Guggisberg
 Zachary Ista

Government and Veterans Affairs Committee

Chairman - Jim Kasper
 Vice Chairman - Ben Koppelman
 Jeff A. Hoverson
 Karen Karls
 Scott Louser
 Jeffrey J. Magrum
 Mitch Ostlie
 Karen M. Rohr
 Austen Schauer
 Vicky Steiner
 Greg Stemen
 Steve Vetter

Pamela Anderson
 Mary Schneider

Political Subdivisions Committee

Chairman - Jason Docker
 Vice Chairman - Brandy Pyle
 Claire Cory
 Sebastian Ertelt
 Clayton Fegley
 Patrick Hatlestad
 Mary Johnson
 Lawrence R. Klemin
 Donald Longmuir
 Dave Nehring
 Luke Simons
 Nathan Toman

Mary Adams
 Marvin E. Nelson

Transportation Committee

Dan Ruby – Chairman
 Vice Chairman - Tom Kading
 Rick Becker
 Cole Christensen
 Jared C. Hagert
 Terry B. Jones

LaurieBeth Hager
 Karla Rose Hanson

Emily O'Brien
 Mark S. Owens
 Bob Paulson
 Gary Paur
 Robin Weisz
 Greg Westlind

REP. LOUSER MOVED that the report be adopted, which motion prevailed on a voice vote.

REPORT OF PROCEDURAL COMMITTEE

MR. SPEAKER: Your procedural **Rules Committee (Rep. Pollert, Chairman)** recommends the House and Joint Rules of the Sixty-sixth Legislative Assembly, as adopted on December 5, 2018, and amended on January 28, 2019, be adopted as the permanent rules of the House for the Sixty-seventh Legislative Assembly, with the following amendments; that the amendments to House Rule 102, subsection 2 of House Rule 201, and House Rules 303, 305, 321, 360, 361, and Joint Rules 801 and 805, regarding remote participation of members in the legislative process and public health expire on January 1, 2022; and that the reading of the report be dispensed with:

SECTION 1. AMENDMENT. House Rule 102 is amended as follows:

102. Absence and presence. As used in these rules, "absent" means not present, and "present" means being physically in the chamber or room where the session or meeting is being held, and for purposes of a committee meeting, includes participation or participating in the session or meeting by means of interactive video or teleconference call. A member is not present, and may not participate in sessions or meetings, if the member is physically located in another state, unless it is necessary for the member to be in the other state to receive medical care. A member present and participating remotely has the same rights, privileges, and duties as a member physically present, is deemed to be "on the floor" for purposes of floor sessions, and may vote remotely. No member or officer of the House, unless unable to attend due to illness or other cause, may be absent from a session of the House, during an entire day, without first having obtained leave from the House, and no one is entitled to draw pay while absent more than one day without leave.

SECTION 2. AMENDMENT. Subsection 2 of House Rule 201 is amended as follows:

2. Preserve order and decorum. In case of disorderly conduct or disturbance in the galleries or the corridors, the Speaker or the chairman of the Committee of the Whole may order the galleries or corridors to be cleared. The Speaker or the chairman of the Committee of the Whole may limit the number of individuals in the galleries or corridors, require spacing between individuals in the galleries or corridors, or take other actions to promote health and safety in the House chamber.

SECTION 3. AMENDMENT. House Rule 303 is amended as follows:

303. Call of the House.

1. Thirty-two members of the House may cause a call of the House to be ordered and absent members to be sent for, but a call may not be ordered while a vote is being taken.
2. The call being requested, the Speaker shall require those desiring the call to rise or raise their hands, and if thirty-two or more members rise or raise their hands, the call must be ordered.
3. The call being ordered, the Sergeant-at-Arms shall close the door and allow no members to leave the chamber. No member present and participating remotely may leave the remote proceeding.
4. The Chief Clerk shall then call the roll and furnish the Sergeant-at-Arms with a list of those members absent without leave, and that officer shall proceed to find and bring in those absentees or compel the absentees' remote participation.
5. While the House is under call, no business can be transacted except to receive and act on the report of the Sergeant-at-Arms and no motion is in order except a motion

to suspend further proceedings under the call, and the motion may not be adopted unless a majority of all members-elect vote in favor of the motion.

6. Upon a report of the Sergeant-at-Arms showing that all members who were absent without leave, naming them, are present, the call is at an end, the door must be opened, and the House shall proceed with the business pending at the time the call was made.

SECTION 4. AMENDMENT. House Rule 305 is amended as follows:

305. Recognition by the Speaker. Every member ~~desiring~~who is present physically and wishes to speak shall so indicate by pressing the "speak" button on the member's desk. If the "speak" button does not work, the member may rise and, respectfully address the Speaker, and shall remain standing in place before proceeding to speak until recognized by the Speaker. Every member who is present and participating remotely and wishes to speak shall so indicate by the means designated by the Speaker and shall wait to speak until recognized by the Speaker. When two or more members ~~rise~~indicate a wish to speak at the same time ~~to speak~~, the Speaker shall designate the member who is to speak first, but in all other cases the member who ~~raises~~ first ~~and~~ addresses the Speaker must be the first recognized.

SECTION 5. AMENDMENT. House Rule 321 is amended as follows:

321. Vote by members. Every member who is present, before the vote is announced from the chair, shall vote for or against the question before the House, unless the House excuses the member. A member cannot cast a vote on behalf of another member unless the vote is cast according to verbal instructions announced to the House by that other member ~~while in the chamber~~present. However, any member who has a personal or private interest in any measure or bill shall disclose the fact to the House and may not vote thereon without the consent of the House. A "personal or private interest" is an interest that affects the member directly, individually, uniquely, and substantially.

SECTION 6. AMENDMENT. House Rule 329 is amended as follows:

329. Measures referred to Appropriations Committee.

1. Every bill providing an appropriation of ~~five~~ten thousand dollars or more must be referred or rereferred to and acted on by the Appropriations Committee before final action by the House thereon, unless otherwise ordered by a majority vote of the members present.
2. Every bill or resolution ~~to which is attached~~with a fiscal note stating that the measure has an effect of ~~fifty~~one hundred thousand dollars or more on the appropriation for a state agency or department must be rereferred to and acted on by the Appropriations Committee before final action by the House thereon, unless otherwise ordered by a majority vote of the members present.
3. A bill or resolution required to be referred or rereferred to the Appropriations Committee which received a do not pass recommendation from committee and which then is passed by the House is deemed reconsidered and must be referred to and acted upon by the Appropriations Committee if that measure has not been referred or rereferred to the Appropriations Committee before passage. The Appropriations Committee shall report the measure back to the House for action in accordance with these rules.
4. Except for bills approved for introduction after the deadline for introduction of bills, all House bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~twenty-first~~twenty-fourth legislative day and all Senate bills required to be rereferred to the Appropriations Committee must be rereferred not later than the ~~fifty-third~~fifty-seventh legislative day. If an appropriation bill is not reported to the floor and rereferred as required herein, the bill is deemed rereferred and is under the jurisdiction of the Appropriations Committee at the end of the ~~twenty-first~~twenty-fourth or ~~fifty-third~~fifty-seventh legislative day, as appropriate.

SECTION 7. AMENDMENT. House Rule 338 is amended as follows:

338. Disposition of measures after ~~fifty-first~~fifty-fifth legislative day. After the ~~fifty-first~~fifty-fifth legislative day, all bills and resolutions under consideration must immediately be placed on the calendar for second reading and final passage.

SECTION 8. AMENDMENT. House Rule 347 is amended as follows:

347. Transmittal of measure to Senate - Notice of intention to reconsider.

1. After the second reading of a bill or resolution, the Chief Clerk shall retain the bill or resolution until the end of the next legislative day, unless the bill or resolution has previously been disposed of.
2. On the ~~thirty-fourth~~thirty-eighth and ~~thirty-fifth~~thirty-ninth legislative days and after the ~~fifty-fifth~~fifty-ninth legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate immediately upon adjournment of the last session on that day unless action on the bill or resolution is pending as the result of the House passing a motion to reconsider or unless the Majority or Minority Leader has given notice of intention to move the reconsideration of that bill or resolution.
3. After the ~~sixty-fourth~~sixty-eighth legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate immediately after the second reading of the bill or resolution unless the Majority or Minority Leader has given notice of intention to move the reconsideration of that bill or resolution.
4. When a member in explaining the member's vote states to the House that the member's vote is for the purpose of reconsideration, that statement also is notice of such intention.
5. If notice is given by a member other than the Majority or Minority Leader but the motion to reconsider is not made before the end of the next legislative day, the Chief Clerk shall transmit the bill or resolution to the Senate at the end of that next legislative day.

SECTION 9. AMENDMENT. House Rule 348 is amended as follows:

348. Motion for reconsideration.

1. Any member may move for reconsideration of a question if any of the following apply:
 - a. The member voted on the prevailing side of the question ("prevailing side of a question" is the side that voted "aye" on a question that passed, and "nay" on a question that failed);
 - b. The member did not vote on the question; or
 - c. The member voted on the question and the ayes and nays were not recorded.
2. A motion to reconsider must be decided by a majority vote of the members-elect, except that a motion to reconsider adoption of an amendment must be decided by a majority vote of the members present.
3. In the case of a bill, resolution, or amendment to the Constitution, the motion to reconsider, if made after the end of the next legislative day following the action on the measure, requires a two-thirds vote of the members-elect.
4. The vote by which any measure passed or failed to pass may not be reconsidered more than once in any legislative day. For purposes of this subsection, a clincher motion that fails is not a motion to reconsider.
5. No motion to reconsider may be made unless the matter is in possession of the House.
6. Except when a roll call vote is ~~requested~~required under House Rule 320, determination of any vote required under this rule must be by a verification vote.

SECTION 10. AMENDMENT. House Rule 360 is amended as follows:

360. Electrical voting system and remote voting. Unless otherwise ordered, any vote may be taken by means of the electrical voting system, which is under the control of the Speaker. A member who is present and participating remotely may vote using a system established for that purpose. The system must provide means to record and make public the member's roll call votes.

SECTION 11. AMENDMENT. House Rule 361 is amended as follows:**361. Guests - Introduction and announcement - Limitations.**

1. ~~Introduction of guests in the House is limited to those individuals called on to address the House and former members of the Legislative Assembly. The presence of other guests in groups may be announced daily on the electronic message boards.~~
2. ~~No person may be admitted to the floor of the House except state officers; justices of the Supreme Court and judges of the district courts; present and former members of Congress; present and former members of the Legislative Assembly; present officers and officials; all employees of both houses of the Legislative Assembly; reporters for newspapers; and any other person granted admission by the Speaker.~~
3. ~~No member may have more than one guest on the floor during any period guests are restricted under House Rule 205. No member may have more than one guest in the morning on the floor during a session and one guest in the afternoon on the floor during a session. The guest must be seated with the member at the time the session convenes and may not leave the floor during debate. No guest may be seated with the member after that member's original guest for that session leaves the floor.~~
4. ~~For the purposes of this rule, the floor of the House is all of the first floor of the House chamber in front of the railing. No other guests are allowed on the first floor of the chamber in front of the railing.~~

SECTION 12. AMENDMENT. Subsection 3 of House Rule 401 is amended as follows:

3. Any bill or resolution may be introduced after the organizational session ~~adjourns~~convenes and ~~through the third Friday in December~~ before the convening of the regular session, or a time designated by the Legislative Council, by prefiling the bill or resolution with the Legislative Council. The Legislative Council shall number those bills and resolutions, identify the sponsoring committee as assigned by the Speaker, arrange for the posting of notice of hearing, and deliver those bills and resolutions to the Chief Clerk. Prefiled bills and resolutions may not be withdrawn, except on the floor of the House in the manner provided by the rules. Prefiled bills and resolutions are not confidential.

SECTION 13. AMENDMENT. House Rule 402 is amended as follows:**402. When introduced.**

1. No member other than the Majority and Minority Leaders may introduce more than five bills as prime sponsor after ~~Monday, January 7, 2019~~the fifth legislative day. No bill may be introduced after the ~~sixteenth~~ legislative day, and no resolution, except those resolutions described in subsection 4, may be introduced after the ~~fourteenth~~eighteenth legislative day, except upon approval of a majority of the Delayed Bills Committee or upon two-thirds vote of the members of the House present and voting.
2. No member of the Legislative Assembly on April first of the year before a regular legislative session may submit a bill mandating health insurance coverage of services or payment for specified providers as described in North Dakota Century Code Section 54-03-28 for consideration by the Employee Benefits Programs Committee after April first of the year before a regular legislative session. No

member of the Legislative Assembly taking legislative office for the first time after November thirtieth of the year before a regular legislative session may submit a bill mandating health insurance coverage of services or payment for specified providers as described in North Dakota Century Code Section 54-03-28 for consideration by the Employee Benefits Programs Committee after the first Wednesday following adjournment of the organizational session.

3. No bill introduced at the request of an executive agency or the Supreme Court may be introduced after the close of business on the day after the adjournment of the organizational session, except upon approval of a majority of the Delayed Bills Committee.
4. Resolutions that propose amendments to the Constitution of North Dakota and resolutions directing the Legislative Management to carry out a study may not be introduced after the ~~thirty-second~~thirty-sixth legislative day.

SECTION 14. AMENDMENT. Subsection 2 of House Rule 507 is amended as follows:

2. The committee chairman or the member who is duly appointed to act as chairman shall ensure that minutes of committee hearings and deliberations are kept. The minutes must be arranged by the bills or resolutions discussed, designated by number. The minutes must contain a short phrase explaining what the bill or resolution relates to and the names ~~and addresses~~ of all persons who appear in relation to the bill or resolution ~~and a brief summary of their remarks~~. The minutes also must include a record of recommended amendments to the bill or resolution, and a recorded roll call vote of the committee members on each bill or resolution that is referred out of the committee and, in the case of divided reports, on each report.

SECTION 15. AMENDMENT. House Rule 509 is amended as follows:

509. Reporting of measures. Except for an appropriations bill, a resolution proposing an amendment to the Constitution of the United States or the Constitution of North Dakota, or a resolution directing an interim study by the Legislative Management, no House bill or resolution may be held in a committee for more than thirty legislative days after it is referred to the committee, unless an extension of time is granted by the House. Except for a bill introduced after the deadline for introducing bills, a resolution directing an interim study by the Legislative Management or a resolution proposing an amendment to the Constitution of the United States or the Constitution of North Dakota, all House bills and resolutions must be reported back to the House no later than the ~~thirty-second~~thirty-sixth legislative day. A resolution directing an interim study by the Legislative Management or proposing an amendment to the Constitution of the United States or the Constitution of North Dakota must be reported back to the House no later than the ~~thirty-eighth~~forty-second legislative day. A bill introduced after the deadline for introducing bills must be reported back to the House within five legislative days after the day of introduction. A bill or resolution not reported back as required by this rule must automatically be placed on the calendar without recommendation. Senate bills and resolutions must be reported back to the House by the ~~sixty-first~~sixty-fifth legislative day. Senate bills received after the crossover deadline must be reported back to the House within five legislative days after the day of receipt.

SECTION 16. AMENDMENT. Subsection 3 of House Rule 601 is amended as follows:

3.
 - a. If the committee report is for amendment, the proposed amendment must be placed on the calendar for the next legislative day on the sixth order of business. After the ~~fifty-first~~fifty-fifth legislative day, the proposed amendment must be placed on the calendar on the sixth order of business immediately after the report of the committee is received. On sixth order, the Speaker shall announce that without objection, the proposed amendments on the sixth order are deemed approved. If any member objects to a proposed amendment being approved with other proposed amendments, that amendment must be voted on as a separate item.
 - b. No action may be taken on an amendment until a verbatim copy of the amendment has been distributed to each member; provided, that on a

two-thirds vote of the members-elect, this may be suspended, and the amendment acted on immediately after the report of the committee.

- c. If the amendment is adopted by a majority vote of the members present, the amended measure must then be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision e or g.
- d. If the amendment is rejected, the measure without amendment must be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision e or g.
- e. If the committee report is for amendment and then rereferral to another committee, the measure must be rereferred to the appropriate committee after adoption or rejection of the amendment. If, after adoption or rejection of the amendment, a measure is subject to rereferral under House Rule 329, the measure must be rereferred to the Appropriations Committee, regardless of whether the report provides for rereferral.
- f. If the committee report does not recommend rereferral to another committee but recommends that the measure pass, do not pass, or makes no recommendation, the measure must be placed on the calendar for the next legislative day under the applicable order of business for second reading and final passage except as provided in subdivision g.
- g. On motion a measure must be placed on the calendar for second reading and final passage immediately after action is taken on the amendment. If the committee report recommends the measure be placed on the calendar for second reading and final passage immediately after action is taken on the amendment, the measure must be placed on the calendar for second reading and final passage immediately after the amendment is adopted. After the ~~twenty-eighth~~thirty-second legislative day all House bills, and after the ~~fifty-first~~fifty-fifth legislative day all measures, must be placed on the calendar for second reading and final passage immediately after action is taken on the amendment. Without objection, a measure placed on the calendar under this subdivision must be acted on immediately after placement on the calendar. If more than one amendment was deemed approved under subdivision a and the measures are placed on the calendar under this subdivision, the Speaker shall announce whether the measures will be acted on immediately after placement on the calendar and the order in which the measures will be considered.
- h. A report for amendment must be approved as to form and style by the Legislative Council staff. When a report for amendment is received by the Chief Clerk without a notation that the report was approved as to form and style by the Legislative Council staff, the Chief Clerk immediately shall cause that report to be delivered to the Legislative Council office with a request that the report be examined and receive a notation approving its form and style.

SECTION 17. AMENDMENT. Joint Rule 203 is amended as follows:

203. Limitation on messaging of measures - Crossover days.

1. A bill that has passed one house may not be sent to the other house for concurrence after the ~~thirty-fifth~~thirty-ninth legislative day, except a bill approved for introduction after the deadline for introduction of bills.
2. A resolution that has passed one house may not be sent to the other house for concurrence after the ~~forty-first~~forty-fifth legislative day, except a resolution approved for introduction after the deadline for introduction of that type of resolution.

SECTION 18. AMENDMENT. Joint Rule 501 is amended as follows:

501. Fiscal notes.

1. Except for a measure appropriating a specific dollar amount, every bill or resolution having an effect of ~~five~~ten thousand dollars or more on the revenues, expenditures, or fiscal liability of the state must have a fiscal note ~~attached—which describes~~describing that effect and ~~which is~~ prepared as provided in this rule.
2.
 - a. The Legislative Council shall determine whether a fiscal note is required for any bill or resolution prepared by the Legislative Council staff. The chairman of the committee to which a bill or resolution is referred shall determine whether a fiscal note is required for a bill or resolution not prepared by the Legislative Council or not bearing a fiscal note.
 - b. A bill or resolution to which an amendment having a fiscal effect of ~~five~~ten thousand dollars or more has been approved must have a fiscal note ~~attached~~prepared upon request of the chairman of the committee considering the bill or resolution, or ~~by~~upon request of the majority of the members present of the house in which the bill is considered at the time of second reading.
 - c. The chairman of a committee may request the aid of the Legislative Council in making a determination as to whether a bill or resolution requires a fiscal note.
3.
 - a. A fiscal note must be prepared by the state agency or department responsible for collecting or expending the revenues affected or whose appropriation is affected or jointly by affected departments or agencies, at the request of the Legislative Council.
 - b. A request for a fiscal note must be in the proper request form and addressed to the designated agency or department, and must be accompanied by a copy of the bill or resolution having the fiscal effect.
 - c. The Legislative Council shall prepare all necessary ~~forms for the implementation of~~to implement the fiscal note procedure.
 - d. Each agency or department to ~~whom~~which a request for a fiscal note is made shall state on a fiscal note form the fiscal impact of the bill or resolution being considered. The fiscal impact must be stated in dollar amounts; identify the impact on revenues; identify the impact on expenditures; identify the impact for the current biennium, the upcoming biennium, and the next succeeding biennium; and identify the effect on the appropriation for the state agency or department for the current, upcoming, and next succeeding bienniums.
 - e. If the agency or department of ~~whom~~which a fiscal note is requested is unable to provide specific information upon the fiscal impact of the bill or resolution, the agency or department shall make an estimate of the impact according to ~~such~~the available information it may have or be able to obtain and shall state that the figures provided are an estimate.
 - f. If the agency or department is not able to make an estimate, it shall state that fact.
4.
 - a. The agency or department preparing the fiscal note for a bill or resolution as introduced shall complete and return the fiscal note to the Legislative Council not later than five days from the date of the request. The agency or department preparing the fiscal note for an amended bill or resolution shall complete and return the fiscal note to the Legislative Council not later than one day from the date of the request.
 - b. The Legislative Council shall provide an electronic copy of the fiscal note to the Office of Management and Budget and the Governor. The Legislative Council shall ~~deliver a paper copy~~make an electronic or paper copy of the fiscal note available to the Secretary of the Senate or the Chief Clerk of the House. ~~The Secretary of the Senate or the Chief Clerk of the House shall attach a paper copy to the original bill or resolution.~~
5. Any bill or resolution requiring a fiscal note must be stamped or have written on its cover a notation to the effect that a fiscal note is required.

6. A committee report must include a notation that a specific bill or resolution carries a fiscal note.
7. Upon second reading and final passage of a bill or resolution carrying a fiscal note, the Secretary of the Senate or the Chief Clerk of the House, whichever the case may be, shall read the fiscal note in its entirety at the time of reading the title of the bill or resolution to be voted on.

SECTION 19. AMENDMENT. Joint Rule 502 is amended as follows:

502. Fiscal notes for measures impacting counties, cities, or school districts.

1. Every bill or resolution introduced into either house of the Legislative Assembly which mandates changes in the revenues, expenditures, or fiscal liability of counties, cities, or school districts must have a fiscal note ~~attached~~ reflecting the statewide impact of the bill or resolution on counties, cities, or school districts.
2. If no state agency has primary responsibility for compiling and maintaining the information necessary for the proper preparation of a fiscal note otherwise required by this rule, a statement to that effect must be ~~attached to~~ prepared for the bill or resolution by the party responsible for requesting the fiscal note pursuant to subsection 2 of Joint Rule 501. A statement ~~attached~~ prepared pursuant to this subsection meets the fiscal note requirement.
3. The same requirements and procedures provided in Joint Rule 501 for state fiscal notes, including preparation, deadlines, forms, and reading of fiscal notes on second reading and final passage, apply to fiscal notes for counties, cities, and school districts except as provided in this rule.

SECTION 20. AMENDMENT. Joint Rule 801 is amended as follows:

801. Open legislative meetings. All meetings of the Legislative Assembly and its committees, including interim legislative committees, are open to the public and the press at all times when pending or proposed legislation is being considered. A meeting available via teleconference call or electronic means is open to the public and the press provided the audio of the meeting may be heard in real time.

SECTION 21. Joint Rule 805 is created as follows:

805. Public health.

1. Except as provided in subsection 2, each individual in an area of the Capitol complex controlled by the Legislative Assembly shall wear a face mask or shield covering the nose and mouth completely, although the face mask or shield may be lowered or removed while speaking on the floor of the chamber after the member is recognized by the presiding officer. Areas controlled by the Legislative Assembly include the legislative chambers, committee rooms, Memorial Hall, Legislative Hall, the Legislative Council office, and any additional space the Legislative Assembly acquires for its use.
2. When social distancing is maintained without exception, a member may remove the member's face mask or shield in areas of the Capitol complex controlled by the Legislative Assembly. However, a face mask or shield must be worn by each member during floor sessions and for at least thirty minutes before and after each floor session at which the members are physically present. "Social distancing" means remaining at least six feet from all other individuals.
3. Notwithstanding subsection 2, a committee chairman may require each individual in the chairman's committee room to wear a face mask or shield covering the nose and mouth completely, although a face mask or shield may be lowered or removed by an individual recognized by the chairman while the individual is addressing the committee during a meeting.
4. Consistent with the Centers for Disease Control and Prevention guidelines, it is recommended that members of the Legislative Assembly and legislative branch

employees complete a health self assessment before arriving at the Capitol complex. Members of the Legislative Assembly and legislative branch employees shall submit to a temperature screening upon entering the Capitol complex. A member of the Legislative Assembly who has a temperature reading of 100.4 or greater or who is experiencing any symptoms of Coronavirus (COVID-19) shall report the temperature reading or existence of the symptoms to the member's party leader or designee immediately and comply with the protocols established jointly by the Majority and Minority Leaders. A legislative branch employee who has a temperature reading of 100.4 or greater or who is experiencing any symptoms of COVID-19 shall report the temperature reading or existence of the symptoms to the director of the Legislative Council or the director's designee.

REP. POLLERT MOVED that the report be adopted, which motion prevailed on a voice vote.

MOTION

REP. LOUSER MOVED that the House stand in recess until 9:55 a.m., which motion prevailed.

THE HOUSE RECONVENED pursuant to recess taken, with Speaker K. Koppelman presiding.

MOTION

REP. LOUSER MOVED that a committee of four be appointed to escort the Honorable Lt. Governor Brent Sanford to the rostrum, which motion prevailed.

SPEAKER K. KOPPELMAN APPOINTED Reps. Richter and Dobervich and Sens. D. Larson and Oban to the escort committee.

JOINT SESSION

SPEAKER K. KOPPELMAN ANNOUNCED that a Joint Session would come to order.

MOTION

REP. LOUSER MOVED that a committee of four be appointed to escort the Honorable Governor Doug Burgum to the rostrum and First Lady Kathryn Helgaas Burgum to a special reserved seat in the chamber and that Governor Burgum's remarks, as submitted to the front desk, be printed in the journal, which motion prevailed.

SPEAKER K. KOPPELMAN APPOINTED Sens. Wardner and Heckaman and Reps. Pollert and Boschee to the escort committee.

2021-2023 EXECUTIVE BUDGET ADDRESS

The Honorable Doug Burgum
Governor of North Dakota
December 3, 2020

Good morning. It is my distinct honor to be here today to present the Executive Budget for the 2021-2023 biennium during these historic times.

Welcome to all those joining us in person and virtually: members of the 67th Legislative Assembly – a special welcome to those present in the House chamber and those across the hall in the Senate – Justices of the Supreme Court, Lieutenant Governor Brent Sanford, elected officials, cabinet leaders, state team members, fellow North Dakotans, and North Dakota's First Lady Kathryn Helgaas Burgum.

First and foremost, on behalf of all North Dakotans, let us lead with gratitude for the frontline health care workers and first responders who continue to amaze us every day with their awe-inspiring dedication and devotion to those suffering from this cruel virus.

From the nurses fighting through fatigue to care for their patients, to the CNAs filling extra shifts at our nursing homes, to our team members in the State Lab working tirelessly to process test results, to the local public health and National Guard members collecting test samples in every corner of our state, to the ambulance crews rushing patients to the emergency room as they fight for every breath, to the police and firefighters and North Dakota Highway Patrol troopers who keep our communities safe from danger – we share our deepest gratitude for your exceptional service.

Please join me in a round of applause for these heroes who are working every day to save the lives of their fellow North Dakotans.

We also thank the frontline members of Team North Dakota who continue to deliver on our administration's purpose: to Empower People, Improve Lives, and Inspire Success – a purpose that has come to include saving lives AND livelihoods during this pandemic.

We are grateful for all our state legislators, who continue to work through logistical challenges so they can fulfill their important responsibilities.

As the executive branch, we have a constitutional and statutory duty to deliver a budget and recommended legislation to this body.

We deeply appreciate the leadership of OMB Director Joe Morrisette and his small and mighty band of analysts in the Office of Management and Budget, our cabinet leaders and their fiscal teams, the Governor's Office policy team, our statewide elected officials and their teams, and all state agencies for their steady work to prepare this budget even as the pandemic created disruptions and uncertainties like never before.

Even with these uncertainties, our comprehensive strategic planning and budgeting process reflects our belief that strategy should drive budgets, not budgets driving strategy. Budgets are simply inputs.

No farmer ever boasted to his neighbor about who spent the most money on seed, fertilizer, and chemicals. But rightly so that same farmer might have engaged in some friendly coffee shop talk about who produced the most bushels – that is, who had the best outcomes.

State government must keep shifting its focus to measurable outputs and outcomes.

As we continue to navigate these dual public health and global economic crises and the extraordinary economic response measures we have undertaken, we must all look beyond the pressures and emotions of today and toward the future.

Our post-pandemic future will also present opportunities in North Dakota for robust economic growth, just as the United States experienced in the roaring '20s following the 1918 flu pandemic. New challenges create opportunities and demand fresh ideas and approaches, and our proposed budget charts a course for North Dakota agencies and institutions to overcome these challenges and emerge stronger than ever before.

We can accomplish this with a fiscally conservative budget that holds the line on general fund spending, invests in our priorities and maintains healthy reserves, all without raising taxes.

This budget also preserves the measures that have created over \$10.2 billion of permanent tax relief that's been provided over the last decade, including nearly \$505 million in permanent relief from the state assuming funding of county social services starting in 2017 and continuing in this budget through 2023.

And very importantly, we include zero Legacy Fund earnings that will be available at the end of the 2021-23 biennium to cover gaps in our general fund spending for 2021-23, instead utilizing a portion of Legacy Fund earnings to catalyze a major bonding package to make critical investments in our state's future. The Legacy Fund was not created to support day-to-day government operations, and we must resist the temptation to make that common practice.

When the pandemic reached North Dakota last March, agencies found ways to limit state spending and utilize federal funds where allowed. These efforts will help deliver a positive ending balance next June of \$312 million – seven times what was originally projected for 2019-21.

In addition, by keeping our economy open and driving 54 percent of our \$1.25 billion in Coronavirus Relief Funds toward economic support for individuals and businesses, North Dakota is in a strong position. General fund revenues were still running 2 percent ahead of forecast at the end of October, two-thirds of the way through the biennium, and our unemployment rate has been among the lowest in the nation.

Working together and without raising taxes, we can deliver a balanced, fiscally conservative 2021-23 budget that funds our priorities, unleashes the financial power of our balance sheet to build critical infrastructure, and provides all North Dakotans with the high level of customer service they deserve and expect.

We are truly blessed to live in a state so incredibly rich in natural resources: our abundant and diverse minerals, our incredibly productive soil, our enormous amounts of clean fresh water, and even our famous prairie winds, are all assets that support our leading industries of agriculture and energy.

However, many of these natural resources are commodities that are vulnerable to volatile global price swings beyond our control, creating challenging ups and downs for our economy.

After getting hit with a double whammy of collapsing ag and energy prices in 2015 and 2016, we slowly recovered, rebuilding our rainy-day fund to a record high. Things were looking up heading into the current biennium starting in July 2019. General fund revenues for the first six months were running 7 percent, or \$102 million, ahead of forecast. Sales tax collections, which typically account for over 40 percent of our general fund revenues, were 10 percent ahead of forecast.

Then the COVID-19 pandemic threw the global economy into a tailspin and crushed demand for oil, triggering an oil price war that sent prices crashing to such a low point that oil futures actually fell below zero dollars a barrel into the negative.

The pandemic dealt a major blow to the global economy overall, including here in North Dakota. Our state's real gross domestic product plummeted by 27.6 percent between the first and second quarters of this year. Although that was the sixth-smallest decrease in the nation, it was a devastating drop nonetheless as thousands were suddenly out of work and businesses large and small fought to stay afloat. While oil prices have partially recovered, the impact to oil tax revenues is significant. For the current biennium, North Dakota is now projected to collect about \$3.36 billion in oil tax revenue. That's nearly \$1.5 billion, or 30 percent, less than forecasted in May 2019. Oil tax revenues are projected to drop to \$2.87 billion next biennium, nearly half a billion dollars less than this biennium.

When looking at the four major tax types – sales tax, individual income tax, corporate income tax and motor vehicle excise tax – we're projected to collect \$135 million less this biennium than last biennium. And it's projected that revenues will be even lower next biennium, by another \$34 million.

This requires us to take a hard look at all the ongoing expenditures we took on as a state during the oil boom, when general fund revenues from the four major tax types were \$800 million to \$1.3 billion higher than they are now.

Together, the legislature and the executive branch must challenge our existing institutions, our political subdivisions and ourselves to rethink our approaches in this post-pandemic world.

We also know that during this pandemic emergency, when our citizens may be struggling physically, emotionally, and economically, the importance of maintaining essential government services.

Thankfully, we worked with the Legislature last session to make sure our rainy-day fund, the Budget Stabilization Fund, would be fully replenished during the current budget cycle – and it has been.

The fund's current maximum balance is \$727 million, having been capped at 15 percent of general fund appropriations in state law for the past two budget cycles. Prior to that, the fund was capped at 9.5 percent of general fund appropriations.

We propose a return to a 10 percent cap, after a one-time transfer of about \$240 million from the Budget Stabilization Fund to the general fund to help balance the budget for 2021-23.

Capping the rainy-day fund at 10 percent should be enough to withstand any future budget

shortfalls. In order to access the entire balance of the rainy-day fund, an across-the-board budget reduction of 6 percent is required by law. So, with a 10 percent cap, the state could absorb a 16 percent reduction in general fund revenues, or about \$774 million.

And given that the Budget Stabilization Fund is invested in short-term, liquid, low-returning assets, anything more than a 10 percent balance would be an underutilization of state resources. Today, we again propose being more transparent about how our oil tax revenue is used to directly support general fund expenditures. Oil tax allocations to the general fund were set at \$400 million this biennium and last biennium.

We propose setting the oil tax allocation at \$500 million to better balance ongoing revenue with ongoing spending. Combined with an additional \$400 million in oil tax transfers from the Strategic Investment and Improvements Fund, the total oil tax revenue going to the general fund next biennium would amount to \$900 million.

That represents 20% of the general fund from oil tax allocations, which is down from 24% in the current biennium, reducing our dependence on oil tax revenues.

Despite the disruptions from the pandemic, we pressed ahead with our strategy review process again this interim, conducting a comprehensive review of agency budgets to prioritize and optimize use of taxpayer dollars. The continuation of existing services and programs required an additional \$101 million of scarce ongoing general fund resources.

To fund that increase and reduce our ongoing spending, we identified \$322 million in budget reductions and funding source changes. This allowed for \$104 million to be redirected to new priorities, along with \$36 million for state team member salary and benefit changes and \$20 million for other changes, leading to an overall reduction of \$61 million in ongoing general fund spending. Overall general fund expenditures will decrease slightly by about \$8 million, to \$4.836 billion.

The Executive Budget proposes a total budget of \$15 billion from general, federal, and special funds, and that amount includes \$550 million of proposed appropriations for infrastructure projects as part of a \$1.25 billion bonding package.

Overall, expenditures of \$3.3 billion will support Team North Dakota through salary and benefit investments, \$2.6 billion will fund operating expenses, and \$7.3 billion will be distributed through formulas and grants to areas such as K-12 and higher education, Medicaid and essential infrastructure, directly benefiting citizens and political subdivisions.

The remaining \$1.7 billion allows for significant and game-changing, long-term investments in capital assets. In sum, nearly 67 percent of our total budget goes to support health and human services and education. Within the general fund, these services consume 82 percent of the recommended appropriation.

Investing in technology that improves service to citizens remains a top priority. And protecting the sensitive data that citizens entrust to government agencies is one of our highest responsibilities.

Our budget invests nearly \$105 million in information technology projects. This includes funding for 15 projects spread across seven agencies, dealing with a variety of systems and data from procurement to juvenile case management to traffic data and analysis. Our budget moves forward on some long-overdue projects to replace or upgrade systems that rely on antiquated mainframe technology. For example, the current unemployment insurance mainframe has been miraculously patched together, at considerable cost, to get us through the pandemic surge, but this 1980s technology is beyond end of life and is almost impossible to manage. Another aged system that is critical to the delivery of essential services is the Comprehensive Child Welfare Information and Payment System in the Department of Human Services. As the payment processing system for foster care and adoption providers and families, a system failure would impact over 2,400 North Dakota families. Replacing the Department of Transportation's long-outdated Roadway Information Management System will reduce manual tasks such as paper handling and data re-entry, while improving the accuracy of forms, reports, and tests to better serve the public. We have kicked this IT replacement can down the road for decades. There is not much can left to kick, and we've run out of road. The perpetually deferred replacement of these 30- to 40-year-old systems increases both cost and risk to the state and our citizens. We must act now to protect

citizens and their information.

This budget authorizes 15,779 FTEs, a decrease of 91 FTEs from the current biennium, and includes proposed performance-based (not across the board) salary increases of 2 percent in each year of the biennium. The cost of the salary increases is about \$72 million for the biennium. Agencies may provide additional salary increases based on performance if they can identify long-term salary savings through further FTE reductions, which will incentivize efficiency and innovation.

We propose continuing the state's excellent health insurance benefits package with no changes to deductibles or co-insurance. Thankfully, and bucking a trend, health insurance premiums are only increasing one-tenth of 1 percent, or \$760,000 for the biennium.

We also must ensure we can live up to the promises made to state team members.

The unfunded liability of the pension fund, now estimated at \$1.6 billion, jeopardizes our ability to cover the state's obligations to retired team members and current members. It also negatively affects local bond ratings, increasing borrowing costs at all levels of government.

We acknowledge that, given our current revenue situation, there are not resources available this biennium to make a large cash infusion into the pension fund to close the unfunded liability gap.

However, we can slowly chip away at it by increasing both state and team member contributions to the retirement fund by 1 percent, at a cost to the state of about \$9.4 million next biennium.

This important proposal will put the pension fund on a path toward solvency by 2065, and this proposal received a favorable recommendation from the interim Employee Benefits Programs Committee.

The state needs to fund its commitment, and state team members have a personal interest in ensuring the pension fund remains solvent. This is a shared responsibility. Along with the increased state contribution, the 1 percent additional contribution by team members will benefit their future retirement by growing the pension fund, which will increase earnings to help ensure the fund delivers on its commitment to Team ND long into the future.

Children are the future of our state. And education is the key to their success and North Dakota's prosperity in the decades ahead.

Throughout the pandemic, we have been able to provide significant support to our K-12 schools and higher education institutions.

Of the COVID relief dollars provided to the state through the CARES Act, nearly \$200 million was provided to both public and private school districts and higher education institutions with the important goal of keeping our students learning in their classrooms.

Let's take a moment to thank all the teachers, administrators, staff, and school board members across the state who are fighting to keep our kids learning and our educators safe.

Last session, we worked together to increase the K-12 per-pupil payment by 2 percent in each year of this biennium, putting it over \$10,000 for the first time in state history.

Under current projections, we will not have enough ongoing revenue to sustain that level of payment. Therefore, the executive budget proposes a one-time transfer of \$83 million from the Foundation Aid Stabilization Fund to maintain the per-pupil payment at the current level of \$10,036. The Foundation Aid Stabilization Fund has been used to support school aid for the past three biennia. Even with our proposed transfer, the fund will still maintain its very healthy and constitutionally required balance of 15 percent of the most recent general fund appropriation for state aid to school districts.

Still, this one-time transfer should serve as notice to school districts that, barring a significant increase in ongoing revenues, we will not be able to maintain the per-pupil payment at this level beyond next biennium. Districts should plan their budgets accordingly.

To be clear, our state's commitment to K-12 education has never been stronger. In our budget, the state will dedicate 38 percent of its ongoing revenue to K-12 school aid, up from 33 percent in 2013-15.

Funding for higher education as a percentage of ongoing general fund revenue will also remain higher than in 2013-15, at 13 percent compared with 11 percent.

Total funding for higher education next biennium is proposed at \$2.6 billion, including a general fund decrease of \$9.3 million from the current biennium's legislative base level. This reflects a trend of decreasing enrollment and a 7.5 percent reduction in the formula payment rate.

Prior to the pandemic, we spoke repeatedly about how higher education is changing due to the unstoppable forces of technology, economics, demographics, and culture.

The pandemic has only accelerated these changes, and our institutions must continue to find ways to adapt, innovate and become more efficient to remain successful in a world of increasing competition and alternatives.

Our budget proposal includes \$45 million for workforce development through matching grants to expand and establish new centers for career and technical education.

Since we proposed this idea two years ago, the need for career academies has only grown and the concept continues to gain popularity, with a shining example here at the Bismarck Career Academy. Dickinson, Watford City and Cass County have all made progress toward career academy efforts. While local efforts continue to gain traction, we need to move faster to support our workforce, our economy, and most importantly, our youth.

In this budget, we also propose increasing the funding for the Higher Education Challenge Grant program, from \$9.4 million to \$20 million – \$10 million from the general fund and \$10 million from potential June 30, 2021, Legacy Fund earnings – to support North Dakota's public colleges and universities. By requiring a 2-to-1 match in private donations, investing \$20 million into the Challenge Fund will bring a total of \$60 million into our higher education system.

Continuing our commitment to our tribal partners, we have once again included funding to provide grants to our tribal community colleges across the state. This \$1 million grant will support the five tribal colleges in educating and training the ND workforce.

This year has challenged our health care system and our state Department of Health like never before.

We've used our share of the federal CARES Act funding thoughtfully and responsibly to support our state response to the pandemic. And we recognize the importance of continuing these efforts through the upcoming months until an effective vaccine becomes widely available.

The executive budget reflects the support needed for the Department of Health to maintain our pandemic response. We propose \$95 million in COVID-related funding, of which \$84 million is one-time funding, including \$40 million in federal and special funds.

As a state, we're fortunate to have access to quality health care, thanks in part to the investments made by this assembly. Each of us has a responsibility to ensure those investments are used to support all citizens equitably.

Medicaid provides much-needed health care to tens of thousands of low-income North Dakotans. Children, pregnant women, older adults, and individuals with developmental disabilities all receive health care from the Medicaid program.

Additionally, Medicaid expansion in North Dakota importantly covers 22,500 low-income, able-bodied adults to assist them in receiving the health care services they need.

However, just because as a state we undertook Medicaid Expansion – along with 37 other states – does not mean we should reimburse providers far more for each Medicaid expansion client than any other state.

Today, North Dakota reimburses providers about \$14,000 for each Medicaid expansion client. Alaska, the next highest state, reimburses providers \$9,000 for each Medicaid expansion client, while Minnesota is at \$8,600 and Montana at \$7,000 – half of what North Dakota reimburses providers for the same services. Our reimbursement rate to health care providers is unsustainable and unaffordable. Even more concerning is that while we reimburse providers the most in the U.S. for Medicaid expansion clients who are able to work, we reimburse our providers about 75 percent less for care delivered to regular Medicaid clients such as children, seniors, and individuals with disabilities – the very populations for whom the Medicaid program was created.

To resolve this, we are renewing our proposal to streamline administration and reduce the Expansion fee schedule to match traditional Medicaid rates, versus the substantially higher commercial rates. This change would become effective July 1, 2022, allowing health systems time for the transition to take place after the pandemic and related stresses on the health care system have passed.

These changes would have no impact on any individual's eligibility or access to services.

After the last eight months fighting COVID it is clearer than ever that we must keep innovating on how to best care for our elderly and most vulnerable citizens.

We must continue to provide safe, affordable alternatives so that as more individuals and families decide they want their loved ones cared for at home, we have providers trained and ready to take care of them.

This executive budget builds on prior reinvestments that shifted dollars from institutional care to expanding home and community-based care.

We also know that sometimes seniors choose to be in nursing homes, or their families feel nursing homes are the best place for them.

Our current payment system can penalize nursing facilities based on its pure cost-based methodology. When nursing facilities operate more efficiently and reduce their costs, their payment rates go down the next year. This does not make sense.

To fix these disincentives, we have included funds in the budget to change the payment system to reward operational efficiency and well-maintained properties.

Our strategic initiative on behavioral health continues to drive progress on treatment and recovery in North Dakota. And First Lady Kathryn, through her personal courage to share her own lived experience with addiction, continues to inspire others to celebrate the power and hope of recovery and eliminate the shame and stigma of the disease of addiction.

To expand access to treatment services, the executive budget increases funding from \$8 million to \$17 million for the Substance Use Disorder Voucher program through the Department of Human Services. The SUD program exhausted its entire appropriation in just 14 months this biennium. Our budget proposal matches funding to the increased demand for the program.

We also propose construction of a new State Hospital in Jamestown. This proposal utilizes existing authority in state law to enter into a public-private partnership. A private entity would build and maintain the hospital through a 40-year agreement. DHS would realize savings and efficiencies of about \$5.5 million per year, which would help offset the cost, leaving a gap payment of approximately \$1.7 million per year for debt service on the new hospital starting in the 2023-25 biennium.

Every day 440,000 vehicles travel on our state highways, and each year tens of billions in goods are shipped to and from North Dakota by truck. Our agriculture industry, our energy sector and our communities expect us to maintain the bridges and road systems we have built over generations.

Investing in bridge maintenance or replacement of state and local roads will reduce the need for load restrictions and provide support for both farmers and energy producers throughout North Dakota.

To accomplish this, the executive budget proposes a powerful financial model that utilizes a predictable portion of Legacy Fund earnings to build infrastructure now for North Dakota's future.

For decades, North Dakota has harnessed the power of bonding with successful programs at the Housing Finance Agency, the Public Finance Authority, the North Dakota University System, North Dakota Building Authority, and the State Water Commission. Since 1982, the Housing Finance Agency alone has completed 116 bond issues totaling over \$5.5 billion.

Currently our state agencies hold a modest balance of \$2.25 billion in bonds, and with our extremely strong balance sheet, we're able to do more. Interest rates are at historic lows: Two days ago, the Housing Finance Agency completed a \$125 million bond issuance at 1.9 percent yield. Now is the time to invest in our future with a backbone of smart, efficient, modern infrastructure.

We can save tens if not hundreds of millions of dollars for the state and our political subdivisions over time versus waiting for years and years to pay cash for infrastructure.

And by creating an additional, flexible financing vehicle for some of our strategic high-dollar infrastructure projects, we create budget room in our DOT budget and Resources Trust Fund to support many other smaller yet essential water and road projects in every corner of the state.

While bonding isn't new to North Dakota, the bonding we have done has been focused mainly on clean water projects and public housing, not for transportation infrastructure as many states have used it. For example, three years ago the Utah Legislature approved a bill allowing \$1 billion to be bonded over four years to accelerate transportation projects across the state. Today, Utah has one of the nation's fastest-growing economies.

Under our proposal, the state will sell bonds in the amount of \$1.25 billion.

The proceeds from that bond sale will be used to invest in infrastructure projects and perpetual revolving loan funds. The infrastructure projects will help grow and expand our economy and provide a return on the investment that far exceeds the cost of borrowing.

Thanks to the foresight of our citizens over 10 years ago, we have a unique opportunity to leverage the earnings of the Legacy Fund and create lasting value for North Dakota. With these stable and predictable Legacy Fund earnings as an assured source of repayment, interest rates on ND Legacy Bonds in today's environment will be extremely low. Communities and our economy will benefit as the infrastructure projects can move forward now.

The permanent revolving loan funds will offer low interest loans to cities and other political subdivisions, who will then repay monies back into the revolving funds, creating a permanent legacy asset for future generations.

Waiting to build major infrastructure projects only until we can pay cash defers the economic benefits, exposes us to future construction inflation, raises local cost share and limits our growth.

Bonding works. Our school districts and cities do it regularly. It's simple, and most importantly, and in today's interest rate environment, it is very smart and economical.

Let's look at how our bonding package breaks down. We propose \$700 million to capitalize the infrastructure revolving loan funds to be loaned out to political subdivisions for water, road, bridge, and other projects under long-term, low-interest loans, which will help keep property taxes low. The best part? This funding mechanism is revolving, it is perpetual, and it is a permanent gift to future generations of North Dakotans. We propose \$323 million for transportation, bridge, and community projects grants that can be undertaken now to see immediate improvements in our communities and roadways. These infrastructure funds can be multiplied with federal DOT grants and other sources. We propose a \$45 million cost-sharing match grant program to incentivize the expansion and opening of local career academies. These academies will be built around partnerships with local school districts and our institutions of higher education to enhance career and workforce development. Finally,

we propose \$182 million for state facilities. We need to maintain and protect the state's significant investment in capital assets by addressing maintenance and repair issues that have gone unaddressed for too long. We also must make improvements so we can better utilize our existing space and lower our facility costs over time. This includes \$131 million for maintenance and repair projects identified as the most critical as a result of the statewide real estate assessment authorized by the 2019 Legislature. This amount also includes \$19 million for higher education Tier II and Tier III infrastructure projects; \$14 million for the completion of the NDSU Agriculture Development Center; \$10 million for state parks infrastructure; and nearly \$7 million to make the Capitol complex more accessible to all citizens, useful for legislators and better utilized by state agencies.

With interest rates low, now is the time to make greater use of this standard financing tool. Plus, we are in a good starting position. Historically, the State of North Dakota has carried a low amount of debt supported by taxes.

In fact, the most recent figures available from Moody's show North Dakota with the third-lowest percentage of tax-supported debt per capita in the nation at 0.3%, compared with a national average of 2.8%.

We're also third lowest when looking at tax-supported debt as a percentage of personal income – just \$131 in North Dakota, compared with a national average of \$1,493. We are less than one-tenth of the national average.

And the advantage of our bonding proposal is that it's not tied to tax collections, but rather secure, predictable Legacy Fund earnings that aren't dependent on oil prices.

We're grateful to the Legislature's interim Legacy Fund Earnings Committee for traveling the state and giving citizens the opportunity to provide input on how the Legacy Fund's earnings should be used.

We agree with the committee's direction that using a percent of market value of the Legacy Fund is the most prudent way to create a stable distribution of earnings, while protecting and growing the principal.

We propose using 4 percent of a five-year average market value for distribution, while investing the rest of the earnings back into the principal. Based on an estimated rate of return of 5.8 percent, we project the Legacy Fund will earn \$989 million during the 2021-23 biennium. Under our proposal, nearly \$560 million would be available to use during the 2023-25 biennium. We propose reinvesting the other 40 percent of earnings back into the fund, growing the balance to over \$8.9 billion. Using this same formula going forward, the Legacy Fund would surpass \$14.6 billion by 2031, while supporting over \$4.3 billion in Legacy investments back into our state during that same timeframe.

The Legacy Fund is in good hands with our State Investment Board. Legacy Fund earnings and principal should continue to be invested and held under the management of the State Investment Board until allocated. This will ensure the fund continues to grow with maximum returns for future generations while supporting worthy projects. Legacy Fund projects should meet the criteria of having a lasting impact beyond our current generation; have regional, state and national impact; should leverage other financial support and partnerships for a high return on investment; should be one-time projects that do not grow government; and, most importantly, they should create positive impact for our economy, workforce and communities.

Based on what we've learned from the interim committee and discussions from across the state, we're proposing five themes for high-impact investment of Legacy Fund earnings. We propose using 20 percent of Legacy earnings to drive economic diversification, community development and strategic initiatives across the state. Envision support for the expansion and development of new businesses and industries including value-added energy and agriculture, unmanned aerial systems, autonomous technologies, advanced manufacturing, biosciences, as well as building healthy, vibrant communities. 10 percent of the Legacy earnings would go for research and innovation both in our higher education systems and throughout the private sector. These funds should embrace bold ideas that will solve major problems the world currently faces such as carbon capture and utilization, drive commercialization of products and discover opportunities for the future. We propose using 10 percent of Legacy earnings to transform how government provides services. We can accelerate a culture of innovation and transformation that promotes efficiency and replaces

antiquated brick-and-mortar, in-person approaches and paper-based business processes with state-of-the-art systems to save citizens time and money.

We propose using 40 percent of Legacy Fund earnings to create the Legacy Bond Repayment Fund. This fund will be used to make the debt payment on the \$1.25 billion in bonds as previously described. This fund will also provide a source of dollars for future generations to utilize for bonding needs. The executive budget proposes investing 20 percent of Legacy Fund earnings into transformational legacy projects, driving big-picture ideas with a high return on investment for our citizens.

In addition, we propose utilizing these themes and criteria for the following Legacy investments to be funded from the estimated \$500 million or more Legacy earnings to be realized at the end of this biennium on June 30, 2021.

\$27 million is proposed to the UAS fund to continue the growth of the UAS industry and carry on the work from last session by expanding the Beyond Visual Line of Sight statewide network, or Vantis, and supporting Grand Sky. In addition, \$8 million is proposed to support the Housing Incentive Fund to increase affordable housing across the state.

\$30 million is proposed within the Research and Innovation theme for the continuation and expansion of the Innovation Technology Loan Fund, or LIFT Fund. This program, first developed by the 66th Legislative Assembly, has already demonstrated significant return on investment through the growth or relocation of at least 16 companies. A second \$10 million will be included to enhance the 2-to-1 Higher Education Challenge Grants program.

Our proposal for Government Transformation includes \$25 million for statewide cybersecurity. This will ensure our citizens and state team members are protected from threats near and far.

Within the Legacy Projects category, we have included \$10 million for state park infrastructure upgrades, the establishment of a \$10 million State Park Challenge Grant Program to drive private investments, and \$5 million for an environmental quality restoration fund.

In trying times like these, there's a natural tendency to hunker down, to focus on the immediate crisis at hand, and rightfully so. Yet we must not lose sight of the fact that our future extends far beyond the current emergency. We must remember that this too shall pass. And as it does, we need a North Dakota that is strongly positioned with healthy, vibrant communities and smart, efficient infrastructure that can attract and retain a talented 21st century workforce.

When [businessinsider.com](https://www.businessinsider.com/best-american-cities-to-live-in-after-the-pandemic) ranked the 30 best American cities to live in after the pandemic, Fargo and Bismarck both made the Top 10, and Grand Forks ranked 19th, affirming what we all know, that North Dakota is a great place to live, work and play. With a fiscally conservative budget that prioritizes general fund needs without the ongoing reliance on Legacy earnings, we set our state on a historic path of harnessing the predictable free cash flow of Legacy earnings to multiply its impact through economic diversification, community building, infrastructure, research and innovation, government transformation, and lasting true Legacy projects.

The pandemic and other events of the past year have taught us all lessons in courage, curiosity, gratitude, and humility.

And we all recognize how fortunate we are to be Americans, and to hold the opportunity to work hard at work worth doing.

We can make a difference in the lives of North Dakotans every day by working as one, by showing leadership everywhere, and by bringing a growth-mindset to work and being citizen-focused.

To quote author Lynne Twist, "This is not a time of mere change. This is a time of transformation, and transformation comes not out of scarcity but out of the context of possibility, responsibility and sufficiency."

And with our abundant human and natural resources, the possibilities for North Dakota remain unlimited.

To each and every legislator in the 67th Assembly, thank you for your important service. Serving the citizens of North Dakota is a tremendous honor for us all, especially in this incredibly challenging time in our state's history. Together with OMB and our agency leaders, we stand ready to work together with you to build a brighter future for all North Dakotans.

To the citizens of North Dakota, we know you will continue to rise to meet the historic challenge we are facing. We are inspired by your passion and your compassion, as well as your perseverance and optimism.

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

MOTION

REP. LOUSER MOVED that the Joint Session be dissolved, which motion prevailed.

MOTION

REP. LOUSER MOVED that the absent members be excused, which motion prevailed.

MOTION

REP. LOUSER MOVED that the House stand adjourned until 12:00 p.m., Tuesday, January 5, 2021, which motion prevailed.

The House stood adjourned pursuant to Representative Louser's motion.

Buell J. Reich, Chief Clerk