

Third Day of Legislative Organizational Session

JOURNAL OF THE HOUSE

Fifty-eighth Legislative Assembly

* * * * *

Bismarck, December 4, 2002

The House convened at 8:30 a.m., with Speaker Bernstein presiding.

The prayer was offered by Reverend Maury Millican, Bismarck Community Church, Bismarck.

The roll was called and all members were present except Representatives Kingsbury, Nicholas, and Pietsch.

A quorum was declared by the Speaker.

ANNOUNCEMENT BY THE SPEAKER

SPEAKER WENTZ ANNOUNCED that the House will be on the Seventh order of business.

REPORT OF PROCEDURAL COMMITTEE

MADAM SPEAKER: Your procedural **Rules Committee (Rep. Kretschmar, Chairman)** recommends that the House and Joint Rules of the Fifty-seventh Legislative Assembly, as adopted on Thursday, December 7, 2000, and amended on Tuesday, January 16, 2001, and published in the 2001 Senate and House Rules and Committees book, with the following new rules and amendments, be adopted as the permanent rules of the House for the Fifty-eighth Legislative Assembly, and that the reading of this report be dispensed with:

SECTION 1. AMENDMENT. Subsection 1 of House Rule 301 is amended as follows:

1. Prayer by the Chaplain and pledge of allegiance.

SECTION 2. AMENDMENT. Subsection 2 of House Rule 402 is amended as follows:

2. No bill introduced at the request of an executive agency or the Supreme Court may be introduced after ~~December tenth before the ensuing regular~~ 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.

SECTION 3. AMENDMENT. House Rule 501 is amended as follows:

501. STANDING COMMITTEES.

1. The Committee on Committees consists of eight members. The Majority Leader, by virtue of office, is a member of the committee and shall serve as its chairman. The Speaker by virtue of office, is a member of the committee and is the vice chairman of the committee. The Majority Leader shall appoint three other members from the majority party and three members from the minority party to the committee. The committee shall appoint standing committees concerned with matters in the fields as indicated and procedural committees.
2. The five-day standing committee is Appropriations: (~~24~~ 23 members)

Bills and resolutions referred or rereferred under House Rule 329. Except for the committee chairman, each member of the committee must be appointed to one of the following divisions of the committee:

- a. Education and Environment.
- b. Government Operations.
- c. Human Resources.

3. The three-day standing committees are:

- a. Education: (~~45~~ 14 members)

Public Schools; Libraries; Institutions of Higher Learning.

- b. Finance and Taxation: (~~45~~ 14 members)
Public Debt; Taxes and Tax Laws.
 - c. Human Services: (~~44~~ 13 members)
Human Services; Public Health; Public Safety.
 - d. Industry, Business and Labor: (~~45~~ 14 members)
Banks and Banking; Corporations; Insurance; Matters pertaining to Private Business and Industry; Workers' Compensation; Unemployment Compensation; Labor Laws and kindred subjects.
 - e. Judiciary: (~~45~~ 13 members)
Elections and Election Privileges; Judiciary.
4. The two-day standing committees are:
- a. Agriculture: (~~45~~ 13 members)
Agriculture; Livestock; Drainage and Irrigation; Warehouse and Grain Grading.
 - b. Government and Veterans Affairs: (~~45~~ 14 members)
State and Federal Affairs; Government Pensions and Benefits; Military and Veterans Affairs; Industrial Commission and institutions under its supervision; State Historical Society and State Parks.
 - c. Natural Resources: (~~45~~ 14 members)
Game and Fish; Public Lands; Mines and Mining; Gas and Oil; Forestry.
 - d. Political Subdivisions: (~~45~~ 14 members)
Cities; Counties; Townships; Park Districts; Apportionment.
 - e. Transportation: (~~44~~ 13 members)
Highways and Bridges; Railroads; Motor Vehicles; Airlines and Airports.
5. The procedural committees are:
- a. Arrangements for House Committee Rooms, to consist of three members.
 - b. Correction and Revision of the Journal, to consist of five members.
 - c. Delayed Bills, to consist of five members.
 - d. Employment, to consist of five members.
 - e. Inaugural Planning, to consist of three members.
 - f. Rules, to consist of seven members.

SECTION 4. AMENDMENT. House Rule 502 is amended as follows:

502. LIMITATIONS ON COMMITTEE MEMBERSHIP. Each member shall serve on two standing committees, not including the Joint Constitutional Revision Committee, except the Speaker and the Majority Leader, who may not serve on any standing committee, the Minority Leader, who may be appointed to any standing committee, including the Joint Constitutional Revision Committee, by the Committee on Committees, and all members of the Appropriations Committee, who may not serve on any other standing committee, including the Joint Constitutional Revision Committee. No member of the House may be appointed to more than one 3-day and one 2-day committee. The Speaker and the Majority and Minority Leaders may participate in all standing committees but may not vote therein except that the Minority Leader may vote on any committee to which the Minority Leader has been appointed.

SECTION 5. AMENDMENT. House Rule 504 is amended as follows:

504. COMMITTEE MEETINGS.

1. The Appropriations Committee meets on Monday, Tuesday, Wednesday, Thursday, and Friday of each week.
2. The three-day committees meet on Monday, Tuesday, and Wednesday of each week.
3. The two-day committees meet on Thursday and Friday of each week.
4. Any committee that meets on Wednesday and which has a member who is also a member of the Joint Constitutional Revision Committee may not take any substantive action during the time the Joint Constitutional Revision Committee meets.
5. The chairman of any committee, or a majority of that committee, may call meetings at times and on other days as deemed necessary.

SECTION 6. Joint Rule 303 is created as follows:

303. JOINT CONSTITUTIONAL REVISION COMMITTEE. The Joint Constitutional Revision Committee consists of ten members, five from each house with three from the majority faction and two from the minority faction, appointed in the same manner as the members of other standing committees are appointed. The first-named member from each house is cochairman of the committee. The committee meets on Wednesday of each week at three p.m. in the Prairie Room or at the times and places called by the cochairmen. The presiding officer shall refer to the committee all resolutions proposing amendments, additions, or repeals to the Constitution of North Dakota. The committee shall report in the same manner and in accordance with the same time schedules as do other standing committees. The committee shall report a resolution back first to its house of origin.

SECTION 7. AMENDMENT. Subsections 1 and 2 of Joint Rule 603 are amended as follows:

1. ~~Five hundred~~ The Legislative Council shall determine the number of copies of each bill and resolution ~~must~~ to be printed. After the initial order is printed, the supervisor of the bill and journal room may order additional copies to be printed to meet demand.
2. ~~One hundred~~ The Legislative Council shall determine the number of copies of each bill and resolution engrossed under Senate Rule 335 and House Rule 335 ~~must~~ to be printed on request of the Secretary of the Senate or Chief Clerk of the House. After the initial order is printed, the supervisor of the bill and journal room may order additional copies to be printed to meet demand.

MOTION

REP. KRETSCHMAR MOVED to adopt the permanent rules, which motion prevailed.

REPORT OF PROCEDURAL COMMITTEE

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

**2003 NORTH DAKOTA LEGISLATIVE ASSEMBLY
HOUSE STANDING COMMITTEES**

Appropriations Committee

Committee Chairman - Ken Svedjan
Vice Chairman - Mike Timm

Education and Environment Division

Chairman - Bob Martinson
Vice Chairman - Tom Brusegaard
Earl Rennerfeldt
David Monson
Frank Wald

Ole Aarsvold
Pam Gulleon

Government Operations Division

Chairman - Ron Carlisle
 Vice Chairman - Al Carlson
 Mike Timm
 Bob Skarphol
 Kim Koppelman
 Blair Thoreson

Eliot Glassheim
 Joe Kroeber
 John Warner

Human Resources Division

Chairman - Jeff Delzer
 Vice Chairman - Amy Warnke
 Keith Kempenich
 Larry Bellew

Jim Kerzman
 Ralph Metcalf

Education Committee

Chairman - RaeAnn Kelsch
 Vice Chairman - Dennis Johnson
 Jon Nelson
 C.B. Haas
 Mike Norland
 Lisa Meier
 Kathy Hawken
 Margaret Sitte
 Gil Herbel

Clark Williams
 Phillip Mueller
 Lyle Hanson
 Dorvan Solberg
 Bob Hunskor

Finance and Taxation Committee

Chairman - Wesley Belter
 Vice Chairman - David Drovdal
 Mike Headland]Rod Froelich
 Gene Nicholas]Lonny Winrich
 Ron Iverson
 Ray Wikenheiser
 Frank Klein
 Dave Weiler
 Byron Clark
 Mike Grosz

Scot Kelsh
 Arlo Schmidt

Human Services Committee

Chairman - Clara Sue Price
 Vice Chairman - Bill Devlin
 Gary Kreidt
 Todd Porter
 Chet Pollert
 Gerald Uglem
 Alon Wieland
 Bill Pietsch
 Robin Weisz

Bill Amerman
 Carol Niemeier
 Louise Potter
 Sally Sandvig

Industry, Business and Labor Committee

Chairman - George Keiser
 Vice Chairman - Dale Severson
 Glen Froseth
 Nancy Johnson
 Matt Klein
 Mark Dosch
 Wayne Tieman
 Jim Kasper
 Dan Ruby
 Darrel Nottestad

Steve Zaiser
 Elwood Thorpe
 Tracy Boe
 Mary Ekstrom

Judiciary Committee

Chairman - Duane DeKrey
 Vice Chairman - Andy Maragos
 Randy Boehning
 Larry Klemin
 Pat Galvin
 Joyce Kingsbury
 Bette Grande
 LeRoy Bernstein

Lois Delmore
 Kenton Onstad
 Bruce Eckre

Dwight Wrangham
Bill Kretschmar

Agriculture Committee

Chairman - Gene Nicholas
Vice Chairman - Chet Pollert
Wes Belter
Gerald Uglem
Gary Kreidt
Randy Boehning
Joyce Kingsbury
Dwight Wrangham
RaeAnn Kelsch

Tracy Boe
Rod Froelich
Phillip Mueller
Kenton Onstad

Natural Resources Committee

Chairman - Jon Nelson
Vice Chairman - Todd Porter
Byron Clark
Duane DeKrey
Darrell Nottestad
Dennis Johnson
Mike Norland
Dave Drovdal
George Keiser
Frank Klein

Lyle Hanson
Scot Kelsh
Robert Hunskor
Dorvan Solberg

Political Subdivisions Committee

Chairman -Glen Froseth
Vice Chairman - Nancy Johnson
Dale Severson
Bill Pietsch
Ron Iverson
Andy Maragos
Gil Herbel
Mike Grosz
Bill Kretschmar
Alon Weiland

Mary Ekstrom
Bruce Eckre
Carol Niemeier
Sally Sandvig

Government and Veterans Affairs Committee

Chairman - Matt Klein
Vice Chairman - Betty Grande
C.B. Haas
Jim Kasper
Devlin Bill
Margaret Sitte
Ray Wikenheiser
Lisa Meier
Larry Klemin
Wayne Tieman

Bill Amerman
Louise Potter
Lonnie Winrich
Clark Williams

Transportation Committee

Chairman - Robin Weisz
Vice Chairman - Kathy Hawken
Pat Galvin
LeRoy Bernstein
Mike Headland
Clara Sue Price
Mark Dosch
Dave Weiler
Dan Ruby

Lois Delmore
Steve Zaiser
Arlo Schmidt
Elwood Thorpe

MOTION

REP. MONSON MOVED that the report be adopted, which motion prevailed.

MOTION

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

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

ANNOUNCEMENT

THE SPEAKER ANNOUNCED that the House will stand at ease to receive the Senate for a Joint Session.

JOINT SESSION

The Joint Session of the House and Senate convened at 9:55 a.m., with Speaker Wentz presiding.

MOTION

REP. MONSON MOVED that a committee of two be appointed to escort the Honorable Lt. Governor Jack Dalrymple to the rostrum, which motion prevailed.

SPEAKER WENTZ APPOINTED Reps. Tieman and Nottestad to such committee and Lt. Governor Dalrymple called the Joint Session to order.

MOTION

REP. MONSON MOVED that a committee of four be appointed to escort the Honorable John Hoeven, Governor, to the rostrum, the First Lady Mikey Hoeven to a special reserved seat in the Assembly and that Governor Hoeven's remarks as submitted to the front desk be printed in the Journal, which motion prevailed.

THE CHAIR APPOINTED Reps. Delmore and Drovdal, and Sens. Mutch and Nichols to the Escort Committee.

**Governor John Hoeven
2003-2005 Budget Message
December 4, 2002**

Members of the 58th North Dakota Legislative Assembly, Cabinet members, and fellow North Dakotans - good morning.

Today, we are pleased to present our executive budget for the 2003-2005 biennium, a budget that will continue to Build Our Future in North Dakota.

I want to thank the Office of Management and Budget, all of our agency heads, and my staff for their hard work and diligence.

We have challenged all our agencies to work together, not only to find savings, but to find new and innovative ways to do things. We have challenged them to build a budget that funds our priorities and truly serves the people of North Dakota.

During a time of tight budgets and growing costs, particularly in social services - both here and nationally - they have worked tirelessly with me to produce a thoughtful, responsible, and responsive budget for the people of North Dakota.

Our budget goal is to nurture healthy, sustainable growth in our economy, and at the same time, advance an agenda designed to meet the needs of our people.

That means funding to improve education, promote a dynamic economy for the future, and provide services and programs for our young, our elderly and our needy.

We started this process, in partnership with you, in the last legislative session, making great strides in a number of crucial areas:

- We proposed and passed major initiatives for education.
- We completely restructured economic development, creating a new Department of Commerce to leverage and focus our state resources.
- We created tax incentives for venture capital, new technology, energy, and value-added agriculture.
- We provided loan-forgiveness and scholarship programs for technology students, nurses, dentists and teachers in shortage areas.

The budget we submit today reflects new ideas, but it also exercises solid conservative restraint - the same conservative restraint that has kept North Dakota fiscally sound this year while states around the nation face severe budget shortfalls.

There are many reasons for our relatively good fortune, and one certainly must be the wise, conservative approach displayed in past legislative sessions by many of you here in this chamber.

Over the past 12 months, we have seen virtually every state in the country wrestle with severe deficits. To our west, Montana is struggling with a shortfall of more than \$300 million. To our east, Minnesota is facing a \$3 billion deficit. South Dakota, as is true of most states, has mortgaged future revenues from its tobacco settlement money.

According to the National Conference of State Legislatures, collectively, states are facing a budget shortfall in 2002 of \$37 billion, and they have already implemented tax increases of more than \$9 billion.

North Dakota is not immune from the national recession or the War on Terrorism.

In our state, capital losses in the stock market have reduced projected revenues by \$50 million in individual income tax receipts, resulting in a projected \$43 million budget shortfall this biennium.

We immediately took cost-cutting steps equal to a one percent budget reduction across state agencies, and we also have made \$25 million available from our reserve fund.

Our latest projection shows that we may use up to \$22 million of our \$25 million reserve fund, but we hope to make further progress this biennium to leave more of that reserve fund intact going forward.

Fortunately, the effect from capital losses is not a permanent revenue challenge. Our new projection also shows revenue growth for next biennium.

That growth, and the fact that our state's economy has fared much better than most this biennium, is the result of our development efforts to diversify into new industries.

Because of these efforts, and good conservative budgeting, we find ourselves able to maintain essential services today and support solid new initiatives to move our state forward tomorrow - without a general tax increase.

In the next biennium, we will focus on three areas - first, building our state's economy and creating opportunities; second, exercising good fiscal management; and third, taking care of people.

We are doing things differently to get the job done. To build our state's economy, we are introducing Smart Growth, a host of initiatives that tie education and economic development together in new ways to create genuine opportunities for the people of North Dakota - and especially our youth.

Smart Growth is a comprehensive series of fiscally responsible programs linking education, job creation and career development to build our economy, build our communities, and build our state.

BUILDING OUR STATE'S ECONOMY

K-12 Education

Smart Growth begins with elementary and secondary education.

Teacher Compensation

In the current biennium, we dedicated \$35 million to raise teacher compensation by \$3,000 per teacher. We recognize that our teachers are key to ensuring that the new generation of North Dakotans are the best and the brightest in the nation.

In the next biennium, we propose to maintain that \$3,000 teacher payment, and to increase it. We propose increasing it \$500 the first year and another \$1,000 the second year. That is an increase of \$1,500, raising the annual teacher payment to \$4,500.

That means a commitment of \$31 million in new money, but we must ensure that we have the best and brightest teachers, teaching the best and brightest students.

Foundation Aid

We are equally committed to making sure that the best teachers have the resources they need to do the best job in the classroom.

To achieve that end, we propose raising the Foundation Aid per-pupil payment by 7 1/2 percent, which is an increase of \$83 in the first year, and an increase of \$98 in the second year.

These increases represent approximately \$26.5 million in additional per student payments over the cost to continue the current payment level. This funding will help school boards deal with their budget pressures and fend off property tax increases.

Funded Hold Harmless

Further, we will provide a fully funded "hold harmless" payment of \$1.2 million.

That means no school district will receive less due to the teacher payment increase than they would by putting all of the funding in Foundation Aid.

I want to repeat that - the Funded Hold Harmless will ensure that no school district will receive less with the teacher payment raise than if all of the increase were put into Foundation Aid.

We will, in addition, increase the tuition apportionment payment - which is funded on a per-pupil basis - by \$2.2 million.

The result is that more money will go into the classroom - and to teachers - while making sure we are meeting the needs of school districts for flexibility.

Education Equity

At the same time, we must work to improve school funding equity. We must meet our state's obligation to provide a quality education, on an equitable basis, to all of our children.

The \$4,500 payment per teacher, and the funded hold-harmless payment we have included will help to provide equity, but we are doing more:

First, we will increase the supplemental equity payments provided to school districts by \$1 million, for a total of \$3.2 million. These dollars go directly to the school districts least able to generate adequate revenues.

Second, we need to improve the Foundation Aid formula. We can do that by setting the Foundation Aid per-pupil weighting factor at exactly 100 percent of the actual five-year cost of education.

Third, special education funding of \$13.8 million under the No Child Left Behind Act will be provided to school districts. These funds will free up local education dollars currently used for special education. This kind of flexibility is critical to schools facing budget difficulties.

These steps will significantly improve funding equity among our school districts, and they need to be implemented.

School Cooperation

When it comes to educating our children, the sum is greater than the parts. Cooperation and sharing resources among school districts is good for communities and good for children.

To promote cooperative efforts among school districts, we are adding funding to support Joint Powers Agreements.

School districts in many parts of our states are already sharing resources to reduce costs and create more educational opportunities for our students.

Our budget provides \$500,000 to offset the costs of these efforts, and another \$500,000 for the school reorganization incentives.

Teacher Professional Development

Finally, excellence in education also depends on our teachers' opportunities to enhance their professional skills and on using new technology. In many respects, the achievement of our students depends on the training of our teachers.

The federal No Child Left Behind Act provides significant increases in funding for technology and teacher training to support our efforts.

The Bottom Line for Education

Altogether, with federal funds, this budget proposes an increase for elementary and secondary education of more than \$71 million, or more than 9 percent over the current biennium.

We are truly providing the resources to increase teacher pay, take pressure off property taxes, and provide excellence in education for our children.

Higher Education

Smart Growth will require a substantial commitment to higher education, as well - and a willingness to provide the flexibility to our University System to be truly entrepreneurial, in education and in economic growth.

In our last budget, we proposed implementing some of the recommendations from the Higher Education Roundtable. The Legislature passed the changes and our University System began to put into practice the principles of "flexibility with accountability."

This has enabled the University System to leverage state resources with private-sector and federal research dollars to help drive economic growth and job creation in North Dakota.

We made our campuses partners in our economic development efforts, and gave them the freedom and resources necessary to ensure that our students continue to be top performers. But we need to do more. This budget moves to fully implement the recommendations of the Higher Education Roundtable.

First, the measures passed last session were enacted for the current biennium only. They should be made permanent and ongoing.

Second, in this budget all operating funds for the University System, and all capital asset funds, are pooled. The Board of Higher Education can decide how best to allocate funds among the campuses. This change will make our institutions of higher education a truly "unified" university system.

Third, the Higher Education Roundtable and the North Dakota University System's own strategic plan recommend that 21 percent of the state's total appropriation should go to higher education. We are meeting that target.

As a result, the North Dakota University System has the flexibility to be truly entrepreneurial. The Board of Higher Education can allocate resources among the campuses on the basis of peer group comparison, program merit, and innovation.

Job Creation and Career Development

Excellence in Education - through strong support for K-12 education and full implementation of the Higher Education Roundtable - is vital for Smart Growth.

But we must further tie our economic development efforts with education to create high-quality job opportunities.

We will do that through programs that create new venture capital, enhance career development, market our state more aggressively, and continue the development of our statewide technology infrastructure.

New enterprises require investment capital. To fuel these new enterprises, we propose creating three new venture capital funds.

First, is the Centers of Excellence Fund. We are committing \$5 million to the North Dakota University System in a fund to further develop the Centers of Excellence on our campuses.

Centers of Excellence bring expertise, quality instruction, research and scholarly activity to the task of enhancing our state's economic vitality.

This fund will be administered by the Board of Higher Education and used to leverage other monies from the federal government and the private sector.

Centers of Excellence - like the North Dakota State University Technology Park, UND's Aerospace program, and Bismarck State College's Power Plant Training program - create opportunities for our young people and economic growth for our state.

Let's consider one possible project as an example of how the fund will work.

NDSU has proposed developing a \$3 million incubator for the Technology Park.

The university could apply \$750,000 from the Centers of Excellence Fund to match \$750,000 in federal grant money, and then pursue a fundraising drive for the remaining \$1.5 million needed.

Systemwide, the Centers of Excellence Fund can leverage these kinds of projects. Five million dollars in the Centers of Excellence Fund can grow to \$20 million in new ventures. These new ventures will stimulate quality job creation and provide exciting new educational opportunities for our students at all 11 campuses across our state.

Once again, we are doing things differently for greater results.

Across our state, at our 11 campuses, the Centers of Excellence Fund will seed, nurture - and harvest new ideas to build our future in North Dakota.

Our second venture capital fund is the New Venture Fund. Together, with the private sector and the federal Small Business Administration, our Commerce Department will set up a \$10 million fund for new ventures, and expansions of existing ventures to help North Dakota entrepreneurs.

The New Venture Fund will also include \$3 million in technical assistance funding to help these businesses succeed.

Combined with our existing North Dakota Development Fund, the New Venture Fund will provide significant resources for our businesses and entrepreneurs.

Third, we need to support new ideas. We need to support entrepreneurs who have new concepts, to help them get their projects off the ground.

To do that, we propose creating a \$1 million Seed Capital Fund. The North Dakota Seed Capital Fund will help to turn great ideas into great businesses by providing resources at the very earliest stages in the creation of a new business.

Both the North Dakota Seed Capital Fund and the New Venture Capital Fund will be administered by the Department of Commerce.

These new sources of venture capital will help create quality job opportunities in our state, but at the same time, we must better link our young people with these new opportunities. To do that effectively, we must enhance our career development efforts.

Our budget provides \$2 million for a new Business Internship Program. The North Dakota Business Internship Program will make funds available to pay for internships in businesses where there are critical shortages of skilled workers.

North Dakota Job Service will identify those types of businesses and work with the Board of Higher Education to fund internship opportunities.

We are also providing additional resources to further elevate the efforts of the North Dakota Career Counseling Network and to enhance the northdakotahasjobs.com web site.

These efforts will help prepare and link our graduates with job opportunities in North Dakota and help recruit others to return to North Dakota.

We have great opportunities in North Dakota. We need to make our young people aware of them and help them to land these high-paying jobs.

Two weeks ago, I visited with North Dakota State University students to discuss their ideas and concerns about the future of our state.

They have advanced an initiative called TIME, which stands for "To Inspire More Entrepreneurs." This initiative fully reflects the creativity, insight and can-do spirit of North Dakota youth.

One of their project ideas, titled "Internship in a Box," calls for students themselves to create and help maintain internship programs at North Dakota companies.

This group of enterprising students, and others, will help us to develop the North Dakota Business Internship Program, and help build it as we move forward.

Marketing North Dakota

Another way we will create Smart Growth opportunities for our young people is by marketing North Dakota more aggressively.

We are proposing two new initiatives to market North Dakota and make clear that we are the right choice for dynamic, career-generating enterprises.

First, we propose decoupling the state corporate income tax from the federal corporate tax.

At present, the effective North Dakota rate is 6.8 percent, but it is often perceived as a 10.5 percent rate because of the way federal deductions are allowed.

As a result, we often see North Dakota cited in national surveys and publications at more than 10 percent - a "high-tax state" - deterring companies from locating here.

In many cases, we don't realize the opportunities missed because, seeing the higher rate, companies may not even inquire about locating in North Dakota.

Decoupling the state and federal corporate income tax, which should be done on a revenue-neutral basis, will help market our state more effectively.

Second, we are leveraging our marketing efforts by partnering the Commerce Department with the New Economy Initiative (NEI).

Our budget provides funding of \$200,000 to NEI, which they will further leverage with federal and private sector funding.

Also, through our Seed Capital Fund, we will join with NEI on Ideafest, a statewide business-plan competition that will highlight and support the best and brightest ideas North Dakotans have to offer.

But marketing our state - both externally and internally - means more than just focusing on quality job opportunities.

Job opportunities and careers are critical, but for most North Dakotans, especially young families, a home and roots in the community are also very much a part of the American dream.

Helping people to find the American dream in North Dakota is also part of our effort to market the state.

Our budget includes funding for a program that recognizes that home is where the heart is, and that however important a career is, family and roots are just as much a part of Building Our Future in North Dakota as a good job.

To help retain and attract skilled workers in areas of critical shortages, North Dakota Roots will provide assistance for a home down payment in the form of a low interest loan.

North Dakota Roots, offered through the North Dakota Housing Finance Agency (HFA), will make it easier for people with needed skills to stay in North Dakota, and bring others home.

This is a new and different approach. Once again, we are doing things differently to get the job done.

Finally, as we pursue Smart Growth, we must keep in mind that North Dakota's economy is an economy in transition.

We must build promising new industries - industries such as value-added agriculture; advanced manufacturing; technology-based business services; a multi-resource energy industry; and a growing tourism industry.

To make that transition possible, we must continue our technology initiatives.

Because technology annihilates distance and allows North Dakota to do business statewide, our budget includes funding to further develop our statewide, high-speed voice, video and data network.

Our budget also recommends funding for ConnectND, a first-in-the-nation computer software project that will position the University System and state government on one seamless system.

ConnectND will create new services for our citizens, new opportunities for our University System, and new efficiencies to save taxpayer dollars.

The reality a few years ago was that you couldn't locate a high-tech company in rural North Dakota. The reality today is that companies like Pennsylvania-based Direct Response Technologies can locate in a rural community like Beulah, or anywhere else in North Dakota, because we have the high-tech infrastructure to link them to the world.

These efforts - along with our new programs for ethanol, wind energy, Lignite Vision 21, and others - comprise Smart Growth. Together, they make the vital link between education and quality job creation to help create opportunity for our people.

GOOD FISCAL MANAGEMENT

Good Government

Now, let's focus for the next few minutes on fiscal responsibility.

To Build Our Future in North Dakota, we must be good stewards of the taxpayers' money. That means funding our priorities for the future. That means spending less money on government, so that more money goes to services for our people.

This is particularly important - and particularly challenging - in times of tight budgets, such as we are facing now.

New Ways To Do Things

Our effort to find savings began in the current biennium. First, we requested a one percent reduction in current spending, and then we went to work on a 95 percent budget for the upcoming biennium. But our request to all state agencies was not only to save dollars - it was also to work together creatively to find new and innovative ways to do things. Our state employees responded to that challenge with energy and inventiveness.

In this budget, for example, the Department of Human Services and the Department of Corrections propose meeting the need for a new women's prison by sharing resources on the campus of the State Hospital in Jamestown.

The result is a win for everyone. Under the plan, state hospital patients are assured good care, Jamestown gains jobs, state employees retain their employment - and taxpayers save \$22 million this biennium and \$10 million in future bienniums.

Those savings will then be applied in ways that serve people instead of government.

For example, we are proposing to increase funding for nursing homes by 9.1 percent in this budget, while increasing funding for the developmentally disabled and the continuum of care, as well. The result is better government - and less cost to the taxpayer.

Finding Savings

As a result of these ideas, and others, this budget calls for phasing out 100 state full-time equivalent positions. These positions will be eliminated by not filling vacancies and early retirements, to minimize the impact on state employees.

Moreover, under our proposed budget, 30 of 45 state agencies will be spending fewer General Fund dollars than they are spending in the current biennium.

In fact, overall, General Fund spending in this budget increases less than one percent.

That compares to an average rate of growth over the last six bienniums of eight percent.

Again, by spending less money on government bureaucracy, we are able to fund programs and services for North Dakota citizens.

The savings we are generating will enable us to maintain funding for agriculture research, the NDSU Extension Service, Adult Farm Management and the Meat Inspection program - as well as for promising new ethanol production incentives that we announced last week.

Savings will also enable us to maintain funding to promote North Dakota tourism - now our second largest industry, second only to agriculture.

And we are able to push aggressively on water projects important to our future, like the Northwest Area Water Supply Project, an outlet at Devils Lake, dike work for Grand Forks and other worthy projects.

These savings will also enable us to continue our commitment to state employees, the people who serve North Dakotans statewide.

We have budgeted a one percent state employee salary increase in the first year, and a two percent increase in the second year of the biennium.

The tight budget requires that we will need to defer starting the raise for six months, but we are immediately - and fully - funding the increase in state employees' health insurance.

This is noteworthy because health insurance premiums increase by 20 percent in the new biennium. Full funding of the health insurance premium is a real commitment to our state employees.

We have worked hard to produce a budget that works for taxpayers because taxpayers should not have to work for the government.

Most importantly, we have identified savings and new ways of doing things to fund a responsible, and responsive, budget - without a general tax increase.

The only measure we have introduced to increase revenues is 35 cents on tobacco products to help fund the cost of health care and education.

An increase on tobacco products not only generates new resources for education and health care, but also reduces tobacco use - especially among youth.

And it reduces the associated health care costs of tobacco to taxpayers. We have held the line on income taxes, sales taxes, and fees for services - because our citizens work too hard to turn more of their income back to the government.

We have also built a strong financial foundation for the future.

North Dakota has a very low debt burden, and we have not mortgaged our future revenues from the tobacco settlement by bonding it for short-term cash.

That means North Dakota will have a revenue stream for future growth and security.

Fiscal responsibility does not mean we have to stop moving forward - it means we have to be innovative and cost-conscious.

It means doing things differently - and getting the job done.

CARING FOR PEOPLE

Finally, even as we move forward with Smart Growth and work to hold the line on taxes, we are committed to taking care of those in our society who need help - our elderly, our young, and our disabled. We must ensure that those who need help get it.

Last legislative session, we proposed and passed a statewide tobacco prevention and cessation program.

Last year, we implemented that program, providing funding to the local district health units, where it will do the most good.

This budget will continue that effort, and add an additional \$800,000 from the Community Health Trust Fund for a telephone Tobacco Quitline to help tobacco users kick the habit.

Our budget also provides full funding for developmentally disabled grants, and includes funding for family subsidy and extended services for the developmentally disabled.

To battle the growing drug abuse problem in our state, I pushed for expanded Drug Court in my State of the State Address last January. Drug Courts not only help reclaim lives potentially lost to substance abuse, but they also save taxpayer dollars.

Last January, we had juvenile Drug Courts in Grand Forks and Fargo, and an adult Drug Court in Bismarck. Since then, we have added a juvenile Drug Court in Bismarck, and we will soon add an adult Drug Court in Fargo.

Working with Chief Justice VandeWalle and Justice Maring, we are targeting additional Drug Courts in other regions of our state.

The Commission on Drug and Alcohol Abuse, which we launched in partnership with the Attorney General, will further coordinate these efforts.

And to further aid the drug prevention effort, we have included \$370,000 in the Attorney General's budget to combat the growing use of methamphetamine.

This challenge requires more investigator time and more technical help from a state-of-the-art crime laboratory.

This budget will provide our law enforcement professionals with the tools they need to get the job done.

Prescription Drugs

But perhaps no challenge has been greater than the high cost of prescription drugs for our seniors.

The issue of providing affordable prescription drug coverage to some of the most vulnerable of our citizens - our seniors - has been a topic of serious national debate.

The issue continues to be discussed in Washington, but another Congress has come and gone without putting a program in place for our seniors.

We have waited long enough. Our seniors have waited long enough. Now it is time to act.

Our budget includes a new program, entitled Healthy SeniorsRx. Healthy SeniorsRx will free our low-income seniors from having to compromise their health to make ends meet.

Healthy SeniorsRx will provide prescription drug assistance to any citizen over 65 making up to 210 percent of the Federal Poverty Level, or about \$25,000 annually for a couple.

The program will be delivered conveniently through local pharmacies.

When fully enrolled, an estimated 22,000 North Dakota seniors will be eligible to save, on average, between one-third and two-thirds of the cost of prescription drugs.

The general fund cost of the program is \$3.4 million, which will be leveraged to more than \$10 million with federal waiver approval.

Until the federal government steps forward with a prescription drug program, we will make sure our seniors are covered. Healthy SeniorsRx will be there for our seniors who need it.

BUILDING OUR FUTURE IN NORTH DAKOTA

As the legislative session approaches, we look toward the task of advancing our policies for the people of North Dakota. We look forward to working with lawmakers and all North Dakotans to move our state forward in a positive way.

We believe the direction we have mapped out is the right one, our destination is clear, and our budget is responsible and sound.

But Building Our Future in North Dakota will take more - it will take hard work, optimism, and faith - hard work to build our economy and communities; faith to believe we can do it; and optimism to believe we will do it.

In our executive budget we have laid out three essential programs and policies that are crucial to Building Our Future in North Dakota:

Smart Growth to build our economy and create opportunity, good fiscal management to ensure that every taxpayer dollar is well spent; and a continuing commitment to ensuring that we are taking care of people.

The final element, which will be provided as we work together with you in the Legislature and the public, is a sense of shared purpose. We can do none of these things alone; we can do all of these things together.

I look forward to working with all of you and the people of North Dakota as we Build Our Future in North Dakota.

We are going to get there tomorrow by doing things differently today. That is what will get the job done.

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

MOTION

REP. MONSON MOVED that the Joint Session be dissolved, which motion prevailed. The Joint Session was declared dissolved by Lt. Governor Dalrymple, President of the Senate.

THE HOUSE RECONVENED following the Joint Session.

MOTION

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

REP. MONSON MOVED that the House stand adjourned until 12:00 noon, Tuesday, January 7, 2003.

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

BRAD FAY, Chief Clerk

