EXECUTIVE BUDGET ADDRESS

Gov. Doug Burgum
December 7, 2022
DECEMBER 7, 1941
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December 7, 2022
GRATITUDE
EMPOWER PEOPLE
IMPROVE LIVES
INSPIRE SUCCESS
EXECUTIVE BUDGET ADDRESS

Gov. Doug Burgum
December 7, 2022
Leveraging investments in infrastructure and economic development for the future

Reducing taxes

Addressing our No. 1 barrier to economic growth: our workforce challenge
CHALLENGES AND OPPORTUNITIES
RESTRained GROWTH

GENERAL FUND APPROPRIATIONS
RESTRained GROWTH SINCE HISTORIC CUTS OF 2015-17

BILLIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Appropriations</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009-11</td>
<td>$3.20</td>
</tr>
<tr>
<td>2011-13</td>
<td>$4.10</td>
</tr>
<tr>
<td>2013-15</td>
<td>$6.90</td>
</tr>
<tr>
<td>2015-17</td>
<td>$6.03</td>
</tr>
<tr>
<td>2017-19</td>
<td>$4.31</td>
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<tr>
<td>2019-21</td>
<td>$4.83</td>
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<tr>
<td>2021-23</td>
<td>$4.99</td>
</tr>
<tr>
<td>2023-25</td>
<td>$5.86</td>
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### ND Oil Tax Revenues
#### December 2022 Executive Forecast

<table>
<thead>
<tr>
<th>Period</th>
<th>Billions</th>
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<tbody>
<tr>
<td>2003-05</td>
<td>$0.19</td>
</tr>
<tr>
<td>2005-07</td>
<td>$0.35</td>
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<tr>
<td>2007-09</td>
<td>$0.80</td>
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<tr>
<td>2009-11</td>
<td>$1.56</td>
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<tr>
<td>2011-13</td>
<td>$4.05</td>
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<tr>
<td>2013-15</td>
<td>$6.04</td>
</tr>
<tr>
<td>2015-17</td>
<td>$4.62</td>
</tr>
<tr>
<td>2017-19</td>
<td>$3.64</td>
</tr>
<tr>
<td>2019-21</td>
<td>$5.26</td>
</tr>
<tr>
<td>2021-23 Revised</td>
<td>$4.08</td>
</tr>
<tr>
<td>2023-25 Projection</td>
<td>$6.01</td>
</tr>
</tbody>
</table>

- **Original Leg. Forecast:** $4.08
- **Projected:** $4.08
- **Current:** $4.08
- **Revised:** $5.26
- **Total:** $4.08

*Note: The chart shows the increase in oil tax revenues from 2003-05 to 2021-23, with a revised projection for 2023-25.*
GENERAL FUND REVENUES
FOUR MAJOR TAX TYPES: SALES, INDIVIDUAL & CORPORATE INCOME, MOTOR VEHICLE

BILLIONS


$4.10 before proposed income tax relief
PROJECTION FOR END OF 2021-23 BIENNIIUM

$718M  Budget Stabilization Fund

$1.1B  Strategic Investment and Improvements Fund (SIIF)

$1.4B  General Fund ending balance

$486M  Legacy Fund earnings (Percent of Market Value)
INCREASED TRANSPARENCY

OIL TAX TRANSFERS & ALLOCATIONS
PROPOSE RAISING DIRECT ALLOCATION TO $600M
UTILIZING PROFITS FOR REINVESTMENT
RIGHTSIZING THE RAINY DAY FUND

BUDGET STABILIZATION FUND
CAP AT 15% OF ONGOING GENERAL FUND APPROPRIATIONS

CURRENT PROCESS:
$880M
15% OF ALL GENERAL FUND APPROPRIATIONS

PROPOSED PROCESS:
$602M
15% OF ONGOING GENERAL FUND APPROPRIATIONS

2023-25 PROJECTED GF APPROPRIATIONS
- One-time
- K-12
- Ongoing
HEALTHY RESERVE FUNDS

PROJECTION FOR END OF 2023-25 BIENNIIUM

$410M  General Fund ending balance

$602M  Budget Stabilization Fund

$1.12B  Available reserves by the end of the biennium
HISTORIC PRESSURES AT WORK

2023-25 EXECUTIVE BUDGET PROPOSAL

SOURCE OF FUNDING

<table>
<thead>
<tr>
<th>Source of Funding</th>
<th>General Fund</th>
<th>Federal Funds</th>
<th>Special Funds</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>5.9</td>
<td>5.8</td>
<td>6.7</td>
<td>18.4B</td>
</tr>
</tbody>
</table>

TYPE OF EXPENDITURE

<table>
<thead>
<tr>
<th>Type of Expenditure</th>
<th>Salaries &amp; Benefits</th>
<th>Operating Expenses</th>
<th>Formulas &amp; Grants</th>
<th>Capital Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount</td>
<td>3.9</td>
<td>3.5</td>
<td>8.6</td>
<td>2.4</td>
</tr>
</tbody>
</table>
LEVERAGING OUR INVESTMENTS FOR FUTURE GENERATIONS
MEANINGFUL, PERMANENT TAX RELIEF

HELPING TO SOLVE WORKFORCE CHALLENGES BY ELIMINATING STATE INCOME TAX FOR

3 OUT OF 5 NORTH DAKOTA TAXPAYERS
MEANINGFUL, PERMANENT TAX RELIEF

1.5%

FLAT-RATE INCOME TAX, LOWEST IN THE NATION

<table>
<thead>
<tr>
<th>States with Flat-Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Colorado – 4.55%</td>
</tr>
<tr>
<td>Illinois – 4.95%</td>
</tr>
<tr>
<td>Indiana – 3.23%</td>
</tr>
<tr>
<td>Kentucky – 5.00%</td>
</tr>
<tr>
<td>Massachusetts – 5.00%</td>
</tr>
<tr>
<td>Michigan – 4.25%</td>
</tr>
<tr>
<td>North Carolina – 4.99%</td>
</tr>
<tr>
<td>Pennsylvania – 3.07%</td>
</tr>
<tr>
<td>Utah – 4.95%</td>
</tr>
</tbody>
</table>
## MEANINGFUL, PERMANENT **TAX RELIEF**

**Path Toward 0% Individual State Income Tax**

<table>
<thead>
<tr>
<th>States with NO Income Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
</tr>
<tr>
<td>Florida</td>
</tr>
<tr>
<td>Nevada</td>
</tr>
<tr>
<td>South Dakota</td>
</tr>
<tr>
<td>Tennessee</td>
</tr>
<tr>
<td>Texas</td>
</tr>
<tr>
<td>Washington</td>
</tr>
<tr>
<td>Wyoming</td>
</tr>
</tbody>
</table>
INCOME TAX RELIEF FOR ALL

MEANINGFUL TAX RELIEF

3 OUT OF 5
North Dakota taxpayers will not pay state income tax, including:

- single filers making $54,725
- AGI or less
- married couples filing jointly making $95,600
- AGI or less
- all other taxpayers will have rate reduced to 1.5%

INCOME TAX RELIEF FOR ALL

PERMANENT TAX REFORM

1.5%
Flat income tax rate, lowest flat rate in the nation

$250M
Annual income tax savings for North Dakota taxpayers
NOW IS THE TIME TO PROVIDE INCOME TAX RELIEF TO MAKE OUR STATE A MORE ATTRACTIVE PLACE TO WORK AND MORE AFFORDABLE PLACE TO LIVE.
PROPERTY TAXES ARE SET AND MANAGED LOCALLY
PROPERTY TAX RELIEF BILLS

SINCE 2007, 17 PIECES OF LEGISLATION TOTALING

$7.25B

On-going Total

Biennium Total

Prior Years Total
PROPERTY TAXES ARE SET AND MANAGED AT THE LOCAL LEVEL AND SHOULD NOT BE SUBSIDIZED BY THE STATE.
Proposed 4% / 3% increase will require 70% of new monies to be allocated to educator and paraprofessional salaries.
SUPPORT OUR EDUCATORS,
IMPACT OUR COMMUNITIES
PROVIDE ON-TIME FUNDING THAT ACCURATELY REFLECTS GROWTH
ALLOWING HIGHER ED TO RESPOND TO WORKFORCE DEMANDS
Workforce innovation grant program

$10M

Allowing our universities and colleges to respond to workforce demands quickly
COLLABORATING WITH PRIVATE SECTOR

$50M Investment into Higher Education Challenge Grants

$150M Combined public-private investment next biennium with required match
SUPPORTING CAREER ACADEMIES
<table>
<thead>
<tr>
<th>Funding</th>
<th>Program Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20M</td>
<td>Regional Workforce Impact Grant</td>
</tr>
<tr>
<td>$25M</td>
<td>Strategic marketing and recruitment campaign</td>
</tr>
<tr>
<td>$2M</td>
<td>Technical Skills Training Grant</td>
</tr>
<tr>
<td>$5M</td>
<td>Automation Enhancement Workforce Training Grant</td>
</tr>
<tr>
<td>$0.7M</td>
<td>Correctional job placement pilot program</td>
</tr>
</tbody>
</table>
PARENTS ARE ASKING: CAN I AFFORD TO WORK?

Child care costs can account for up to 40% of a household’s budget in North Dakota.
SUPPORT WORKING FAMILIES

IMPROVE AFFORDABILITY
   » By expanding the Child Care Assistance Program

IMPROVE AVAILABILITY
   » By incentivizing providers for infants and toddlers

IMPROVE QUALITY
   » By incentivizing providers to meet quality standards
ATTRACTING ENERGY WORKERS
<table>
<thead>
<tr>
<th>Category</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open jobs in all industries across North Dakota</td>
<td>35,000</td>
</tr>
<tr>
<td>Jobs on unemployment</td>
<td>1,875</td>
</tr>
<tr>
<td>K-12 graduates/GED</td>
<td>7,120</td>
</tr>
<tr>
<td>Released from DOCR</td>
<td>1,215</td>
</tr>
<tr>
<td>College graduates</td>
<td>12,389</td>
</tr>
</tbody>
</table>
AUTOMATION TRIAD

$5M
Per biennium expansion of the successful Automation Tax Credit

$10M
Automation enhancement grant matching private investment

$5M
Automation Workforce Transition Training Program
$1M

nearly doubling the Native American Scholarship program

Largest investment in the program’s history will expand educational and employment opportunities for tribal members
ATTRACT AND RETAIN TEAM ND MEMBERS WITH A COMPETITIVE TOTAL REWARDS PROGRAM
$90M

Targeted pay equity funding to be more competitive

6%

Performance increase in the first year

4%

Performance increase in the second year
PAST DECADE BRINGS NORTH DAKOTA POPULATION GROWTH

$4th$-fastest growth rate in the nation

<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>State FTEs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-13</td>
<td>701,176</td>
<td>8,931</td>
</tr>
<tr>
<td>2021-23</td>
<td>774,948</td>
<td>9,196</td>
</tr>
</tbody>
</table>

Population $\uparrow 11\%$

State FTEs $\uparrow 3\%$
Proposed transfer into the pension fund: $250M

Taking action to address unfunded liability estimated at $1.86B
MAKING OUR COMMUNITIES MORE ATTRACTIVE PLACES TO LIVE
HEALTHY, VIBRANT COMMUNITIES

$10M  Rural Revitalization and Redevelopment Grant Program

$5M  Rural Workforce Housing Program

$25M  Housing Incentive Fund

$51M  Local parks and recreation grants, and state parks and historical society infrastructure
Creating a Destination Development Fund of $50M to Expand Attractions
KEEPING OUR COMMUNITIES SAFE AND BACKING THE BLUE
SUPPORTING THOSE IN UNIFORM

$5M

matching grants for local law enforcement to drive recruiting and retention

$15M

additions to Camp Grafton including military housing and a training facility
Clean Sustainable Energy Loan Fund
Grants through the Clean Sustainable Energy Fund
North Dakota Development Fund
Innovation Technology Loan Fund (LIFT)
Agriculture Products Utilization Grants
BUILDING ON OUR LEADERSHIP IN AUTONOMOUS TECHNOLOGY
RELIABLE INFRASTRUCTURE SUPPORTING ECONOMIC GROWTH

$2.4B to address aging roads, bridges and other infrastructure
10-YEAR NDDOT INFRASTRUCTURE PLAN
BUILDING ON HISTORIC WATER INFRASTRUCTURE PROJECTS
SUPPORTING CONTINUED PROGRESS ON FLOOD PROTECTION PROJECTS

$600M

for flood protection, regional water systems and other infrastructure

» Taking action to address critical water supply infrastructure needs for municipal and rural systems
MODERNIZING TECHNOLOGY

$45M investment in Job Service unemployment main frame

Focusing on oldest technologies first across all of state government
<table>
<thead>
<tr>
<th>$161M</th>
<th>$55M</th>
<th>$10M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating a new women’s correctional center in Mandan</td>
<td>State-of-the-art public health and environmental quality lab</td>
<td>Architectural design of a new State Hospital to replace outdated facility</td>
</tr>
</tbody>
</table>
EMPOWERING CITIZENS AND THEIR WELL-BEING
Providing Crucial Services

$15.5M
Increased funding for Free Through Recovery and assisting with recovery, housing and employment

$15M
Increased funding for Community Connect, providing proactive services upstream
CHILD PROTECTION RESPONSE

$3.4M

for domestic violence and abuse prevention and treatment programs

Creation of a Child Protection Response Team to provide short-term, frontline staffing
Making permanent four FTEs to address tribal health needs
DELIVERING SERVICES & SUPPORT

$15M to enhance home and community-based care services

Adding more than a dozen FTEs to manage services and cases due to growth in programs
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LEGACY STREAMS PROPOSAL

7%* POMV

31% Debt Payments
14% Community and Workforce Development
35% Economic Development and Research
20% Legacy Projects and Destination Development

Include criteria:
- Multi-generational
- Regional/Statewide
- High ROI/Leverage
Other Funds
- Does not grow gov.
- Economic Dev./Community Dev.

*7% of average of five-year Legacy Fund Balance, extracted once per biennium
HONORING & REMEMBERING THOSE WHO PROTECT OUR FREEDOMS

$40M

for a military museum on the Capitol grounds, including private match
A PLACE TO BE LEGENDARY
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