

# EXECUTIVE BUDGET ADDRESS


**Gov. Doug Burgum**  
**December 3, 2020**



A photograph showing two healthcare workers at a drive-through testing site. On the left, a man in a camouflage cap, glasses, a blue surgical mask, and a clear face shield is looking into the open rear window of a silver car. He is wearing a yellow protective gown. On the right, a woman with her hair in a bun, wearing a blue surgical mask and a clear face shield, is also looking into the car. She is wearing a dark blue short-sleeved uniform shirt with a name tag that reads "NORTH DAKOTA DEPARTMENT OF HEALTH". The background is slightly blurred, showing more of the testing area.

THANK YOU, FRONTLINE WORKERS



A person is riding a brown and white spotted horse through a vast field of tall, golden-brown grass. The sun is setting in the background, creating a warm, orange glow across the sky and the horizon. The overall scene is peaceful and evokes a sense of freedom and connection with nature.

EMPOWER PEOPLE  
IMPROVE LIVES  
INSPIRE SUCCESS

NORTH  
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# FISCALLY CONSERVATIVE BUDGET

- HOLDS GENERAL FUND SPENDING STEADY
- INVESTS IN PRIORITIES
- MAINTAINS HEALTHY RESERVES

***WITHOUT* RAISING TAXES.**



# BRIDGING THE GAP

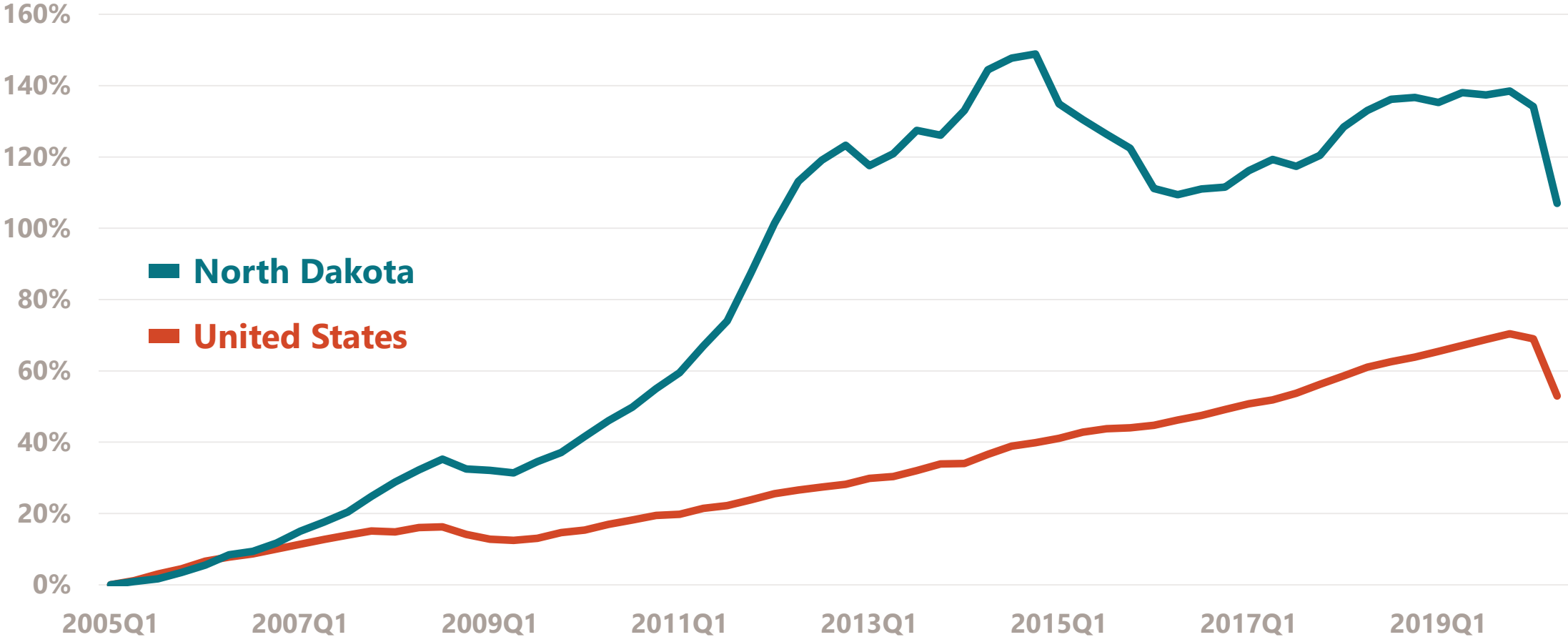
**Responsible spending and  
healthy reserves are helping  
North Dakota navigate the  
economic fallout of COVID-19.**



# DECLINE IN GDP GROWTH

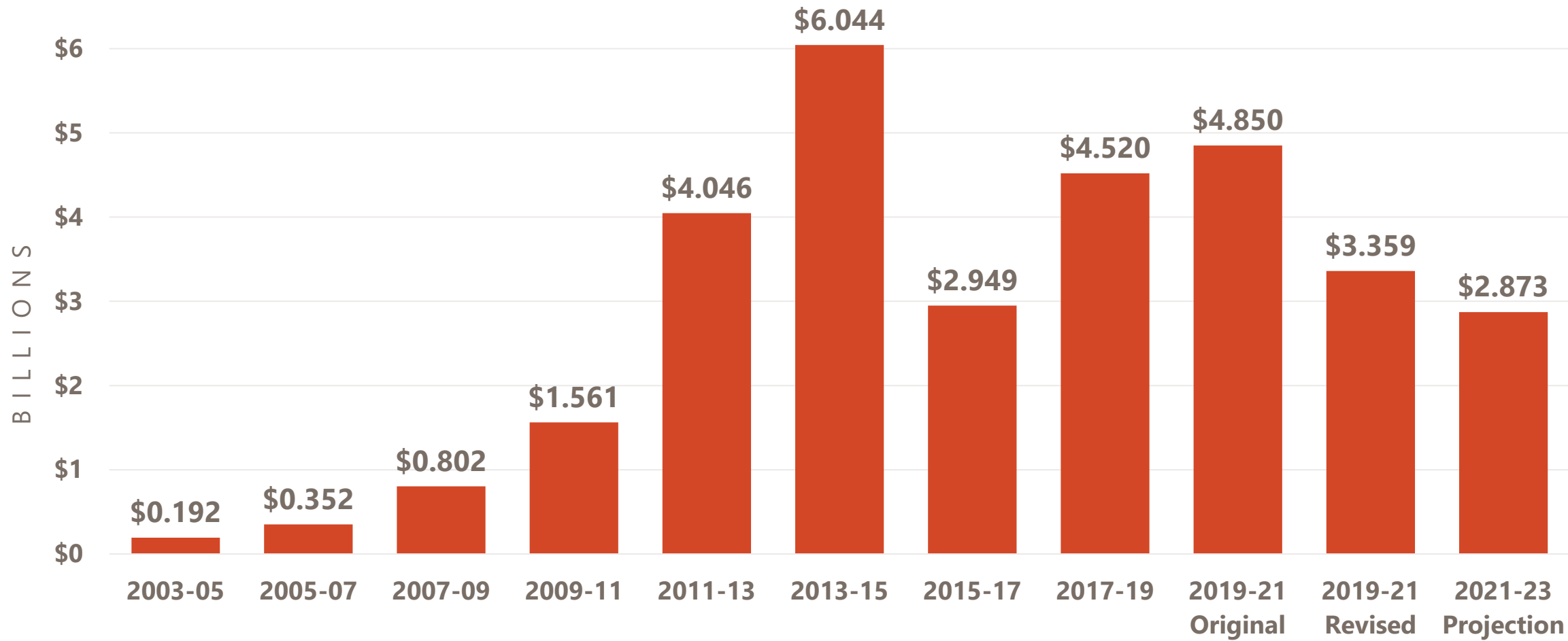
## DUAL IMPACT OF PANDEMIC AND OIL PRICE DROP IN ND

Gross Domestic Product Cumulative Growth (%), 2005 Q1 – 2020 Q2



# DECREASED OIL REVENUE

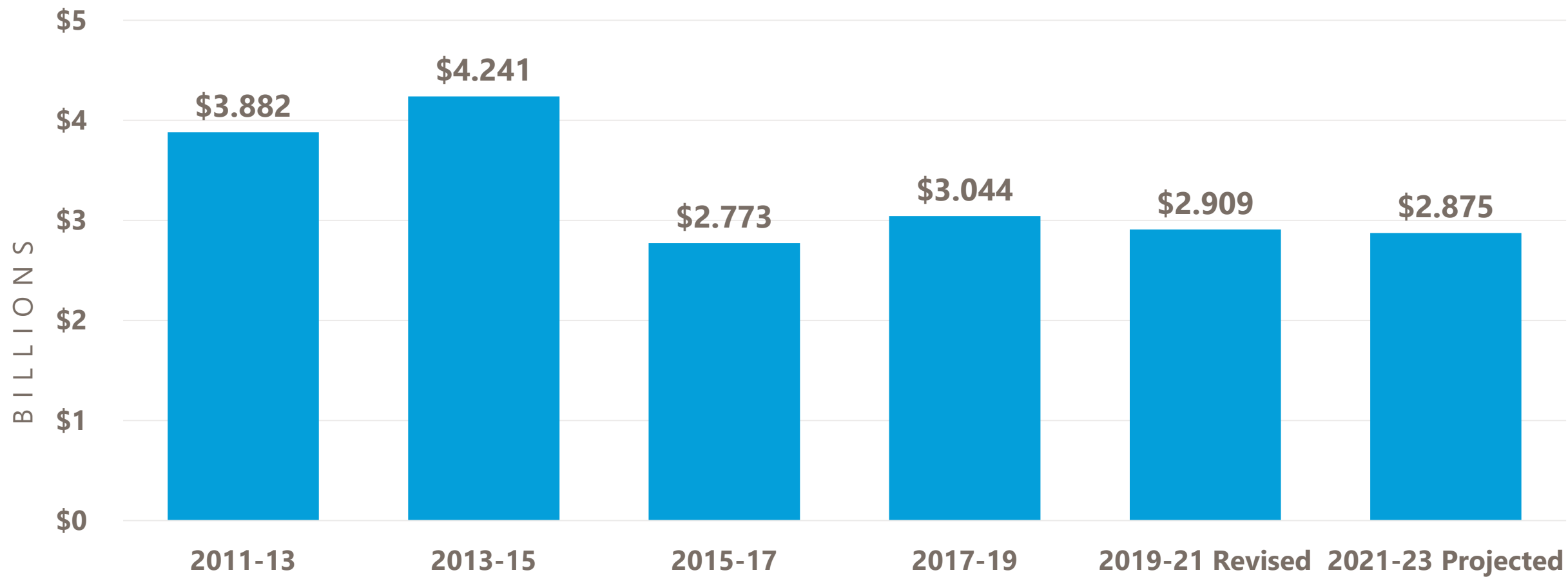
## ND OIL TAX REVENUES DECEMBER 2020 EXECUTIVE FORECAST



# LOWER TAX REVENUES

## GENERAL FUND REVENUES

FOUR MAJOR TAX TYPES: SALES, INDIVIDUAL & CORPORATE INCOME, MOTOR VEHICLE

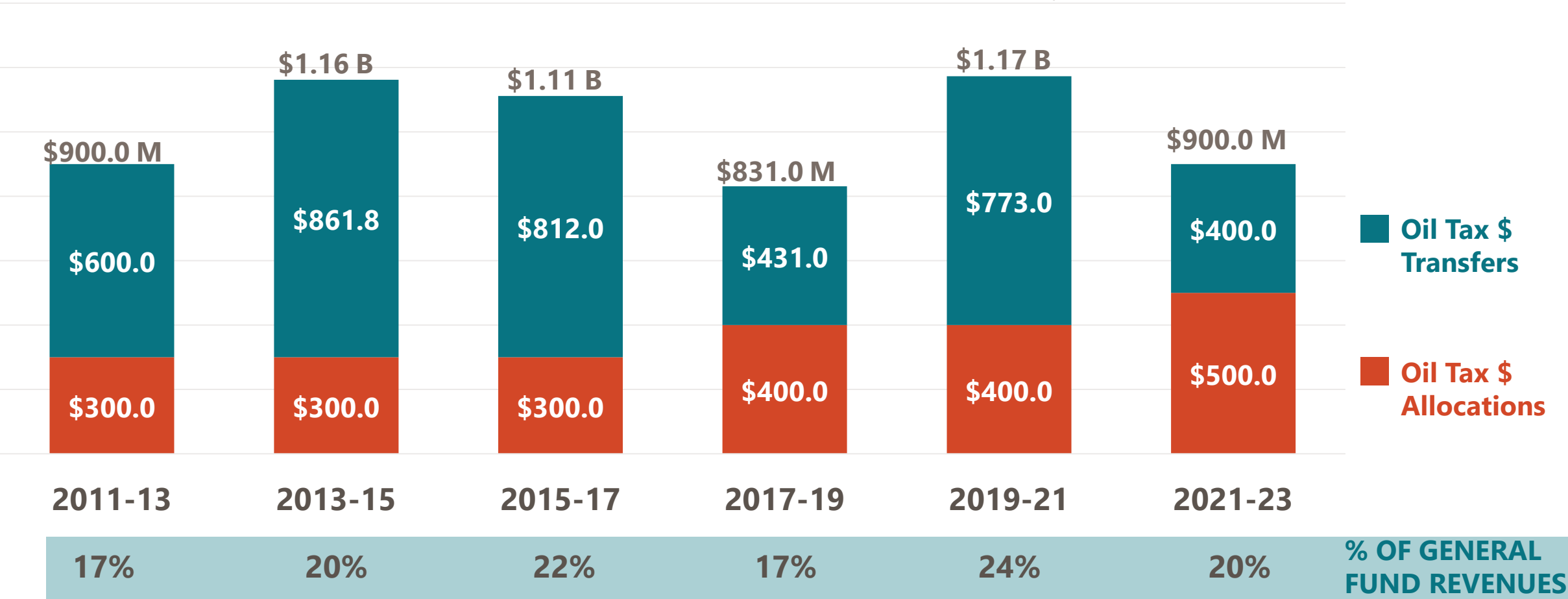




# IMPROVING TRANSPARENCY

## OIL TAX TRANSFERS & ALLOCATIONS

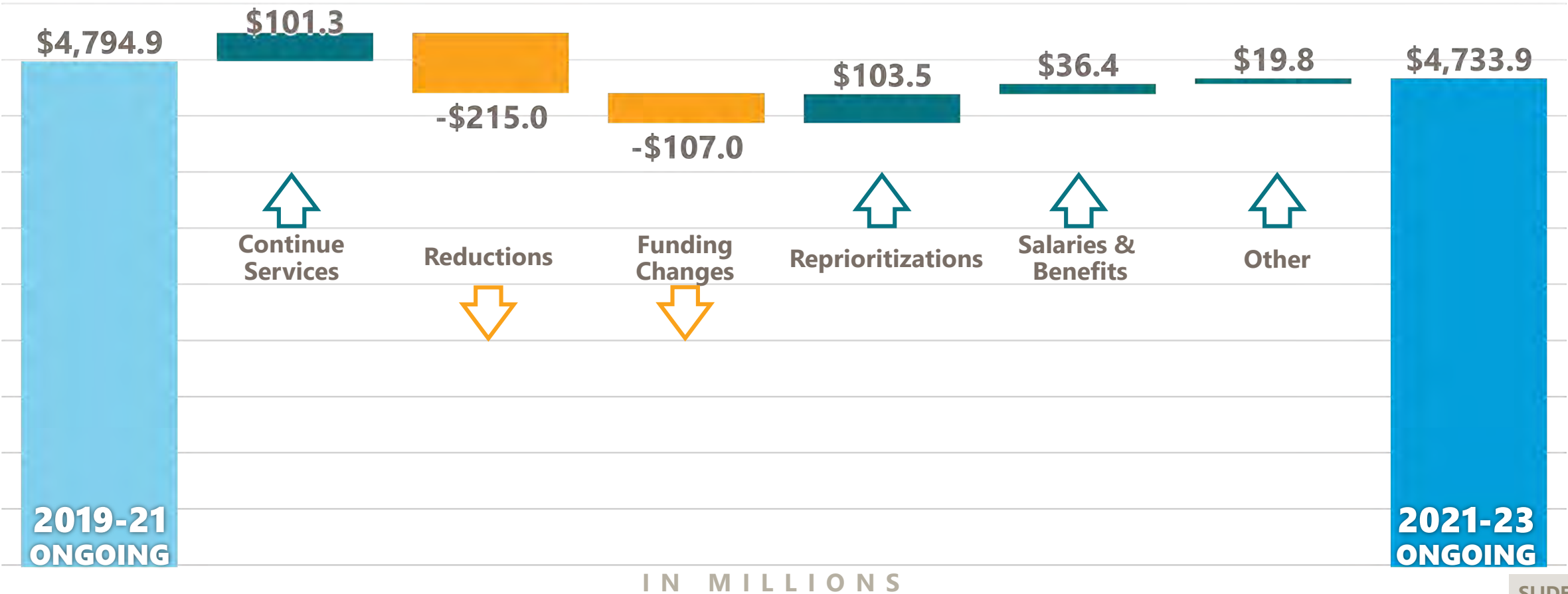
PROPOSE RAISING DIRECT ALLOCATION TO \$500M





# ONGOING GF SPENDING

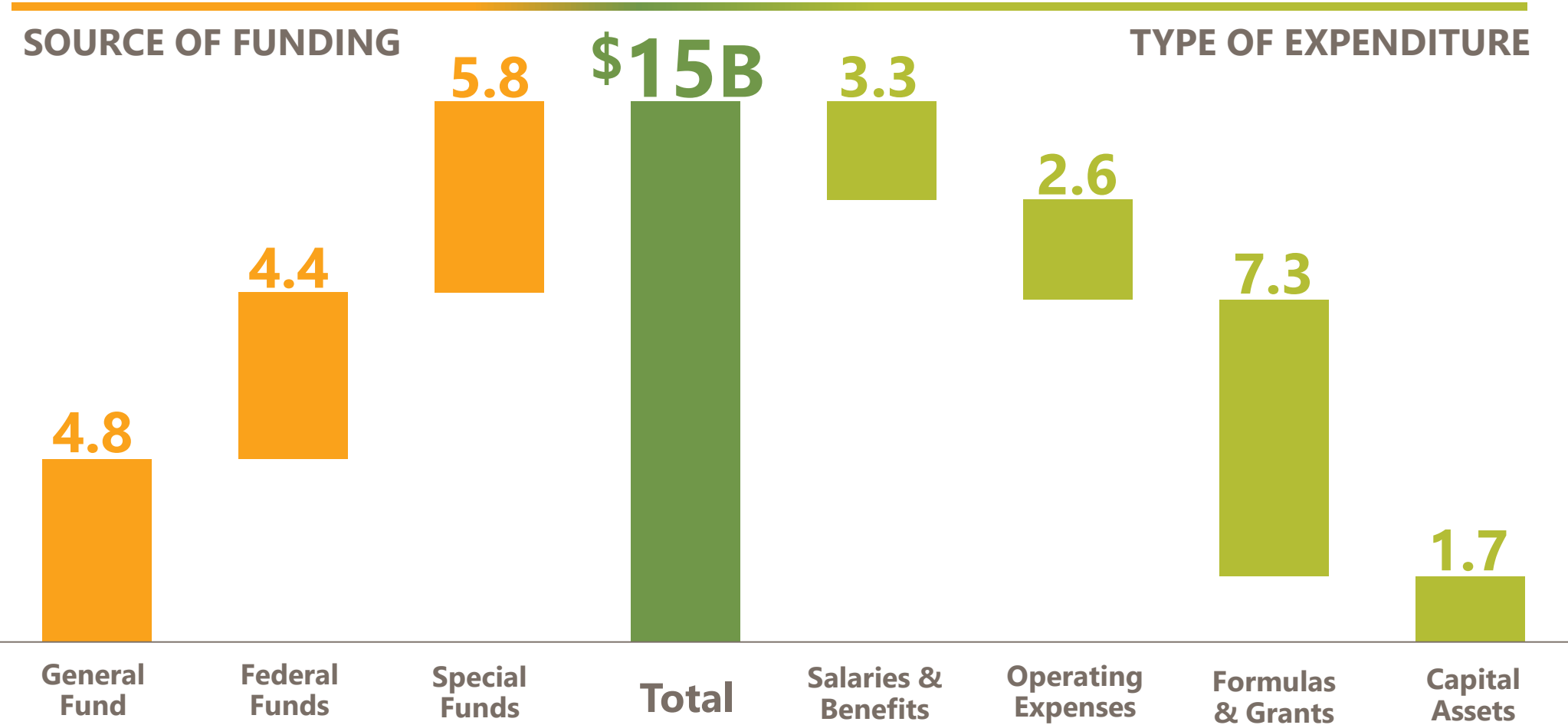
**DECREASE ONGOING GENERAL FUND SPENDING BY \$61M**  
OVERALL GENERAL FUND EXPENDITURES DOWN \$8M





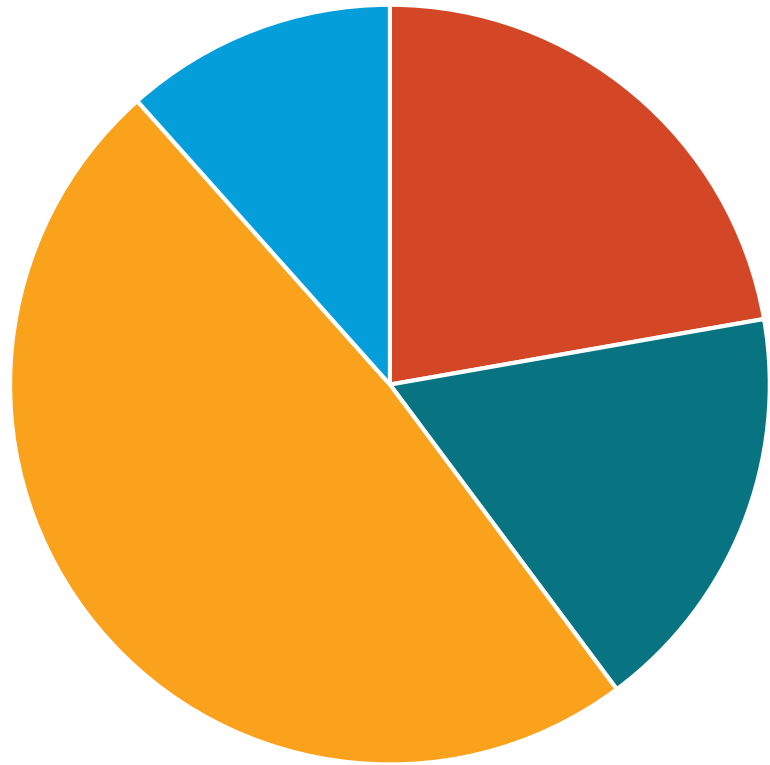
# TOTAL STATE BUDGET

## 2021-23 EXECUTIVE BUDGET PROPOSAL





# TOTAL EXPENDITURES



**\$3.3B**

## TEAM ND

Salary and benefit investments

**\$2.6B**

## OPERATING EXPENSES

Funding government

**\$7.3B**

## FORMULAS & GRANTS

Support K-12, Medicaid and essential infrastructure, etc.

**\$1.7B**

## CAPITAL ASSETS

Long-term, game-changing investments in capital assets

**67%**

goes to education and health & human services



# MODERNIZING TECHNOLOGY

**\$105M**

invested in long-overdue  
information technology  
projects.



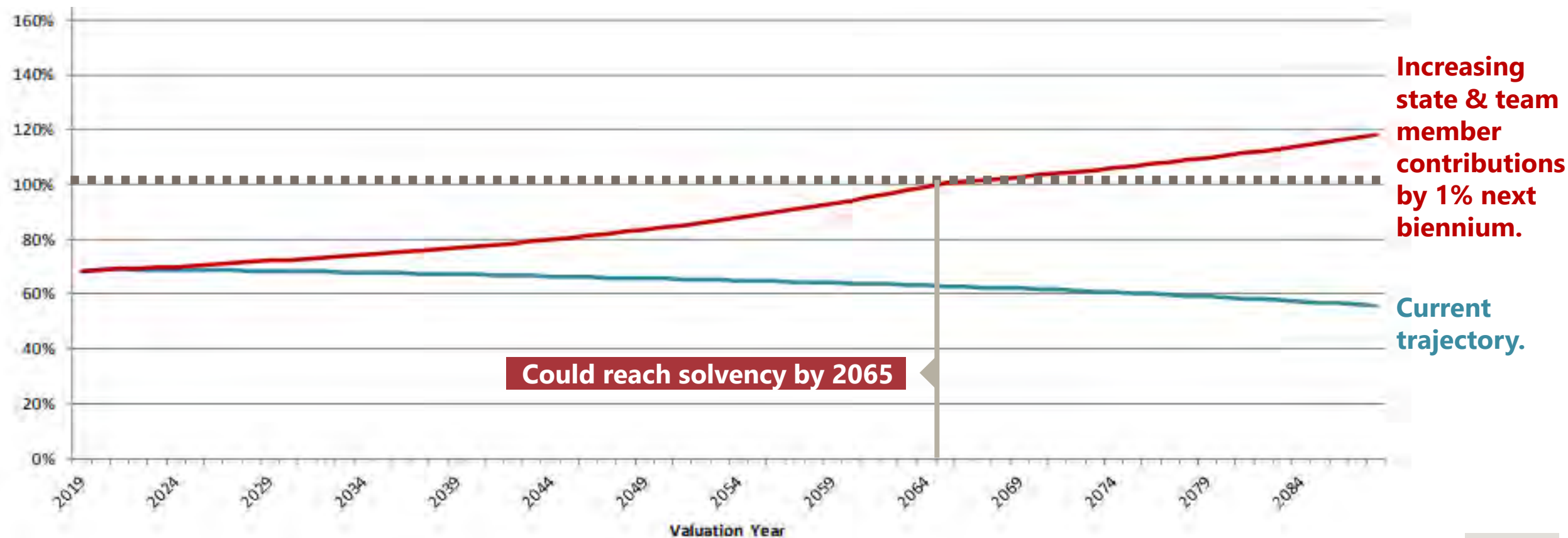
**Replacing outdated systems  
to better serve citizens:**

- Job Service ND
- Dept. of Human Services
- Dept. of Transportation
- and more



# PATH TO PENSION SOLVENCY

## TAKING ACTION TO ADDRESS UNFUNDED LIABILITY CURRENT GAP OF \$1.6B DEMANDS ATTENTION





# INVESTING IN EDUCATION

Nearly

**\$200M**

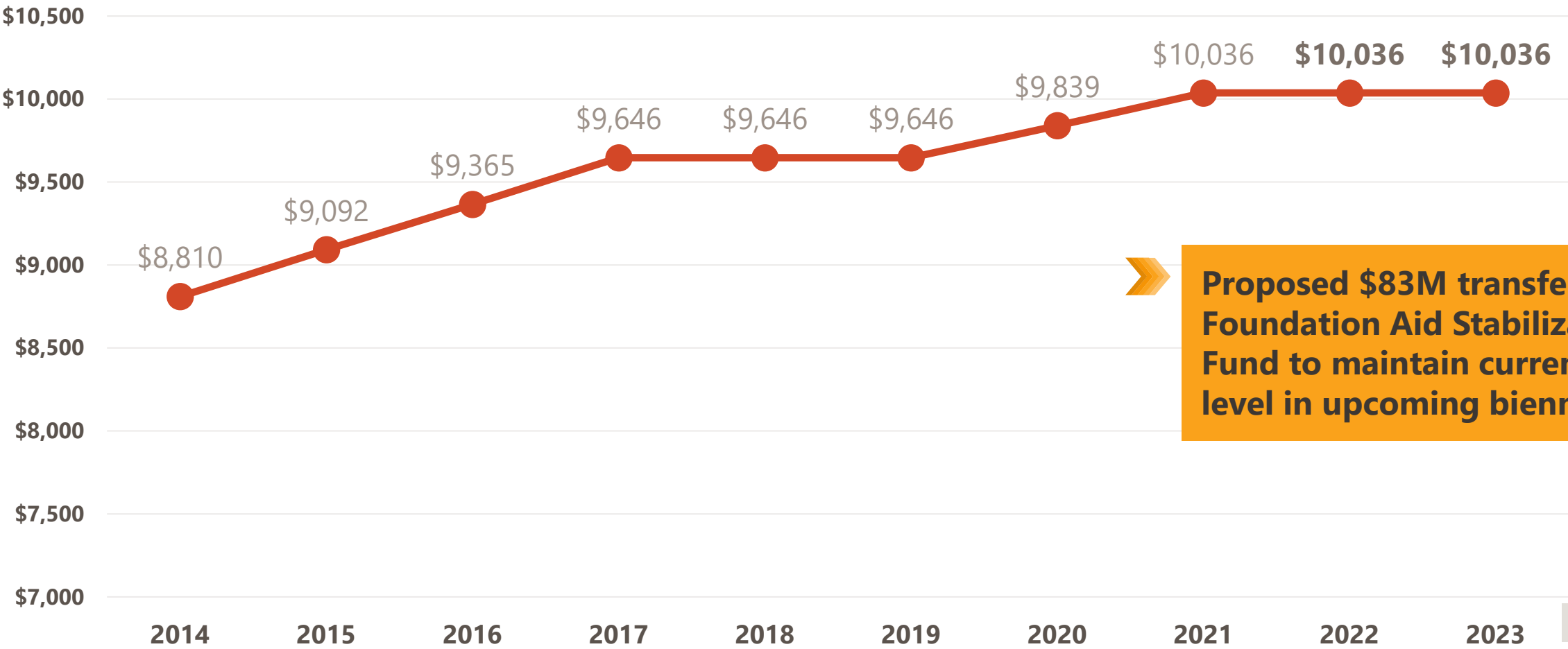
of federal funding provided to public and private school districts and higher education institutions to adapt to the COVID-19 pandemic.

*Funding from the CARES Act*

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# MAINTAIN K-12 PUPIL RATES

## K-12 SCHOOL AID REMAINS TOP PRIORITY



➤ **Proposed \$83M transfer from Foundation Aid Stabilization Fund to maintain current level in upcoming biennium.**

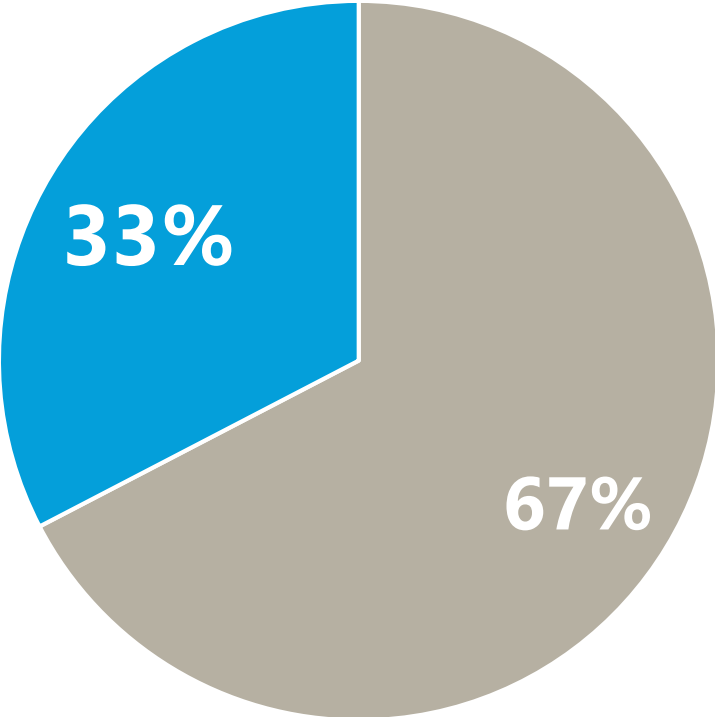


# K-12 GROWS TO 38% OF GF

## K-12 SCHOOL AID REMAINS HIGH PRIORITY

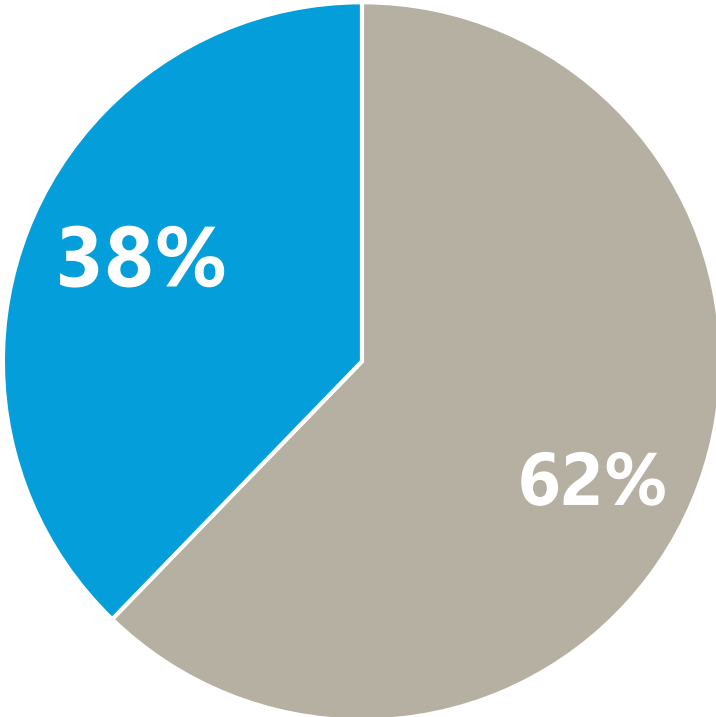
% OF ONGOING GENERAL FUND REVENUE

2013-15



- **K-12 school aid  
general fund**
- Ongoing general  
fund revenue  
dedicated to  
other than K-12

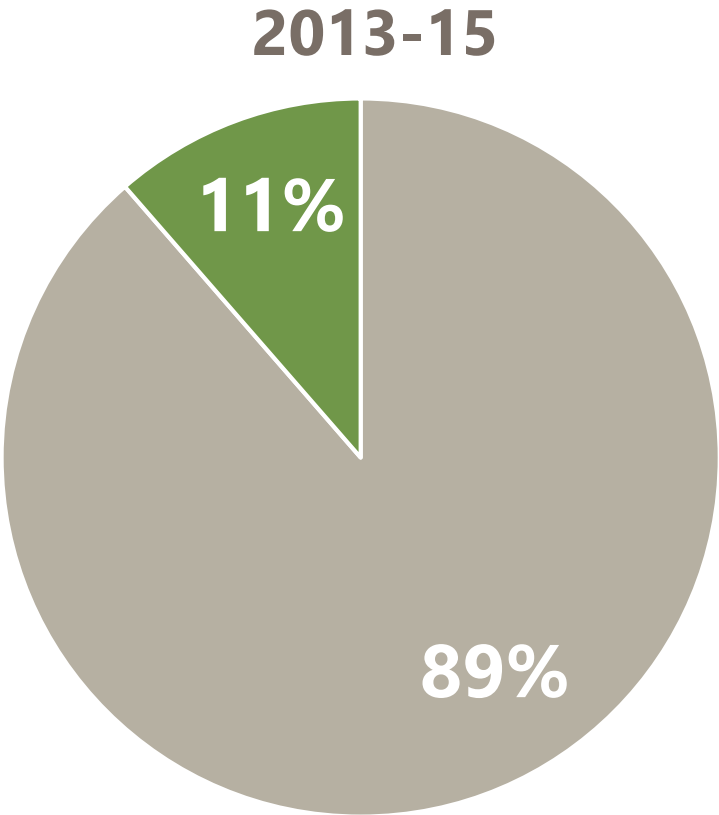
2021-23



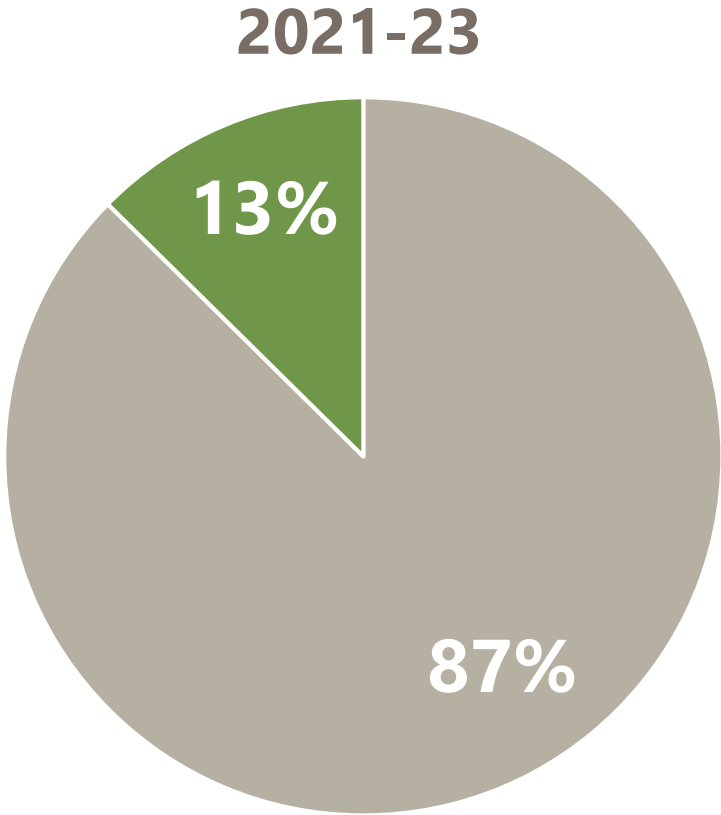
# HIGHER ED 13% OF GENERAL FUND

## HIGHER EDUCATION PROPORTION ABOVE 2013-15

% OF ONGOING GENERAL FUND REVENUE AFTER  
7.5% REDUCTION IN FORMULA RATE



- Higher education general fund
- Ongoing general fund revenue dedicated to other than higher education



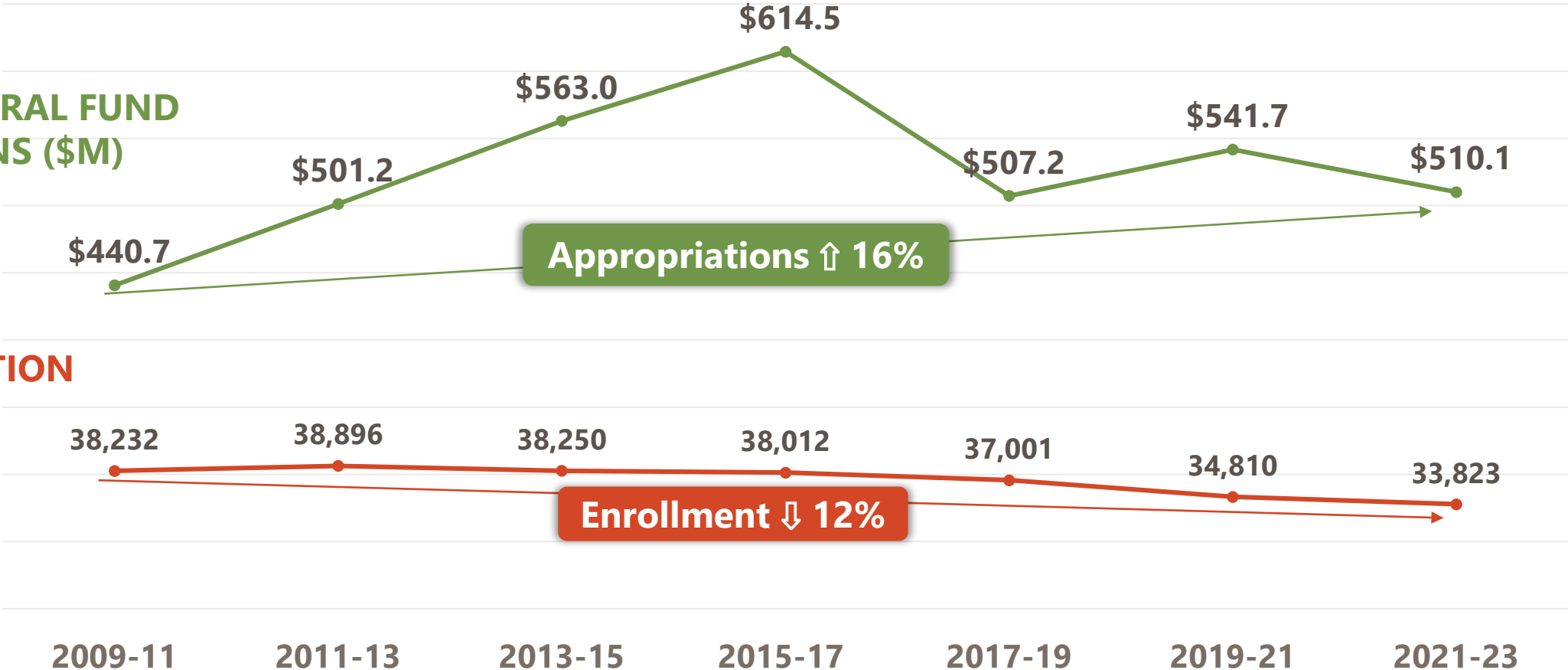


# FUNDING OUTPACING ENROLLMENT

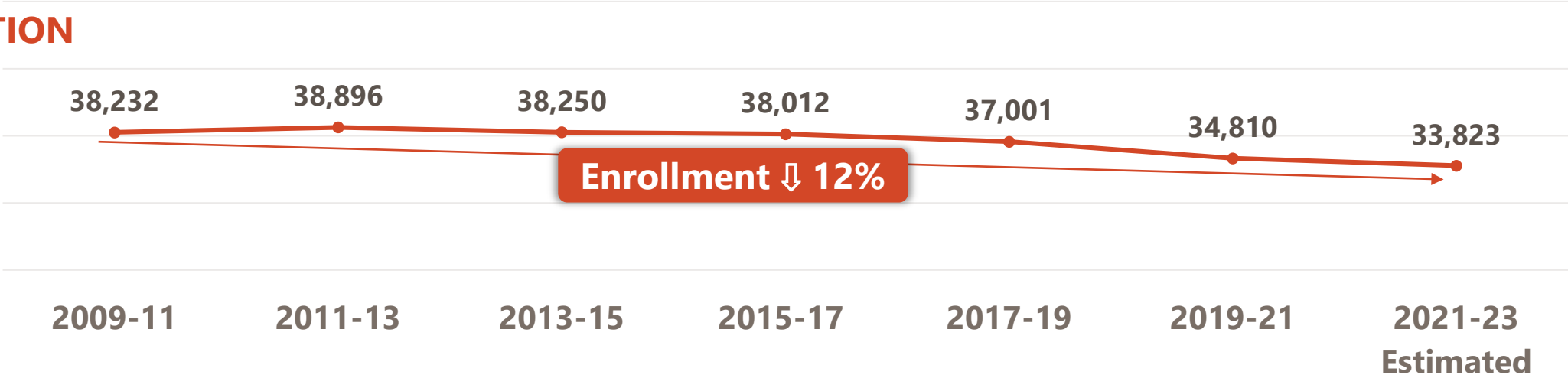
ND HIGHER ED ENROLLMENT TRENDING DOWN  
GENERAL FUND APPROPRIATIONS HAVE INCREASED



**ONGOING GENERAL FUND  
APPROPRIATIONS (\$M)**



**HIGHER EDUCATION  
ENROLLMENT**



# BUILDING OUR FUTURE WORKFORCE

- Matching grants to new centers for **career and technical education**
- Increased funding to the **Higher Education Challenge Grant Program**
- Continued support for **tribal community college grants**

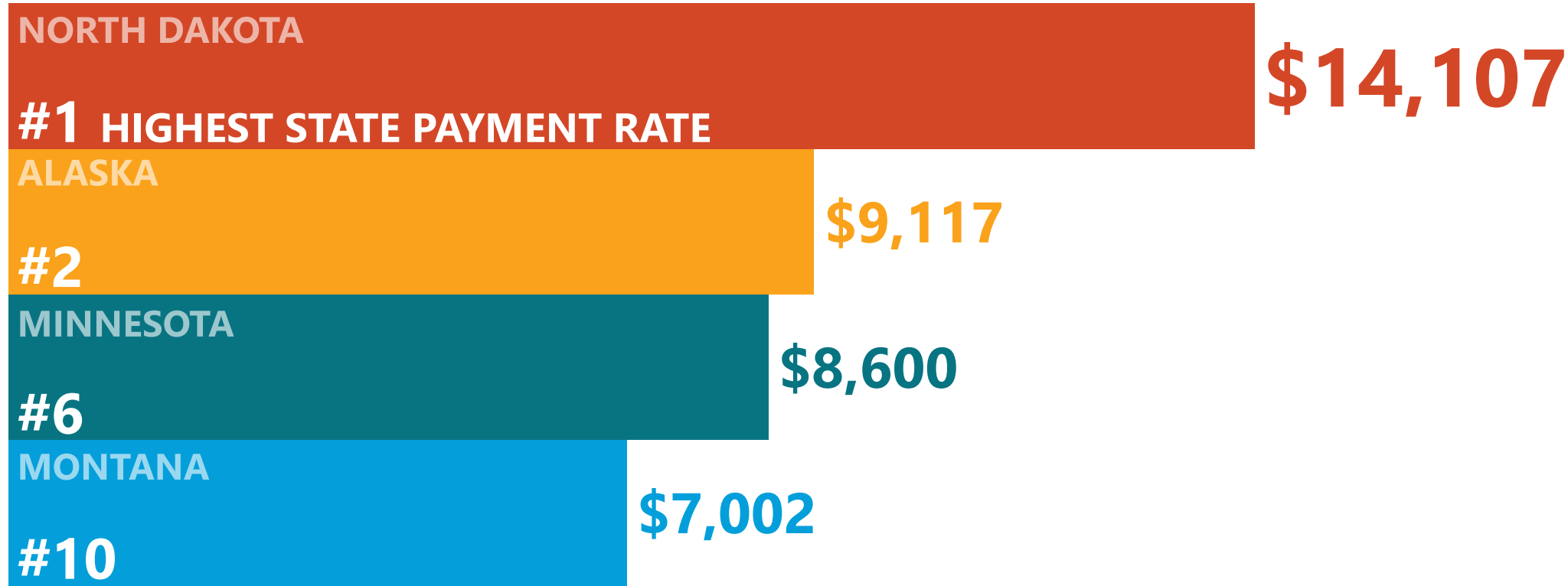


# ONGOING COVID-19 RESPONSE

- Supporting health care and frontline workers
- Protecting the most vulnerable
- Keeping businesses open and kids in school

# MEDICAID EXPANSION

## PAYMENTS TO PROVIDER PER MEDICAID EXPANSION CLIENT



Medicaid expansion provides health care to **22,500** North Dakotans.



# SUPPORT FOR BEHAVIORAL HEALTH

- **Increase funding to the Substance Use Disorder Voucher Program from \$8M to \$17M.**
  - Program exhausted its entire appropriation in just 14 months this biennium.



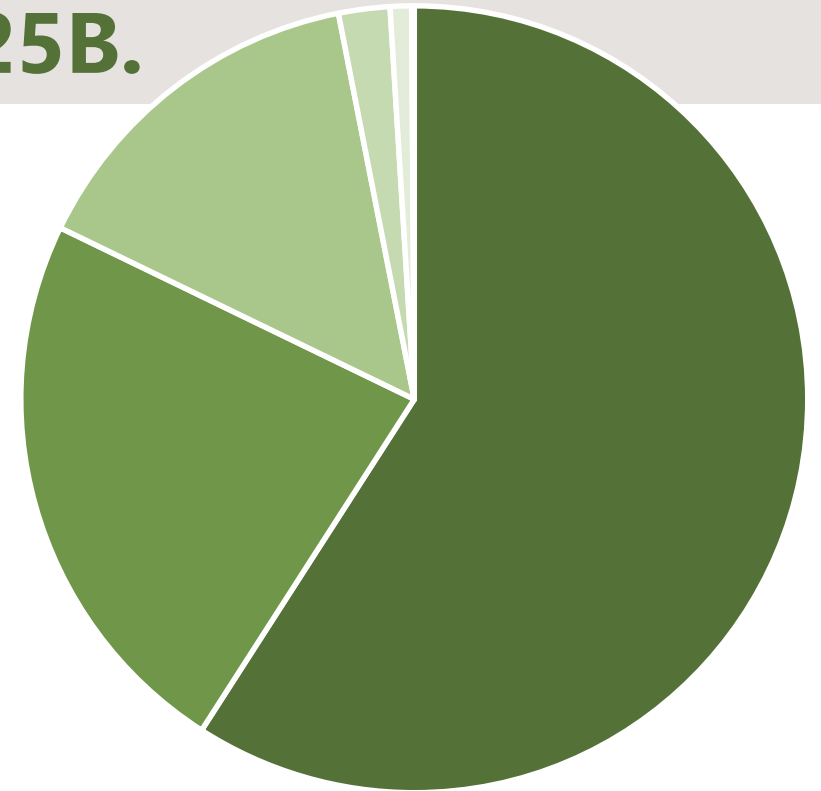
**SMART,  
EFFICIENT,  
MODERN  
INFRASTRUCTURE**




# ALREADY UTILIZING BONDING

**North Dakota currently has existing bonding totaling approximately \$2.25B.**

- ➡ **\$1.33B** – Housing Finance Agency
- ➡ **\$520M** – Public Finance Authority
- ➡ **\$332M** – University System
- ➡ **\$47.5M** – University System Foundations
- ➡ **\$19.7M** – Building Authority
- \$2.45M** – Other







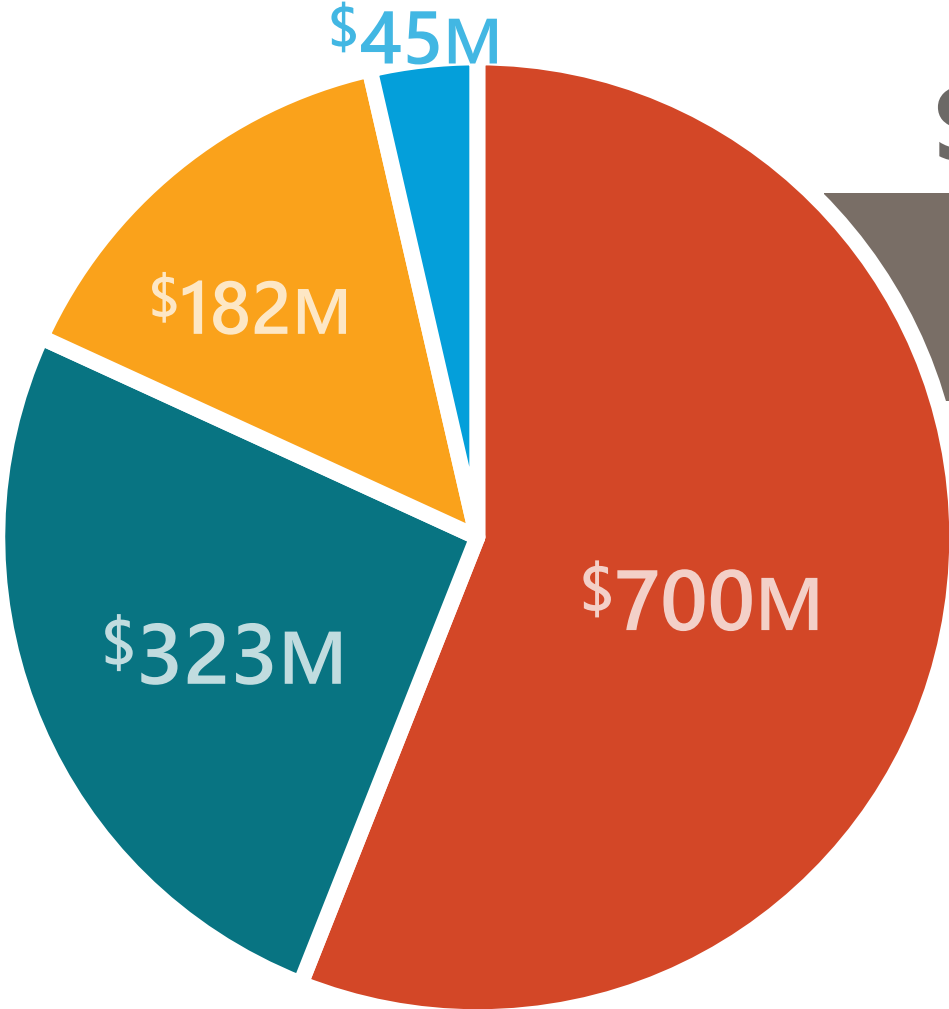
INVEST IN INFRASTRUCTURE WITH

**\$ 1.25 BILLION**

OF BONDING



# RIGHT TIME TO INVEST IN ND

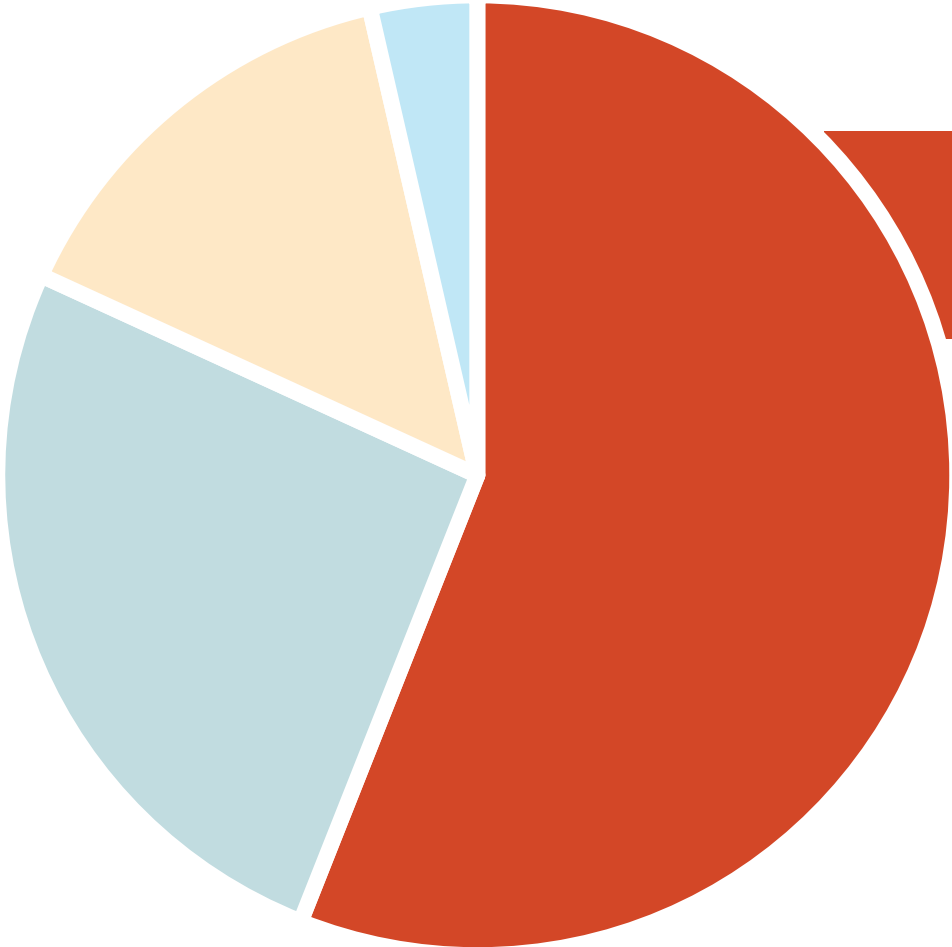


**\$1.25B**

**BOND ISSUANCE WILL CREATE  
LONG-TERM POSITIVE IMPACT FOR ND**

- Proceeds from bond sale will go into infrastructure projects and perpetual revolving loan funds.
- Low interest rates ensure a high return on investment for citizens.

# PERMANENT INFRASTRUCTURE FUNDS



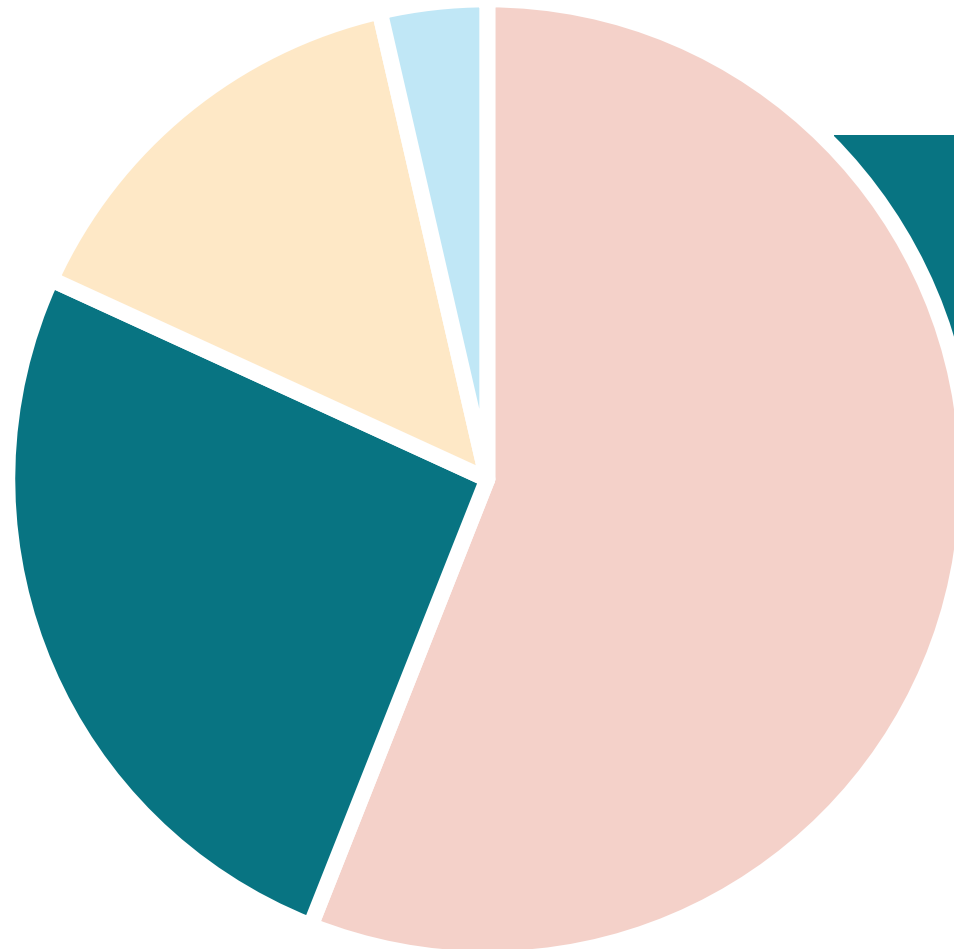
**\$700M**

**ESTABLISH LOW-INTEREST  
REVOLVING LOAN FUNDS**

- Loaned to political subdivisions for water, road, bridge and other projects.
- Helps keep property taxes low.
- Permanent investment for future generations of North Dakotans.



# IMMEDIATE, DIRECT IMPROVEMENTS

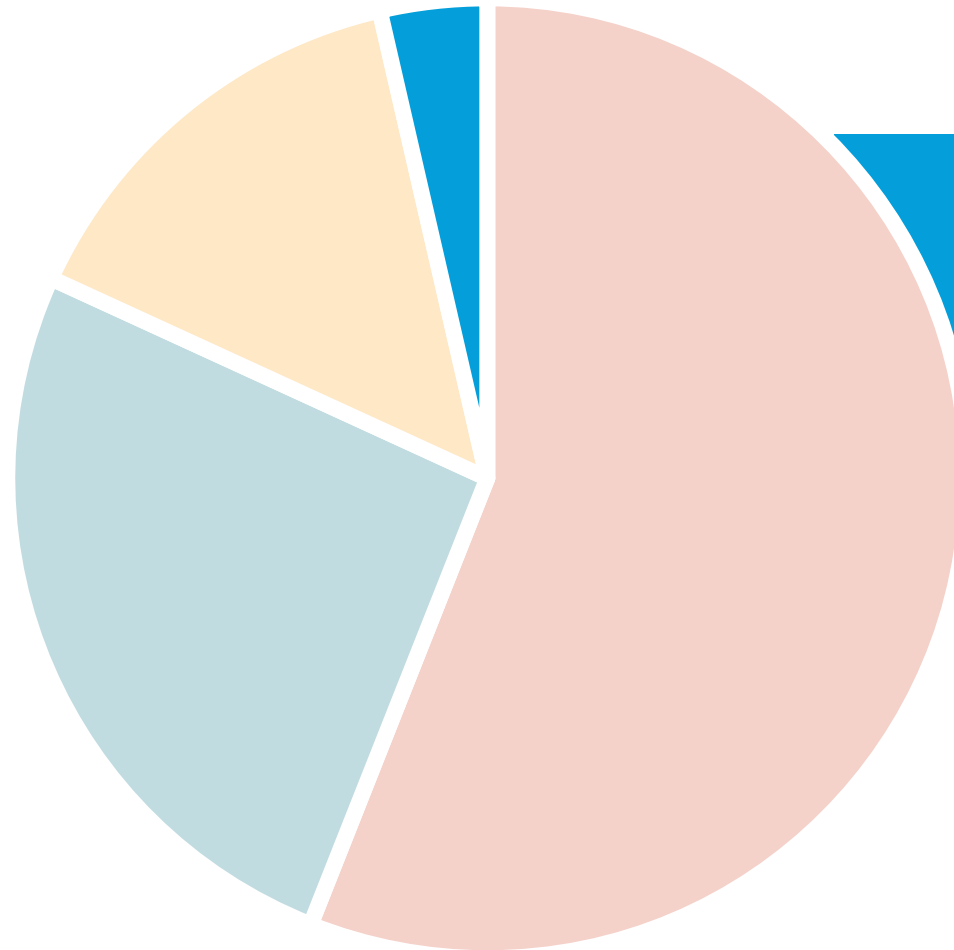


**\$323M**

**INFRASTRUCTURE  
INVESTMENTS**

- State and county bridges.
- DOT road and bridge infrastructure improvements to increase capacity.
- DOT Highway 85 expansion.
- Matching grants to park districts.

# INVEST IN WORKFORCE



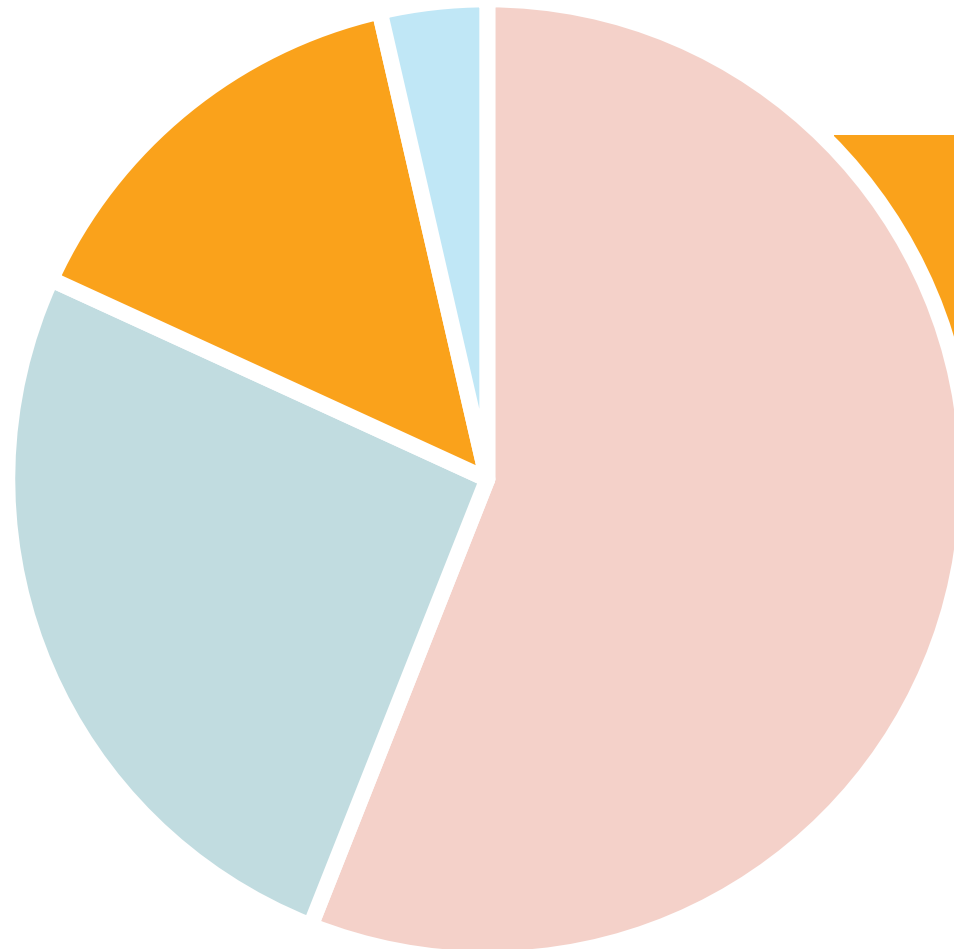
**\$45M**

**CAREER AND TECHNICAL  
EDUCATION CENTERS**

- Cost-sharing grant program to incentivize construction of local career academies.
- Build a workforce that's better positioned for future job opportunities here in North Dakota.



# INCREASE VALUE OF STATE ASSETS

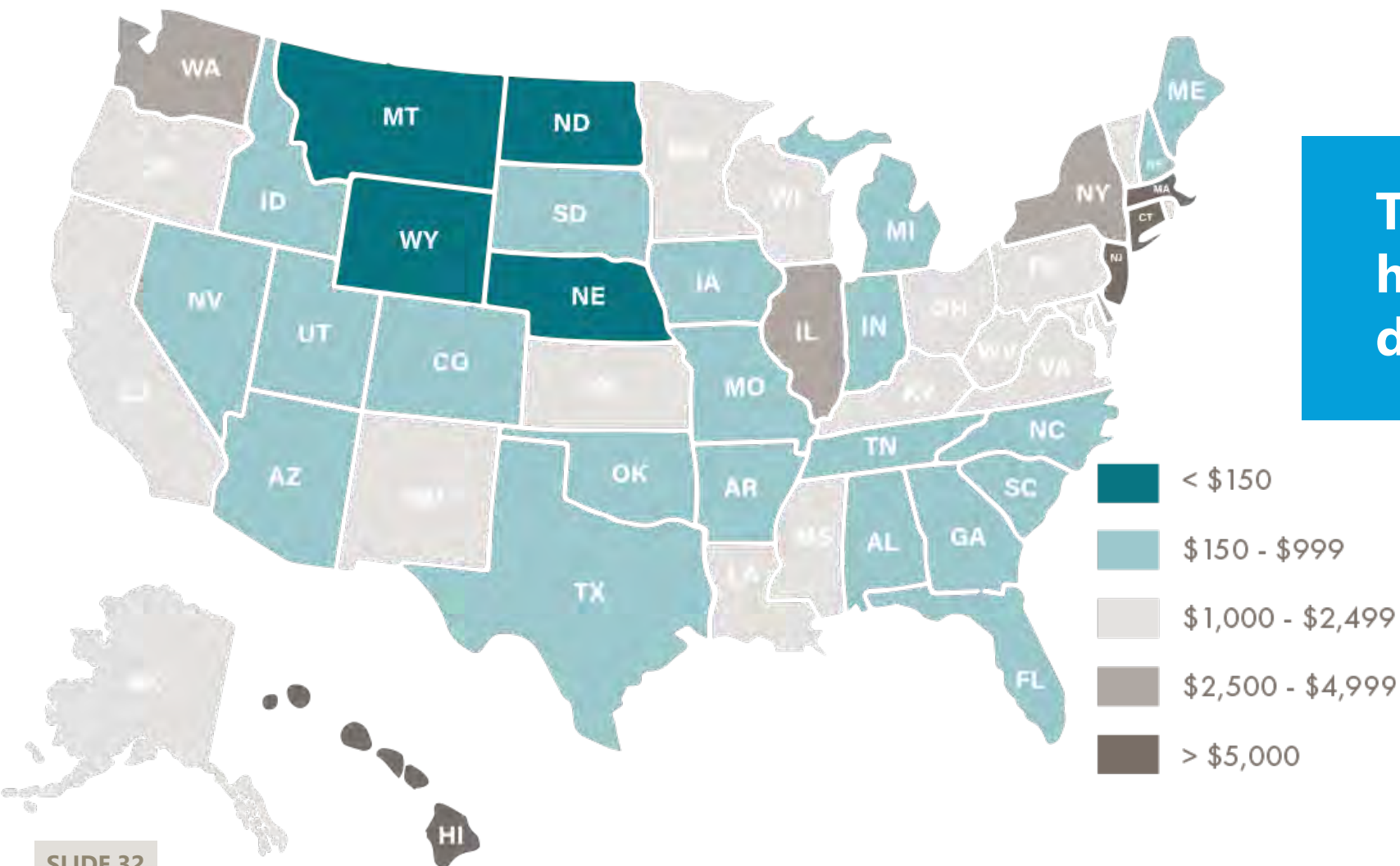


**\$182M**

**IMPROVEMENT OF STATE-OWNED FACILITIES**

- Address maintenance and repair issues long overdue.
- Improve facilities for Team ND and citizens, including higher education.
- Better utilize existing space and lower facility costs over time.
- Does not expand our footprint.

# GOOD STARTING POSITION



**The State of North Dakota has a very low amount of debt per capita.**

➤ ND has the third-lowest rate of tax-supported debt per capita: just \$131 compared with a national average of \$1,493.



# BUILDING A LEGACY FOR OUR FUTURE

A person with long dark hair, wearing a maroon jacket and dark pants, is running through a field of tall, dry grass. The background shows a vast, open landscape under a sky with scattered clouds. The person is captured in motion, with their hair and clothing slightly blurred.

We can multiply Legacy Fund earnings to provide **opportunity, impact and stability** for generations to come.

# MAXIMIZING OUR IMPACT

## FIVE CRITERIA FOR LEGACY INVESTMENT

**LASTING  
IMPACT  
BEYOND  
CURRENT  
GENERATION**

**1.**

**REGIONAL,  
STATE,  
NATIONAL OR  
INTERNATIONAL  
IMPACT**

**2.**

**LEVERAGE  
OTHER  
FINANCIAL  
SUPPORT  
(HIGH ROI)**

**3.**

**ONE-TIME  
SPENDING THAT  
DOESN'T GROW  
GOVERNMENT**

**4.**

**SUPPORTS  
COMMUNITIES,  
DIVERSIFIES  
THE ECONOMY**

**5.**



# LEGACY FUND EARNINGS

Executive budget proposes five themes for distributing 2021-23 Legacy Fund earnings for the Legislature to consider and implement:

- 1. Economic Diversification, Community Building and Strategic Initiatives.
- 2. Research and Innovation.
- 3. Government Transformation.
- 4. Legacy Bond Repayment.
- 5. Legacy Projects.



# STRONGER ECONOMY FOR ALL

20%

ECONOMIC DIVERSIFICATION, COMMUNITY  
BUILDING & STRATEGIC INITIATIVES

LEGACY FUND  
EARNINGS

20%

- These funds should drive the expansion and development of **new businesses and industries**.
- Support building healthy, vibrant communities to attract and retain a 21<sup>st</sup> century workforce.



# BUILDING THE FUTURE

10% RESEARCH  
& INNOVATION

- Dedicated to research and innovation both in higher education and throughout the private sector.
- Embracing bold ideas that solve world problems, such as advancing autonomous technology or solving carbon capture and utilization.

LEGACY FUND  
EARNINGS

20%

10%

# IMPROVING CITIZEN SERVICES

## 10% GOVERNMENT TRANSFORMATION

- Transforming how government provides services to **improve citizen experience.**
- Provide members of Team ND with tools and resources they need to be more efficient and effective.

LEGACY FUND  
EARNINGS

20%

10%

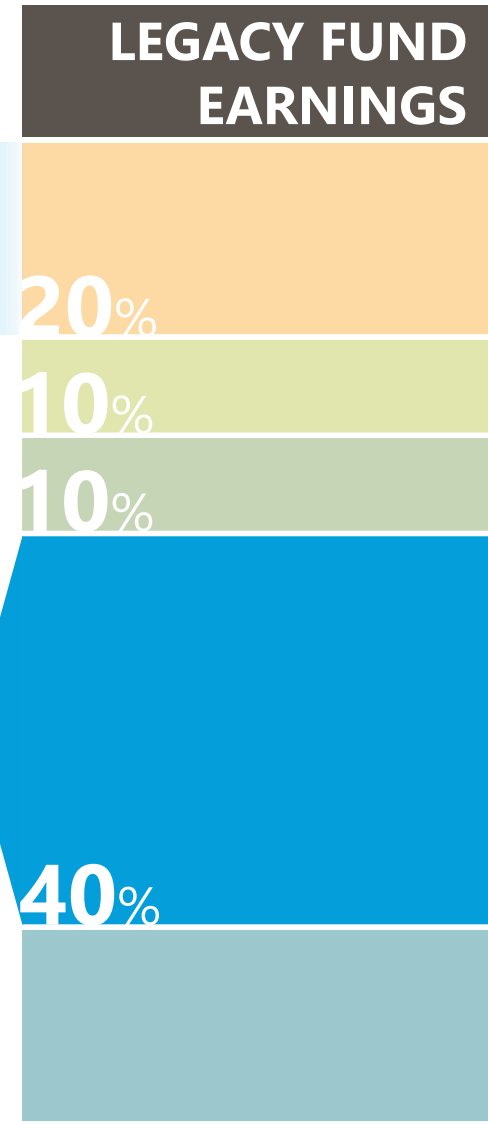
10%



# MULTIPLYING LEGACY EARNINGS

**40%** **LEGACY BOND  
REPAYMENT FUND**

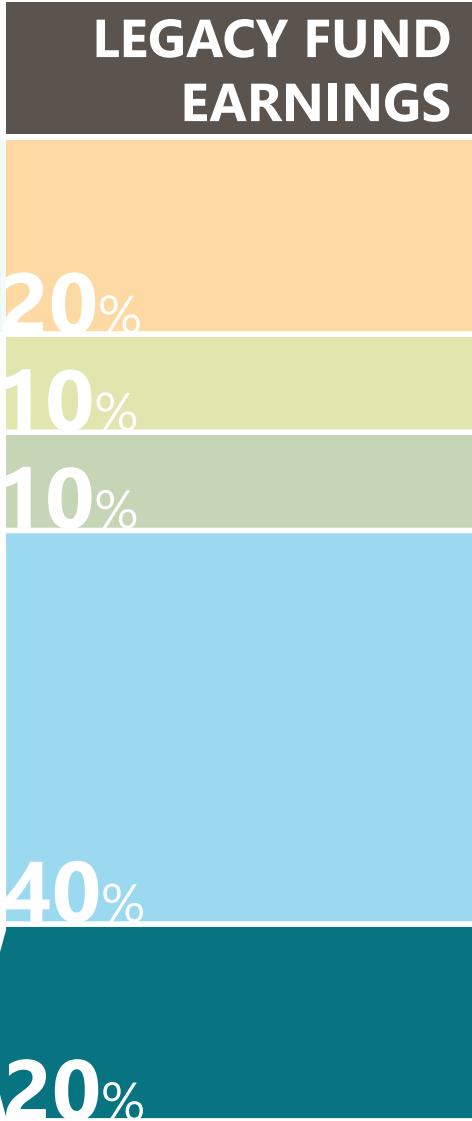
- These funds would be used to make bond payments created by investment of \$1.25B in statewide infrastructure, maintenance and repair of state facilities, workforce development and revolving loan funds.
- Provide necessary resources to meet future bonding needs.



# TRANSFORMATIONAL PROJECTS

20% LEGACY PROJECTS

- Support for transformational legacy projects in all parts of the state.
- Big-picture projects with a high return on investment for our citizens with a multi-generational impact.



# LEGACY FUND PROPOSED ALLOCATIONS

JUNE 30, 2021

**With these themes, we can implement proposals with a lasting impact.**

## ECONOMIC DIVERSIFICATION, COMMUNITY BUILDING AND STRATEGIC INITIATIVES.

- \$27M to the UAS fund; \$8M to Housing Incentive Fund

## RESEARCH AND INNOVATION

- \$30M to the LIFT program; \$10M to Higher Education Challenge Grants

## GOVERNMENT TRANSFORMATION

- \$25M for statewide cybersecurity

## LEGACY PROJECTS

- \$10M for state park infrastructure; \$10M for State Park Challenge Grant Program; \$5M for environmental quality restoration fund

### LEGACY FUND EARNINGS

20%

10%

10%

40%

20%



# A PLACE TO BE LEGENDARY

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