



John Hoeven: Governor of North Dakota

2009 State of the State Address

The Honorable John Hoeven
Governor of the State of North Dakota
Bismarck, North Dakota
January 6, 2009

Lt. Gov. Jack and Betsy Dalrymple, distinguished legislators, cabinet members, Justices of the Supreme Court, elected officials, tribal leaders, fellow citizens of North Dakota, and First Lady Mikey, welcome, and thank you for being here today.

At the outset, I would like to take a moment to recognize and honor our military - the brave men and women serving in Iraq, Afghanistan, and around the world, as well as our veterans, who have done so much for this country.

In the course of serving our country, they put their personal lives on hold, leaving behind their careers, their families, their homes. Some have come home wounded - and with great dignity and fortitude, they have rebuilt their lives. Others have made the ultimate sacrifice in the service of our country, and their valor will be forever remembered - on our All Veterans Memorial here on the Capitol Grounds, in the ceremonies we have to honor them, and always in our hearts. We must never forget.

Throughout the generations, and around the globe, they have preserved and defended our freedoms.

We have several generations of those brave soldiers here with us today, and we take this opportunity to thank them for their sacrifices.

Pearl Harbor; the 38th Parallel in Korea; the Tet Offensive in Vietnam; Operation Desert Storm; and now the War on Terror - for the soldiers I am about to introduce, these are not just phrases in the history books or headlines in the newspaper - because they were there.

Ladies and gentlemen, I'm going to introduce them and ask them to stand. Please hold your applause until I've introduced them all.

Dr. Herbert Wilson, a veteran of air combat over Europe, is here to represent our WW II fighting men and women.

Wally Bolte (BOLT-y), who fought in Korea, is here to represent those who served in the Korean War.

Robert Olzweski (ole -SHES-ski), who fought in Vietnam, is here to represent the brave men and women who served our nation in the War in Vietnam.

Dave Schall (Shawl), who served in the First Gulf War, is here to represent the men and women who served there so bravely, as well as those who served in other conflicts, including Bosnia and Kosovo.

And Vanessa Imdieke (EM-dike) is here to represent those who have served - and who continue to serve today - in the War on Terror.

Now, will all of our soldiers and veterans who are with us here today in this chamber, please join them and stand, as well.

These soldiers and veterans represent the brave sons and daughters of North Dakota. To them, to their families, and to all of our active duty military, reserves, National Guard, and veterans, we say "thank you."

History and Background

Ladies and gentleman, we gather together in this chamber to report on the state of our state, and to outline our vision for the future.

In many ways, North Dakota is breaking new ground. Whether it is energy, agriculture, manufacturing, or technology, we are doing new things in new ways - and we're getting results.

Although we recognize that there is more to do, we must also recognize that working together, we have made real progress.

Since 2000, the State of North Dakota has gained jobs, and now we are gaining population, as well.

Personal income has grown by 43 percent - nearly 15 percent faster than the national average. In fact, our per capita income has moved up 12 places, from 38th to 26th among all the states.

Wages have grown 34 percent, compared to just 26 percent for the rest of the country.

Our gross state product since 2000 has grown by nearly \$10 billion, from \$17.7 billion to more than \$27 billion last year - a 56 percent increase - again, faster than the nation.

And our foreign exports have grown by 225 percent since 2000, breaking the \$2 billion mark for the first time in North Dakota history.

Furthermore, our economic growth and diversification, along with good financial stewardship, has enabled us to build a surplus and a solid financial reserve for the future.

Ladies and gentlemen, the state of our state is strong.

When I say the state of our state is strong, however, I am mindful of the fact that as many as 41 other states are facing budget deficits this year or next.

Clearly, our nation's economy is in a down-cycle, and we in North Dakota are not immune from its effects.

As measures are underway nationally to hasten recovery, we in North Dakota must undertake the right initiatives here to build our future.

That means we must invest in our future with the kind of thoughtfulness and balance that the people of our state deserve.

This is a time to make well-placed investments in our economy - investments that will stimulate further growth - a time to set aside a healthy reserve for a rainy day - and a time to provide hard-working North Dakotans with real tax relief.

We have set forth a budget and a clear roadmap to do these things - a roadmap to help build a brighter future for ourselves and for our children.

That means we must continue - and even strengthen - our focus on aggressive economic development, while we move forward with other major initiatives - initiatives like permanent property tax relief and education funding reform.

Property Tax and Education Reform

Our more than \$500 million Tax Relief and Education Funding Reform initiative includes \$300 million in property tax relief, \$100 million in income tax relief, and \$130 million in additional K-12 education funding.

Combined, our plan will improve the quality of education for our children, reform the way we fund education, return tax dollars to the citizens of North Dakota, and provide real, permanent tax relief to homeowners, businesses, farmers, and ranchers across our state.

Think about it: Meaningful property tax relief can make the difference between whether a family decides to live and work in Fargo, North Dakota - or in Moorhead, Minnesota. In Williston, North Dakota - or in Sidney, Montana.

It can make the difference between an entrepreneur starting a business in Grand Forks - or East Grand Forks.

It can make the difference between homeowners and businesses locating here in North Dakota, or someplace else across this nation.

And it can certainly make a difference to a retired couple on a fixed income who wants to keep on living in their own home.

Our property tax relief plan is straightforward and simple - dollar for dollar, it reduces school mill levies throughout North Dakota.

Further, to ensure that all North Dakota taxpayers benefit from our plan, we include income tax relief, which will also stimulate our economy - working to help Main Street businesses, as well as our North Dakota families.

As we grow and diversify our economy, we must always make it a priority to reduce the tax burden and return tax dollars to our citizens. No one can better decide on how to spend those dollars than the hard-working North Dakotans who earned them.

K-12 Education

Our tax relief and education funding reform plan benefits our state in another important way: It helps to improve education adequacy and prepare our young people to compete in a global, high-tech economy.

To do that, we provide \$130 million to fund the recommendations of the Commission on Education Improvement.

Those recommendations include resources to build student performance, enhance curriculum, provide strong professional development and mentoring, as well as improved compensation for our teachers.

Our plan not only strengthens our schools and teachers to enhance quality education for our students, but it also reforms the way we fund education in North Dakota.

In 1983, you, the Legislature, set a goal for North Dakota to fund 70 percent of the cost of public education. Today, that goal is not just within our sights - it's within our grasp.

For the first time since that goal was set more than 25 years ago, we can achieve it.

The Governor's Commission on Education Improvement has worked long and hard in a bipartisan spirit for the betterment of our schools and the future of our state.

I want to thank Lt. Governor Jack Dalrymple and Superintendent Wayne Sanstead for their leadership, as well as Rep. RaeAnn Kelsch; Rep. Dave Monson; Sen. Tim Flakoll; and Sen. Dave O'Connell.

Thanks also to our school administrators: Paul Stremick of Dickinson; Jack Maus of Grafton; Martin Shock of Elgin-New Leipzig-Carson; Scott Privratsky of Devils Lake; and Mark Lemer formerly of West Fargo Schools.

And thank you, as well, to our ex officio members: Jon Martinson and Bev Nielson from the North Dakota School Boards Association; Greg Burns and Dakota Draper of the North Dakota Education Association; and Doug Johnson of the North Dakota Council of Educational Leaders.

Many of these commission members are with us here today. Would those members who are here please stand to be recognized and thanked.

Higher Education

Through education, we achieve our dreams as individuals, and collectively we build our future as a state.

Quality education must not end with the 12th grade. To compete in a global economy, our young people need quality higher education and post-secondary technical training to link them to the jobs of the future.

Further, that education needs to be affordable and accessible to all North Dakota young people, regardless of financial circumstances.

Our plan meets these needs head-on, with \$170 million in both ongoing and one-time funding to help our campuses maintain and improve the outstanding quality of education they provide.

That includes funding for ACT-ND, Aid for College Tuition in North Dakota - a \$40 million tuition assistance program for our young people.

When combined with a federal Pell Grant, ACT-ND will cover between 80 and 100 percent of the cost of tuition at colleges and universities throughout our state, enabling North Dakotans with financial need to realize the dream of a higher education.

As we help students with financial need, we must also do more with non-needs based assistance, as well, to attract and prepare young people for the new jobs and careers we're creating in North Dakota.

Engineers, geologists, nurses, doctors, computer programmers, and other high-skill, high-demand professions- these are the careers of 21st Century North Dakota, and we have advanced programs to help fill those jobs.

Under our STEM Grants, a merit-based program, students in the fields of science, technology, engineering, and math will be eligible for up to \$2,000 a year for five years - \$10,000 in total - to help with their technical training or education.

Ladies and gentlemen, I can think of no better way to invest in our future than to invest in our young people. They are the builders of tomorrow. Let's make sure they have the tools to get the job done!

Helping Families

As we pursue education and tax relief initiatives that will help to create good-paying jobs and raise our standard of living, we must also recognize that some North Dakota working families are facing financial challenges, while others are confronting temporary or permanent layoffs because of a downturn in the national and global economies.

Raising our standard of living also means providing help for our families when they need it.

One way we can assist working families is by helping them deal with the escalating cost of healthcare. Last year, we raised eligibility for SCHIP to 150 percent of the poverty level, and now we propose raising it to 200 percent.

This will provide thousands more children with timely, quality healthcare, and just as importantly, give thousands more parents the peace of mind that comes with knowing their children are protected.

Similarly, our Childcare Assistance grants, criminal background checks for childcare workers, and prekindergarten education will also help working families by supporting new and expanded services for children across North Dakota.

Quality, reliable daycare also makes it possible for mothers and fathers to fully participate in our state's workforce, helping to meet the needs of a growing, more diversified economy.

At the other end of life's scale, we must also be there for our seniors. They helped to build this state, and they deserve our help in finding secure living arrangements and quality services throughout the continuum of care.

Our proposed Aged and Disabled Resource Center will provide a single point of entry for long-term care services, whether it's Home and Community Based Care, assisted living, or skilled nursing at one of North Dakota's quality nursing home facilities. When we were young, our seniors were there for us. Now, we must be there for them.

To promote good health in North Dakotans at every stage of life, we can encourage efforts in our schools and workplaces to establish and implement wellness initiatives and other programs that foster wholesome habits - not only in our children, but in adults, as well. A healthy public can improve the general wellbeing and productivity of our citizens, and at the same time, reduce the cost of healthcare to taxpayers in the future.

Quality healthcare is essential to maintaining and improving our quality of life. That's why our plan raises Medicaid reimbursement rates to help our hospitals, nursing homes, and other healthcare providers continue to offer quality care when it's needed.

At little or no cost, however, innovative wellness policies at home, at school, and at work can make a real difference, both personally and collectively, to improving the general health of all North Dakotans.

That's why we support the work of Healthy North Dakota and the North Dakota Healthcare Vision and Strategy Coalition, an alliance of hospitals, doctors, nursing homes, insurers, and private sector businesses working to improve health for all of us.

And finally, we not only help families, but we show our appreciation for the men and women who serve in our military by being there for them when they need us. For those who have recently served, that means making sure we provide them with veterans' bonuses to help with the financial and personal sacrifices they make, and also by making sure they have quality counseling services to help them reintegrate into society when they return.

For our retired and disabled veterans, we show our support and appreciation with enhanced funding to complete our new 150-bed Veterans Home in Lisbon. Our military men and women risked everything to defend our freedoms and our very way of life.

We need to say thank you in ways that will improve their lives, and the lives of their families. They have certainly earned it!

Aggressive Economic Development Gets Results

Programs like these for our families, children, and seniors are made possible by a growing and more diversified economy. Just as we must move forward with our major initiatives in tax relief, education, and help for families, we must also move

forward aggressively in economic development.

Now, more than ever, we must keep our eye on the ball and build on our previous efforts to grow and diversify our economy.

Back in 2001, we resolved to grow our state's economy, and we focused squarely on aggressive economic development to get the job done.

We developed a statewide strategic plan, with targeted industries, like value-added agriculture, advanced manufacturing, technology-based businesses, energy, and tourism - industries where North Dakota has distinct advantages owing to our resources and our people.

Our plan has forged innovative partnerships between the public sector and the private sector.

Working with you, the Legislature, we set out to improve our tax and regulatory environment to help build a more competitive business climate- and we are succeeding. We have steadily climbed the Beacon Hill Institute's list of competitive states - from 21st in 2001, to 4th in 2007, to the 3rd most competitive state in the nation just this past year, in 2008.

We have also forged partnerships between higher education and the private sector to drive the development and commercialization of new products and services, with programs like our Centers of Excellence. Centers of Excellence are creating the jobs of the future and linking our young people to careers right here in North Dakota.

The goal of aggressive economic development is to raise our standard of living and improve our quality of life. We set a goal, to not only meet, but exceed, the national level of per capita income.

In 2000, our per capita income was only 84 percent of the national level. As of the end of last year, we have increased it in North Dakota to 93 percent - and we intend to take it to 100 percent and beyond.

Furthermore, aggressive economic development, combined with good financial stewardship, not only raises our standard of living, but also gives us a strong financial reserve for the future.

That, ladies and gentlemen, is our return on investment when we make the right investments in our future.

Energy

Our progress in North Dakota's energy sector is a good illustration of how our economic development efforts work, and how we must continue to build on our progress.

We began investing in the future of North Dakota's oil patch before there was an energy crisis.

We provided tax incentives to attract new investments and encourage exploration.

We established an Oil and Gas Research Fund to maximize production and promote new technologies, like directional drilling in the Bakken Formation.

We established a Pipeline Authority to help meet the demands of transporting product to market.

We also created incentives to build new natural gas infrastructure, so that energy that was formerly flared off and lost would be captured and brought to market. Soon, we'll capture and market enough natural gas to heat 1.9 million homes.

To recruit and train workers, we established a Center of Excellence for Petroleum Safety and Technology at Williston State College to build the workforce.

All of these efforts, and more, have helped to drive the growth and development of our petroleum industry in North Dakota.

And it doesn't stop there. Whether it's coal, wind, or other renewable fuels, like ethanol and biodiesel, we are continuing to pursue aggressive economic development.

Right now, we are working on the cutting edge of new technology to produce synthetic natural gas, as well as clean, environmentally friendly electricity from coal.

Through PCOR - the Plains CO2 Reduction Partnership - the state of North Dakota is investing in technology to help produce a national solution to the challenge of greenhouse gases.

PCOR is a \$300 million alliance between 80 partners in the U.S. and Canada, including the State of North Dakota; the Lignite Research Council; the U.S. Department of Energy; the Energy and Environmental Research Center at UND; and private industry.

This past year, Basin Electric Power Cooperative partnered with an environmental technology company, to plan a CO2 sequestration project at Basin's Antelope Valley electric power plant near Beulah.

Ultimately, CO2 from Antelope Valley will be captured and piped to North Dakota's oil patch for enhanced oil recovery. The result will be less greenhouse gas in the atmosphere, and more energy for the nation.

Developments like this are happening in North Dakota because we are making the right investments in aggressive economic development, and because we are blessed with visionary business leadership - with people like Basin Electric CEO Ron Harper, who is with us here today.

At this time, I would like to ask Ron to stand and be acknowledged for the innovation that he and Basin Electric are leading in our state.

Projects like PCOR will not only help us to produce more energy with better environmental stewardship, but also help us to develop our renewable energy resources, as well.

Dakota Gasification, also a part of Basin Electric, is the only coal gasification company in America. It converts lignite coal to synthetic natural gas, and also captures and sequesters CO2 for tertiary oil recovery.

Now, we're working with another company, Great Northern Properties, to build a second coal gasification facility in North Dakota near Dickinson, also with carbon capture technology.

In addition to producing clean-burning synthetic natural gas, plants like these can actually help us to advance the ball on wind power. By partnering them with large wind farms, we can justify the major expense of building new transmission lines that cost hundreds of millions of dollars.

Since 2000, North Dakota has grown from one-half megawatt of wind energy to 850 megawatts of wind energy either in place or under construction - and more than 4,000 in the planning and development stage.

Some of these are enormous projects, like FPL Energy's proposed 1,000 megawatt facility in Oliver County near Center, or Hartland Power's 2,000 megawatt wind farm planned for Burke and Mountrail Counties.

These large wind farms will involve major transmission lines, like American Electric Power's proposed \$5 billion "extra-high-voltage" transmission system between the Dakotas and Chicago.

By partnering wind farms with coal gas plants that sequester CO2, we can keep electricity flowing through the lines and justify the costs, because they will work in tandem to provide a continuous, clean supply of electricity. When the wind is

blowing, they can generate power from wind, and when the wind is not blowing, they can generate power from gas turbines.

This same strategy applies to the work we are doing in the biofuels industry, as well.

Through expanded research and development facilities like the new agriculture greenhouse at NDSU, or the Energy and Environmental Research Center at UND, we can develop our biomass resources - like cellulosic ethanol and enhanced biodiesel - to improve the economics and take the biofuels industry to the next level.

Ladies and gentlemen, this research, development, and deployment of new technologies will help us to transform America's energy future. These are the right kinds of investment in aggressive economic development that will create more good-paying jobs and careers in our state - and truly make North Dakota an energy powerhouse for the nation!

Whether it's energy, value-added agriculture, manufacturing, or technology-based businesses, we must keep doing new things in new ways - and we are.

Right here in Bismarck, Coventry Health Care - a tech-based healthcare company - is using technology to grow and expand. Coventry currently employs more than 400 people, and about 25 percent of them telecommute, working from their homes in 21 North Dakota communities - rural communities like Wilton, Washburn, Linton, Hazen, and others.

Now, Coventry plans to add to its workforce - without expanding its facility. They can do it through telecommuting because North Dakota has the technology infrastructure and productive workforce to make it succeed.

And Coventry is not alone. Other companies - like Aetna and NISC in Mandan - are also implementing telecommuting to help retain and recruit workers, while reducing overhead. They, like Coventry, are taking advantage of North Dakota's favorable business climate, technology infrastructure, and productive workforce to succeed.

That's good for our urban areas, like Bismarck and Mandan, but it is also vitally important for our smaller communities and the rural areas of our state.

We've taken aggressive steps in North Dakota to enable companies like Coventry, Aetna and NISC to compete not just here in the United States, but around the world.

Our initiatives in tax relief, education, and workforce development will further strengthen North Dakota's business climate, so that quality companies can continue to expand here in our state.

Another good example is Microsoft in Fargo.

Today, they employ more than 1,500 employees and vendors, and they are growing at a pace of about 200 new high-paying jobs annually, with a total payroll at Microsoft Fargo of \$130 million a year.

That's why they're building a new, \$70 million state-of-the-art facility on their Fargo campus, as well as a 65,000 square foot addition to another building. Microsoft Fargo is already the Microsoft Company's second largest field campus in the world - second only to its Silicon Valley facility - and the current master plan for North Dakota calls for an expanded facility that will be able to employ nearly 4000 employees, vendors, and staff by 2012.

We need to further strengthen and enhance our business climate to ensure that Microsoft, and companies like it, make the decision to continue to expand and grow right here in North Dakota.

Here with us today is Microsoft Fargo Site Leader Don Morton. Don, will you please stand and be recognized. Thank you for your leadership.

Infrastructure

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As we work to drive growth in our key industries, and set aside a strong reserve for the future, we must also make thoughtful investments in our infrastructure.

A growing, more diversified economy depends on a safe and efficient system of roads and bridges, as well as ample supplies of clean, reliable water.

For the last two years running, the Reason Institute has ranked North Dakota first among all states for our Road Performance, and the Beacon Hill Institute consistently ranks us among the top 10 states for the quality of our overall infrastructure.

To maintain and improve our infrastructure, we have dedicated \$120 million in one-time capital investments through the Department of Transportation, and additional funding through the state Water Commission, to support projects statewide that will strengthen and enhance North Dakota's roads, bridges, and water supply systems.

Investing in our system of roads and waterworks provides a two-fold benefit to the people of North Dakota: First, it helps to enhance and expand the state's vital public utility and transportation network, and second, it injects dollars into our economy at a critical time to stimulate economic activity.

Our plan will not only help our water and transportation systems statewide, but it will also dedicate an additional \$24 million to our western oil-producing counties, which have had significant impacts due to energy development.

A sound infrastructure will provide us with a solid foundation for future growth.

Building From A Position Of Strength

As we do all of these things, we must do them from a position of financial strength. That is why we must continue to prudently manage the taxpayers' dollars, and continue to build our reserves for the future.

Eight years ago North Dakota did not have funding in its reserve account. Together, with purpose and a plan, we not only took the steps necessary to grow and diversify our economy but also to build our financial reserves.

Working together, in the last legislative session, we set aside \$200 million in our Budget Stabilization Fund, and another \$200 million in our Permanent Oil Tax Trust Fund. As I speak to you today, we have set forth a plan to begin the next biennium with reserves of \$600 million and to grow those reserves to between \$800 million and \$1.2 billion.

Ladies and gentlemen, building our reserves, combined with our major initiatives - reducing the burden of taxes, reforming and strengthening our education system, helping families, and above all, pursuing aggressive economic development - these are the right investments, with the right balance, to take us forward.

The results - the return on our investment - will be a more prosperous, more secure North Dakota.

Together, we can build a brighter future for ourselves and for our children. I look forward to working with all of you in the legislative session that begins today, to do all we can for the people of North Dakota.

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

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