ND Economy: Remarkable Shift Over 10 Years

2007 - ND GDP $29 B

- Mining: 4%
- Wholesale: 7%
- Retail: 7%
- Ag: 9%
- Const.: 4%
- Trans.: 4%
- Finance/real estate: 15%
- Ed./health care: 9%
- All other categories: 41%

2017 - ND GDP $53 B

- Mining: 10%
- Wholesale: 9%
- Retail: 6%
- Ag: 5%
- Const.: 7%
- Trans.: 5%
- Ed./health care: 8%
- Finance/real estate: 16%
- All other categories: 34%
ND’s Incredible Growth From 2009-2014

State Gross Domestic Product (GDP)
ND’s Oil Boom – Growth in Oil Production Corresponds to Growth In GDP
Conservative Oil Price and Production Forecast

Ave Prod | Ave Price
---|---
$67.76 | $34.47
$47.00 | $48.50
$48.00 | $48.00

Price Per Barrel

Barrels of Oil Per Day

Millions
ND Oil Tax Revenues
Volatile History – Return to Growth
Oil Tax Revenues Exceed General Fund Revenues

2019-21 Biennium - General fund revenues excluding oil taxes compared to total oil taxes (in Billions)
Continued Use of Oil Tax Transfers to Balance Budget

Oil tax revenue and related transfers to the General Fund

percentages represent portion of overall General Fund revenue
Ongoing General Fund Revenues Less Ongoing Expenses
($ Millions)

Structural Imbalance Continues

Exec Rec LegisAppr
265 -202 1,119 514 -949 -437 10 -847

Ongoing General Fund Revenues Less Ongoing Expenses
($ Millions)
2019-21 General Fund Revenue Sources

Heavy Reliance on Sales Tax

Sales, Use, and Motor Vehicle Tax 44%

Ins Premium Tax 1%

Oil Tax Transfers 16%

Oil Tax Allocations 8%

Corp Income Tax 3%

Cig & Tobacco Tax 1%

Individual Income Tax 17%

Misc. 7%

Dept Collections 2%

Cig & Tobacco Tax 1%

Corp Income Tax 3%

Oil Tax Allocations 8%

Oil Tax Transfers 16%

Coal Tax 1%

Misc. 7%

Dept Collections 2%

2017-19 Executive Forecast
December 2018
Sales Taxes Return to Growth After 40% Decline
Two Revenue Forecasts – Two Vastly Different Outlooks

Sales Tax History and Estimates

Revenue difference = $105 million
Sales Tax Year Over Year
Growth of 20% For FY2019

Year Over Year Growth of $21 Million in March
State Aid Distribution – Understated in Legislative Forecast

State Aid Distribution Fund Estimated Distributions (in Millions)

- 2017-19 Revised Estimate: $192
- 2019-21 Legislative Budget: $202
- 2019-21 Executive Budget: $211
General Fund Appropriations

- 2009-11: $3.2B
- 2011-13: $4.1B
- 2013-15: $6.9B
- 2015-17: $6.0B
- 2017-19: $4.3B
- 2019-21: $4.8B
INCREASE IN ONGOING GF SPENDING TARGETED AT KEY PRIORITIES – LEGISLATIVE BUDGET

2019-21 changes in ongoing General Fund spending – Legislative Appropriations
## Extended Time To Replenish Budget Stabilization Fund

<table>
<thead>
<tr>
<th>Year</th>
<th>Balance at the beginning of the biennium ($ millions)</th>
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<tbody>
<tr>
<td>05-07</td>
<td>100</td>
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<tr>
<td>07-09</td>
<td>200</td>
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<tr>
<td>09-11</td>
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<td>11-13</td>
<td>386</td>
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<tr>
<td>13-15</td>
<td>584</td>
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<td>15-17</td>
<td>573</td>
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<tr>
<td>17-19</td>
<td>38</td>
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<tr>
<td>19-21 Exec Budget</td>
<td>315</td>
</tr>
<tr>
<td>19-21 Legislative</td>
<td>285</td>
</tr>
</tbody>
</table>

- **Beginning Balance**: 741
- **Transfer from General Fund**: 398
- **Transfer from Strategic Investment & Improvements Fund**: 312

**Budget**

1. *Budget Transfer from General Fund* 285
2. *Budget Transfer from Strategic Investment & Improvements Fund* 312

**Legislative**

1. *19-21 Executive Budget* 315
2. *19-21 Legislative* 285

**Extended Time To Replenish Budget Stabilization Fund** 398
$1 BILLION IN UNFUNDED PENSION LIABILITY DEMANDS ACTION

- Solvent
- Not solvent

- current funding trajectory
- executive budget proposal
- approved changes
2019 Session Successes

• Balanced budget with no new taxes
• Significant investment in:
  • Roads
  • Water projects
  • IT
  • K-12 schools
  • UAS initiatives
  • Behavioral health
• Policy changes to improve pension funding status
• Capitalized on opportunity for TR presidential library in North Dakota
Joe Morrissette
Director

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