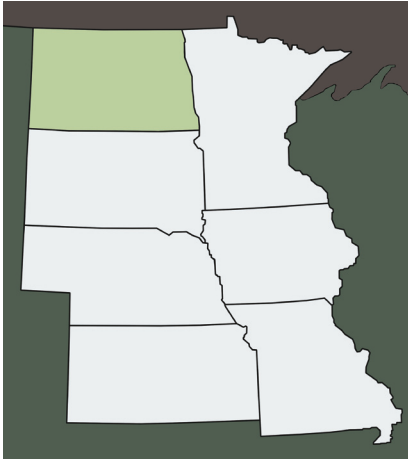


NORTH DAKOTA Budget Report Card



NORTH DAKOTA WAS ONE OF ONLY three states to get an average of D-minus, the lowest grade possible, in budget forecasting for fiscal 2016 through 2018 (Alabama and Missouri were the others). The state does not provide multiyear revenue or expenditure forecasts, lacks an explanation of its rationale for revenue growth projections, and fails to use consensus revenue estimates. Revenue estimates are left exclusively to the governor, although the legislature can develop and use its own forecasts when considering the budget.

Despite an oil drilling boom that has topped up North Dakota's coffers, the state received a D average in legacy costs. Its public employee pension had only 63.8 percent of the assets needed to meet promised obligations as of 2017, and the state fell short of making actuarially determined contributions for the program in all three years studied.

North Dakota earned a C average in transparency. Like most other states, it failed to disclose deferred infrastructure replacement costs. It also has limited disclosure of tax expenditures. A broader and more detailed view of tax exemptions and credits might let policymakers see the degree to which budgetary revenues are being forgone to attract or retain businesses.

In contrast, the state averaged an A in reserve funds. North Dakota ties its goals for reserves to revenue volatility, an important factor given its dependence on oil production.


WEST NORTH CENTRAL STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	D	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	B	A	B	B
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2016	2017	2018	
	CATEGORY GRADE	D	D	D
	Consensus Revenue Forecasts	X	X	X
	Multiyear Expenditure Forecasts	X	X	X
	Multiyear Revenue Forecasts	X	X	X
	Revenue Growth Projections	X	X	X
3-YEAR AVERAGE D		3-YEAR TREND —		

BUDGET MANEUVERS				
	2016	2017	2018	
	CATEGORY GRADE	B	B	B
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	X	X	X
	Funding Recurring Expenditures with Debt	✓	✓	✓
	Using Asset Sales and Up-Front Revenues	✓	✓	✓
3-YEAR AVERAGE B		3-YEAR TREND —		

LEGACY COSTS				
	2016	2017	2018	
	CATEGORY GRADE	D	D	D
	Public Employee OPEB Funding	✓	✓	✓
	Public Employee Pension Funding	X	X	X
	Public Employee Pension Funded Ratio*	66%	64%	64%
3-YEAR AVERAGE D		3-YEAR TREND —		

RESERVE FUNDS				
	2016	2017	2018	
	CATEGORY GRADE	A	A	A
	Positive Reserve or General Fund Balance	✓	✓	✓
	Reserve Funds Disbursement Policy	✓	✓	✓
	Reserve Funds Replenishment Policy	✓	✓	✓
	Reserves Tied to Revenue Volatility	✓	✓	✓
3-YEAR AVERAGE A		3-YEAR TREND —		

TRANSPARENCY				
	2016	2017	2018	
	CATEGORY GRADE	C	C	C
	Consolidated Budget Website	✓	✓	✓
	Provides Debt Tables	✓	✓	✓
	Discloses Deferred Infrastructure Replacement Costs	X	X	X
	Discloses Tax Expenditures	X	X	X
3-YEAR AVERAGE C		3-YEAR TREND —		

KEY

✓	Followed best practice
X	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.