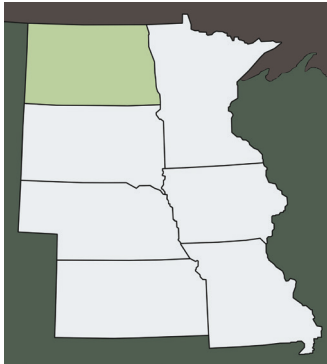


## NORTH DAKOTA Budget Report Card



OF THE EIGHT STATES that rely most heavily on volatile severance tax collections, North Dakota was the only one to register a D-minus average in budget forecasting, the lowest possible grade, for fiscal 2015 through 2019. The state failed to use consensus revenue forecasts, with the executive branch’s Office of Management and Budget holding primary authority for estimates. Revenue and expenditure projections cover only the upcoming biennial budget, and no information is provided to support short-term revenue growth projections.

North Dakota’s performance parallels other resource-dependent states more closely in the reserve funds category, where it received a top A average. Like most such states, North Dakota incorporates revenue volatility in policies for Budget Stabilization Fund disbursements and replenishments. It does this by requiring a biennial deposit of up to \$75 million from oil and gas production taxes until the stabilization fund reaches 15 percent of general fund expenditures. General fund balances that exceed \$65 million are also shifted to the stabilization fund at the end of the biennium. The fund had grown to \$659 million by 2019, equivalent to almost 30 percent of general fund expenditures.

The state posted a D average in legacy costs, which include public worker pensions and other postemployment benefits (OPEB), primarily health care. Its OPEB liability is small and has been funded at or above actuarially determined levels, but North Dakota did not make actuarially based annual pension contributions during the study period. Its pension funded ratio was 70 percent in 2019, 1 percentage point below the total for all states.


### WEST NORTH CENTRAL STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Iowa	C	A	A	B	C
Kansas	D	D	D	D	B
Minnesota	B	A	C	A	B
Missouri	D-	A	C	B	C
Nebraska	B	A	A	C	B
North Dakota	D-	B	D	A	C
South Dakota	B	A	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: Preparing for the Storm* at [VolckerAlliance.org](http://VolckerAlliance.org). © 2021 VOLCKER ALLIANCE INC.


## NORTH DAKOTA Budget Report Card, Fiscal 2015–19

BUDGET FORECASTING							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	D	D	D	D	D						
Consensus Revenue Forecasts	X	X	X	X	X						
Multiyear Expenditure Forecasts	X	X	X	X	X						
Multiyear Revenue Forecasts	X	X	X	X	X						
Revenue Growth Projections	X	X	X	X	X						
5-YEAR AVERAGE						D					

BUDGET MANEUVERS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	A	B	B	B	B						
Deferring Recurring Expenditures	✓	✓	✓	✓	✓	●					
Revenue and Cost Shifting	✓	X	X	X	X		●	●	●	●	
Funding Recurring Expenditures with Debt	✓	✓	✓	✓	✓						
Using Asset Sales and Up-Front Revenues	✓	✓	✓	✓	✓						
5-YEAR AVERAGE						B					

LEGACY COSTS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	C	D	D	D	C						
Public Employee OPEB Funding	✓	✓	✓	✓	✓						
Public Employee Pension Funding	X	X	X	X	X						
Public Employee Pension Funded Ratio*	70%	66%	64%	65%	70%	●				●	
5-YEAR AVERAGE						D					

RESERVE FUNDS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	A	A	A	A	A						
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓	●	●	●	●	●	
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓						
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓						
Reserves Tied to Revenue Volatility	✓	✓	✓	✓	✓						
5-YEAR AVERAGE						A					

TRANSPARENCY							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	C	C	C	C	C						
Consolidated Budget Website	✓	✓	✓	✓	✓						
Provides Debt Tables	✓	✓	✓	✓	✓						
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X	●	●	●	●	●	
Discloses Tax Expenditures	X	X	X	X	X						
5-YEAR AVERAGE						C					

### 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.

© 2021 VOLCKER ALLIANCE INC.