

## NORTH DAKOTA LEGISLATIVE MANAGEMENT

## Minutes of the

**LEGISLATIVE REVENUE ADVISORY COMMITTEE**

Tuesday, December 17, 2019  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Senator Ray Holmberg, Chairman, called the meeting to order at 1:00 p.m.

**Members present:** Senators Ray Holmberg, Dwight Cook, Joan Heckaman, Rich Wardner; Representatives Josh Boschee, Jeff Delzer, Lawrence R. Klemin, Chet Pollert

**Members absent:** None

**Others present:** See [Appendix A](#)

**It was moved by Representative Boschee, seconded by Senator Wardner, and carried on a voice vote that the minutes of the August 15, 2019, meeting be approved as distributed.**

**SUMMARY OF PROPOSALS**

The Legislative Council staff presented a memorandum entitled [Information Regarding the Request for Proposal and Proposal Responses - Economic Forecasting Data](#). The Legislative Council staff said the Legislative Council issued a request for proposal relating to consulting services on September 3, 2019, as directed by the committee. He said the Institute of Policy and Business Analytics, Nistler College of Business and Public Administration, University of North Dakota and IHS Markit submitted proposals. He said the memorandum provides a summary of key points from the proposals, including the consultants' key personnel, expertise, forecasting plan, and costs.

**UNIVERSITY OF NORTH DAKOTA**

Dr. David Flynn, Department Chair and Professor, Institute of Policy and Business Analytics, Nistler College of Business and Public Administration, University of North Dakota, presented information ([Appendix B](#)) regarding a proposal to provide economic forecasting data. He said the Institute of Policy and Business Analytics was recently created to conduct economic research and forecasting analysis. He said the forecasting team has 40 years of collective experience, including experience with forecasting sales tax collections for the City of Grand Forks. He said the institute can provide various data visualizations to identify patterns and to help the committee understand the forecasts. He said the forecasting team understands how North Dakota's economy has changed over the past 15 years related to oil and gas development activities. He said the spending policy for the legacy fund earnings could impact the state's economy if the funding is used for state programs or infrastructure projects.

In response to a question from Chairman Holmberg, Dr. Flynn said agriculture is a key component of the economy in many counties in the state. He said the forecasting team would model farm income by forecasting input costs and commodity prices along with other factors.

In response to a question from Senator Wardner, Dr. Flynn said factors that influence the oil markets in North Dakota include the availability of labor, West Texas Intermediate oil prices, and decisions by the Organization of the Petroleum Exporting Countries.

In response to a question from Representative Delzer, Dr. Flynn said the Institute of Policy and Business Analytics does not have any other contracts to provide forecasting services for other organizations. He said the institute could provide other forecasting services for the state or political subdivisions, but would prioritize forecasts for this committee if selected.

**IHS MARKIT**

Mr. Brendan O'Neil, Executive Director, IHS Markit, presented information ([Appendix C](#)) regarding a proposal to provide economic forecasting data. He said IHS Markit provided forecasting data to the committee last interim. He said IHS Markit's baseline forecast was intentionally conservative because the forecasting team was mindful of recent volatility in the state's economy. He said IHS Markit strives to provide forecasts with a 5 percent margin of error when compared to the actual results. He said one of the challenges with forecasting corporate income tax

collections last interim was the impact of federal income tax reform. He said IHS Markit gathers information from many public sources and some private sources to develop its forecasts, which provides a global perspective to the forecasts. He said IHS Markit recently acquired Informa Agribusiness Intelligence, which will provide additional agriculture data to the forecasting team.

In response to a question from Chairman Holmberg, Mr. O'Neil said IHS Markit has enhanced its proposal compared to the services provided last interim by adding expertise to the team to provide additional insight into the energy and agriculture sectors of North Dakota's economy.

In response to a question from Representative Delzer, Mr. O'Neil said IHS Markit will send 3 individuals, including an energy expert and an agriculture expert, to present the forecasts in person to the committee.

In response to a question from Representative Klemin, Mr. O'Neil said private sources of data include surveys conducted by IHS Markit and an internal research group that monitors the number of vehicle registrations in the United States.

In response to a question from Representative Pollert, Mr. O'Neil said Informa Agribusiness Intelligence provides information services and scholarly research related to global agriculture topics, particularly with insight into fertilizers and chemical crop protection.

### OTHER

Representative Delzer said IHS Markit's proposal has a slightly lower cost. He said the committee has experience working with IHS Markit from last interim.

Senator Heckaman said she has some concerns about the Institute of Policy and Business Analytics' limited experience with forecasting state tax revenues.

Senator Wardner said it is important for the consultant to know the commodity markets and the specific factors that affect North Dakota's economy.

**It was moved by Representative Pollert, seconded by Representative Delzer, and carried on a roll call vote that the committee recommend the chairman of the Legislative Management contract with IHS Markit to provide economic forecasting data.** Senators Holmberg, Cook, Heckaman, and Wardner and Representatives Boschee, Delzer, Klemin, and Pollert voted "aye." No negative votes were cast.

No further business appearing, Chairman Holmberg adjourned the meeting at 2:40 p.m.

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Adam Mathiak  
Senior Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:3