INFORMATION REGARDING THE REQUEST FOR PROPOSAL AND
PROPOSAL RESPONSES - ECONOMIC FORECASTING DATA

BACKGROUND INFORMATION

During the 2017-18 interim, the Legislative Revenue Advisory Committee selected IHS Markit to provide consulting services relating to economic forecasting data. The committee received three reports from IHS Markit with one report in September 2018, one report in January 2019, and one report in March 2019. The 2019 Legislative Assembly used the reports along with other revenue information in the development of the 2019-21 biennium budget.

The Legislative Management appointed the Legislative Revenue Advisory Committee for the 2019-20 interim to continue studying state revenues and state revenue forecasts. At the August 15, 2019, meeting, the committee received a draft of a request for proposal relating to consulting services for economic forecasting data. The committee directed the Legislative Council to distribute the proposal to obtain economic forecasting data.

REQUEST FOR PROPOSAL

On September 3, 2019, the Legislative Council issued a request for proposal for consultant services for economic forecasting data. The information provided by the consultant will be used for updating the 2019-21 biennium revenue forecast and for developing the 2021-23 biennium revenue forecast. The information provided by the consultant must include the following:

1. General economic forecasting data related to the national economy, including:

   a. Projected interest rates through calendar year 2023;

   b. Projected West Texas Intermediate oil prices though calendar year 2023;

   c. Recent trends and projections in the value of the US Dollar;

   d. An outlook for major economic sectors through calendar year 2023 (short-term outlook);

   e. An outlook for major economic sectors through calendar year 2027 (long-term outlook); and

   f. Upside and downside risks to the national economy;

2. Detailed economic forecasting data specific to North Dakota's economy, including:

   a. Recent trends in the state's major economic sectors or major industries since calendar year 2015;

   b. Key economic assumptions, in particular, those assumptions related to the oil and gas industry and the agriculture industry;

   c. State tax collections, reflecting actual and forecasted values by fiscal year or tax year as applicable to the tax type for the years 2015 through 2027, for the following:

      (1) Sales and use tax collections;

      (2) Motor vehicle excise tax collections;

      (3) Individual income tax collections; and

      (4) Corporate income tax collections;

      NOTE: The forecasted values should reflect a low scenario, a high scenario, and a most likely scenario.

   d. Projected agriculture-related commodity prices and production values through calendar year 2023;

e. Projected North Dakota oil production levels through calendar year 2023;

f. Projected population changes through calendar year 2023;

g. Projected trends in job prospects or job demand through calendar year 2023; and

h. Upside and downside risks to North Dakota's economy;

3. A qualitative analysis of general economic conditions and demographic trends related to the national economy, the Midwestern regional economy, and North Dakota's economy; and

4. Disclosure of the limitations of the organization's economic model and the risks related to forecasting error associated with the organization's economic forecasting data.

Proposals were due to the Legislative Council office by November 8, 2019. Two proposals were received.

SUMMARY OF RESPONSES TO THE REQUEST FOR PROPOSAL

Below is a summary of information contained in the proposals submitted by the Institute of Policy and Business Analytics at the University of North Dakota and by IHS Markit.

Category	Institute of Policy and Business Analytics, Nistler College of Business and Public Administration, University of North Dakota	IHS Markit
Consultant profile	• The Institute of Policy and Business Analytics is a recently approved institute, and the mission of the institute is to conduct basic and applied research that serves the region and state. • The institute is part of the University of North Dakota, which is located in Grand Forks, North Dakota.	• IHS Markit is a leading source of information, insight, and advisory services in the pivotal areas that shape today's business and policy landscape--economics, financial markets, energy, chemicals, technology, logistics and transportation, health care, geopolitical risk, sustainability, and supply chain management. • IHS Markit was founded in 1959 and became a publicly traded company on the New York Stock Exchange in 2005. • Headquartered in Englewood, Colorado, IHS Markit is committed to sustainable, profitable growth and employs approximately 9,000 people in 34 countries around the world.
Key personnel	• Dr. David Flynn, Department Chair and Professor • Dr. Cullen F. Goenner, Professor • Daniel J. Owens, Instructor	• Brendan O'Neil, Executive Director • James Diffley, Executive Director • Curtis Smith, Director • Laura Hand, Associate Director • Dr. Yan Jiang, Associate Director • Ryland Maltsbarger, Associate Director • Steward Ramsey, Associate Director • Julie Gressley Miller, Senior Consultant • Karl Kuykendall, Principal Economist

Category	Institute of Policy and Business Analytics, Nistler College of Business and Public Administration, University of North Dakota	IHS Markit
Expertise and experience	• This is the first contract proposal for the recently approved Institute of Policy and Business Analytics. • Dr. Flynn presented twice to the Minneapolis Federal Reserve regarding North Dakota's economy and forecasts sales and use tax collections for Grand Forks. • Dr. Goenner conducted contract research for the North Dakota Department of Transportation. • Mr. Owens performs research related to population analysis for North Dakota. • The forecasting team has significant expertise on the idiosyncrasies of the North Dakota economy, and this expertise is sought by media outlets.	• IHS Markit has been providing revenue estimates to the Senate Finance Committee for the State of New York for over 20 years. The revenue estimates include all state tax revenue sources, and the information is provided as a part of the state's annual budgeting process. • IHS Markit provides revenue estimates to the Office of Budget and Program Evaluation for the City of Philadelphia. The revenue estimates include modeling income, housing activity, and corporate profits and the impact of those revenue streams on city tax collections. • IHS Markit has been providing revenue estimates to the Department of Revenue for the State of Pennsylvania for over 20 years. The revenue estimates include state revenue sources, and the information is provided as a part of the state's annual budgeting process.
Forecasting plan	• The forecasting team does not have any issues with providing forecasting data regarding the national economy or the state economy. • The forecasting team does not have any issues with providing economic and demographic trends related to the state, region, and country. • The forecasting team does not have any issues with the disclosure of the model's limitations related to forecast errors.	• IHS Markit proposes to utilize their existing United States macroeconomic and regional modeling infrastructure to provide general economic forecasting data. The models use demographic and financial inputs to determine the growth of the economy based on technical progress, labor force changes, and capital stock availability. The models provide both short-term and long-term forecasts. • To forecast the tax revenues for North Dakota, IHS Markit proposes to develop an econometric model for the taxes received by the state with calibrations for each tax type based on the sources of revenue. • For industry-specific economic forecasting data, IHS Markit will utilize agricultural commodity forecasts from the IHS Markit agriculture team and will utilize energy commodity forecasts from the IHS Markit energy team.
Proposal costs	• The proposal cost is $70,120.	• The proposal cost is $68,989.86.