THANK YOU, FRONTLINE WORKERS
EMPOWER PEOPLE
IMPROVE LIVES
INSPIRE SUCCESS

NORTH Dakota
Be Legendary.
Fiscally Conservative Budget

- Holds General Fund Spending Steady
- Invests in Priorities
- Maintains Healthy Reserves

Without raising taxes.
Responsible spending and healthy reserves are helping North Dakota navigate the economic fallout of COVID-19.
DECLINE IN GDP GROWTH

DUAL IMPACT OF PANDEMIC AND OIL PRICE DROP IN ND

Gross Domestic Product Cumulative Growth (%), 2005 Q1 – 2020 Q2

North Dakota

United States
DECREASED OIL REVENUE

ND OIL TAX REVENUES
DECEMBER 2020 EXECUTIVE FORECAST

BILLIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Original</th>
<th>Revised</th>
<th>Projection</th>
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<tr>
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LOWER TAX REVENUES

GENERAL FUND REVENUES
FOUR MAJOR TAX TYPES: SALES, INDIVIDUAL & CORPORATE INCOME, MOTOR VEHICLE

BILLIONS

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
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<td>2011-13</td>
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<td>2021-23 Projected</td>
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IMPROVING TRANSPARENCY

OIL TAX TRANSFERS & ALLOCATIONS
PROPOSE RAISING DIRECT ALLOCATION TO $500M

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil Tax $ Transfers</th>
<th>Oil Tax $ Allocations</th>
<th>% of General Fund Revenues</th>
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<td>2011-13</td>
<td>$600.0</td>
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<td>$861.8</td>
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<td>2015-17</td>
<td>$812.0</td>
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<td>2017-19</td>
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<td>$773.0</td>
<td>$400.0</td>
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<td>2021-23</td>
<td>$900.0 M</td>
<td>$500.0</td>
<td>20%</td>
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DECREASE ONGOING GENERAL FUND SPENDING BY $61M

OVERALL GENERAL FUND EXPENDITURES DOWN $8M

2019-21 ONGOING

- Continue Services: $101.3
- Reductions: $215.0
- Funding Changes: $103.5
- Reprioritizations: $36.4
- Salaries & Benefits: $19.8

TOTAL: $4,794.9

2021-23 ONGOING

TOTAL: $4,733.9

IN MILLIONS
TOTAL STATE BUDGET

2021-23 EXECUTIVE BUDGET PROPOSAL

SOURCE OF FUNDING

- General Fund: $4.8B
- Federal Funds: $4.4B
- Special Funds: $5.8B
- Total: $15B

TYPE OF EXPENDITURE

- Salaries & Benefits: $3.3B
- Operating Expenses: $2.6B
- Formulas & Grants: $7.3B
- Capital Assets: $1.7B
TOTAL EXPENDITURES

- **$3.3B** TEAM ND
  - Salary and benefit investments
- **$2.6B** OPERATING EXPENSES
  - Funding government
- **$7.3B** FORMULAS & GRANTS
  - Support K-12, Medicaid and essential infrastructure, etc.
- **$1.7B** CAPITAL ASSETS
  - Long-term, game-changing investments in capital assets

67% goes to education and health & human services
Replacing outdated systems to better serve citizens:

- Job Service ND
- Dept. of Human Services
- Dept. of Transportation
- and more

$105M invested in long-overdue information technology projects.
PATH TO PENSION SOLVENCY

TAKING ACTION TO ADDRESS UNFUNDED LIABILITY
CURRENT GAP OF $1.6B DEMANDS ATTENTION

Increasing state & team member contributions by 1% next biennium.

Could reach solvency by 2065

Current trajectory.
INVESTING IN EDUCATION

Nearly $200M of federal funding provided to public and private school districts and higher education institutions to adapt to the COVID-19 pandemic.

Funding from the CARES Act
MAINTAIN K-12 PUPIL RATES

K-12 SCHOOL AID REMAINS TOP PRIORITY

Proposed $83M transfer from Foundation Aid Stabilization Fund to maintain current level in upcoming biennium.
K-12 grows to 38% of GF

K-12 school aid remains high priority

% of ongoing general fund revenue

2013-15

- K-12 school aid
- General fund

33%
67%

2021-23

- Ongoing general fund revenue dedicated to other than K-12

38%
62%
HIGHER EDUCATION PROPORTION ABOVE 2013-15

% OF ONGOING GENERAL FUND REVENUE AFTER
7.5% REDUCTION IN FORMULA RATE

HIGHER ED 13% OF GENERAL FUND

2013-15

- Higher education general fund: 11%
- Ongoing general fund revenue dedicated to other than higher education: 89%

2021-23

- Higher education general fund: 13%
- Ongoing general fund revenue dedicated to other than higher education: 87%
FUNDING OUTPACING ENROLLMENT

ND HIGHER ED ENROLLMENT TRENDING DOWN
GENERAL FUND APPROPRIATIONS HAVE INCREASED

ONGOING GENERAL FUND APPROPRIATIONS ($M)

- 2009-11: $440.7
- 2011-13: $501.2
- 2013-15: $563.0
- 2015-17: $614.5
- 2017-19: $507.2
- 2019-21: $541.7
- 2021-23: $510.1

HIGHER EDUCATION ENROLLMENT

- 2009-11: 38,232
- 2011-13: 38,896
- 2013-15: 38,250
- 2015-17: 38,012
- 2017-19: 37,001
- 2019-21: 34,810
- 2021-23: 33,823

Appropriations ↑ 16%
Enrollment ↓ 12%
Matching grants to new centers for career and technical education

Increased funding to the Higher Education Challenge Grant Program

Continued support for tribal community college grants
Supporting health care and frontline workers
Protecting the most vulnerable
Keeping businesses open and kids in school
Medicaid expansion provides health care to 22,500 North Dakotans.
Increase funding to the Substance Use Disorder Voucher Program from $8M to $17M.

- Program exhausted its entire appropriation in just 14 months this biennium.
SMART, EFFICIENT, MODERN INFRASTRUCTURE
North Dakota currently has existing bonding totaling approximately $2.25B.

- $1.33B – Housing Finance Agency
- $520M – Public Finance Authority
- $332M – University System
- $47.5M – University System Foundations
- $19.7M – Building Authority
- $2.45M – Other
INVEST IN INFRASTRUCTURE WITH $1.25 BILLION OF BONDING
BOND ISSUANCE WILL CREATE LONG-TERM POSITIVE IMPACT FOR ND

- Proceeds from bond sale will go into infrastructure projects and perpetual revolving loan funds.
- Low interest rates ensure a high return on investment for citizens.
$700M ESTABLISH LOW-INTEREST REVOLVING LOAN FUNDS

- Loaned to political subdivisions for water, road, bridge and other projects.
- Helps keep property taxes low.
- Permanent investment for future generations of North Dakotans.
IMMEDIATE, DIRECT IMPROVEMENTS

$323M INFRASTRUCTURE INVESTMENTS

- State and county bridges.
- DOT road and bridge infrastructure improvements to increase capacity.
- DOT Highway 85 expansion.
- Matching grants to park districts.
INVEST IN WORKFORCE

$45M CAREER AND TECHNICAL EDUCATION CENTERS

- Cost-sharing grant program to incentivize construction of local career academies.
- Build a workforce that’s better positioned for future job opportunities here in North Dakota.
INCREASE VALUE OF STATE ASSETS

$182M IMPROVEMENT OF STATE-OWNED FACILITIES

- Address maintenance and repair issues long overdue.
- Improve facilities for Team ND and citizens, including higher education.
- Better utilize existing space and lower facility costs over time.
- Does not expand our footprint.
The State of North Dakota has a very low amount of debt per capita. ND has the third-lowest rate of tax-supported debt per capita: just $131 compared with a national average of $1,493.

Source: Moody's State Debt Medians, 2019
We can multiply Legacy Fund earnings to provide opportunity, impact and stability for generations to come.
MAXIMIZING OUR IMPACT

FIVE CRITERIA FOR LEGACY INVESTMENT

1. LASTING IMPACT BEYOND CURRENT GENERATION
2. REGIONAL, STATE, NATIONAL OR INTERNATIONAL IMPACT
3. LEVERAGE OTHER FINANCIAL SUPPORT (HIGH ROI)
4. ONE-TIME SPENDING THAT DOESN’T GROW GOVERNMENT
5. SUPPORTS COMMUNITIES, DIVERSIFIES THE ECONOMY
Executive budget proposes five themes for distributing 2021-23 Legacy Fund earnings for the Legislature to consider and implement:

1. Economic Diversification, Community Building and Strategic Initiatives.
2. Research and Innovation.
4. Legacy Bond Repayment.
5. Legacy Projects.
These funds should drive the expansion and development of new businesses and industries.

Support building healthy, vibrant communities to attract and retain a 21st century workforce.
Dedicated to research and innovation both in higher education and throughout the private sector.

Embracing bold ideas that solve world problems, such as advancing autonomous technology or solving carbon capture and utilization.
10% GOVERNMENT TRANSFORMATION

- Transforming how government provides services to improve citizen experience.
- Provide members of Team ND with tools and resources they need to be more efficient and effective.
These funds would be used to make bond payments created by investment of $1.25B in statewide infrastructure, maintenance and repair of state facilities, workforce development and revolving loan funds.

Provide necessary resources to meet future bonding needs.
TRANSFORMATIONAL PROJECTS

- Support for transformational legacy projects in all parts of the state.
- Big-picture projects with a high return on investment for our citizens with a multi-generational impact.
With these themes, we can implement proposals with a lasting impact.

**ECONOMIC DIVERSIFICATION, COMMUNITY BUILDING AND STRATEGIC INITIATIVES.**
- $27M to the UAS fund; $8M to Housing Incentive Fund

**RESEARCH AND INNOVATION**
- $30M to the LIFT program; $10M to Higher Education Challenge Grants

**GOVERNMENT TRANSFORMATION**
- $25M for statewide cybersecurity

**LEGACY PROJECTS**
- $10M for state park infrastructure; $10M for State Park Challenge Grant Program; $5M for environmental quality restoration fund
A PLACE TO BE LEGENDARY