North Dakota Legislative Council

Prepared for the Government Finance Committee
LC# 23.9226.01000
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INFORMATION REGARDING THE REQUEST FOR PROPOSAL AND PROPOSAL RESPONSE - ECONOMIC FORECASTING DATA

BACKGROUND INFORMATION

During the 2017-19 and 2019-21 bienniums, the Legislative Revenue Advisory Committee selected IHS Markit to provide consulting services relating to economic forecasting data. The committee received one report in each biennium from IHS Markit with preliminary forecasting data in preparation for the regular legislative sessions. During the 2019 and 2021 legislative sessions, the Appropriations Committees received two reports in each session. The 2019 and 2021 Legislative Assemblies used the reports along with other revenue information in the development of the 2019-21 and 2021-23 biennium budgets.

The Legislative Management assigned the Government Finance Committee to continue studying state revenues and state revenue forecasts for the 2021-23 biennium. At the September 21, 2021, 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 seek approval from the Chairman of the Legislative Management to distribute the request for proposal and to hire a consultant.

REQUEST FOR PROPOSAL

On October 5, 2021, 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 2021-23 biennium revenue forecast and for developing the 2023-25 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 2025;
   b. Projected West Texas Intermediate oil prices though calendar year 2025;
   c. Recent trends and projections in the value of the US Dollar;
   d. An outlook for major economic sectors through calendar year 2025 (short-term outlook);
   e. An outlook for major economic sectors through calendar year 2029 (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 2017;
   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 2017 through 2029, 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 2025;

e. Projected North Dakota oil production levels through calendar year 2025;

f. Projected population changes through calendar year 2025;

g. Projected trends in job prospects or job demand through calendar year 2025; 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 19, 2021. One proposal was received.

SUMMARY OF RESPONSE TO THE REQUEST FOR PROPOSAL

Below is a summary of information contained in the proposal submitted by IHS Markit.

Category	IHS Markit Response
Consultant profile	• 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. • IHS Markit employs approximately 14,000 people around the world.
Key personnel	• Brendan O'Neil, Executive Director • James Diffley, Executive Director • Dr. Yan Jiang, Associate Director • Curtis Smith, Executive Director • Ryland Maltsbarger, Associate Director • Tom Jackson, Manager • Karl Kuykendall, Principal Economist • Emily Hanson, Senior Consultant
Expertise and experience	• IHS Markit has been providing revenue estimates to the Senate Finance Committee for the State of New York for 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 income tax revenue forecasting to the Rhode Island Department of Revenue to forecast capital gains tax scenarios. • 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	• IHS Markit proposes to utilize their existing United States macroeconomic and regional modeling infrastructure to provide short-term and long-term outlooks for the economy. • 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 $79,825 with an option to extend the contract through June 2025 for an additional $79,825.