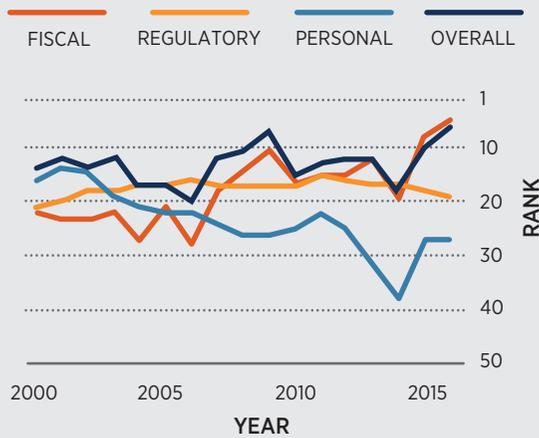


NORTH DAKOTA

2016 RANK
6th



POLICY RECOMMENDATIONS

- Fiscal:** Enhance fiscal decentralization and choice among local governments with different policies by cutting state taxes and aid to local schools and allowing local towns to vary property tax to meet school funding needs. The state tax in greatest need of cutting is the sales tax.
- Regulatory:** Allow employers to purchase workers' compensation insurance from any willing seller, or to self-fund, and allow certain businesses to opt out entirely. These reforms could raise North Dakota four places on regulatory policy and one place on economic freedom.
- Personal:** Eliminate teacher licensing, mandatory state approval, and detailed curriculum requirements for private schools, and reduce the notification and record-keeping burdens on homeschooling families.



Population, 2017
755,393

Net Migration Rate
3.3%



State Taxes, Percent of Personal Income, FY 2017
4.49%

Local Taxes, Percent of Personal Income, FY 2015
3.01%

Partisan Lean, 2016
R +20.8



Real Per Capita Personal Income, 2016, in 2009 \$
\$54,213

Real Personal Income Growth, CAGR, 2000-15
4.6%

ANALYSIS

As predicted in the fourth edition of this index, the shale gas boom has finally raised North Dakota's fiscal policy scores. Amazingly, mineral severance taxes have for several years brought in as much to state coffers as all taxes do to both state and local government in the average state, measured as a percentage of personal income.

In FY 2017, North Dakota's state-level tax burden fell to its lowest level in our time series, 4.5 percent of adjusted income. Local tax burden has remained more static but well below the national average at 3 percent of income. North Dakota looks fiscally quite centralized, which is unfortunate because North Dakotans do have substantial choice of local government: 1.7 per 100 square miles. State debts have been paid down gradually, and financial assets built up. Government consumption and employment have risen from their respective 2012 and 2014 lows, but they are still lower than they were in the early and mid-2000s. So far there is little sign of the "resource curse" that has struck Alaska and Wyoming.

Most Great Plains states have good regulatory policies, and North Dakota is no exception, although it falls behind its southern neighbor. Land use is lightly regulated, and the state has one of the strongest limits on eminent domain abuse in the country. The state has a right-to-work law and no state-level minimum wage. However, North Dakota has a monopoly state fund for workers' compensation insurance. When it comes to health insurance regulation still under state control,

North Dakota is tied with Idaho and Nebraska for second best, with none of the most expensive mandates and with a light touch on managed-care plans. Our sources give a split judgment on the extent of occupational licensing in North Dakota, but nurses and physician assistants enjoy ample freedom of practice. Insurance freedom is low because of prior approval of rates and lack of membership in the Interstate Insurance Product Regulation Compact. There is no certificate-of-need law for hospitals, but there is one for moving companies. The state has a general "unfair sales" act. The civil liability system is one of the best in the country.

North Dakota's criminal justice policies are generally good because of the low incarceration rate. However, victimless crime arrests are extremely high. The state's civil asset forfeiture law is among the worst in the country, but local law enforcement rarely participates in equitable sharing. Smoking bans were intensified in 2012, but cigarette taxes are below average. With just a few exceptions, gun rights are strong in North Dakota. Those exceptions mostly have to do with Class III weapons and assorted barriers to concealed and especially open carry. Alcohol freedom is generally good, but wine and spirits are available in grocery stores only when put into a separate enclosure. A reasonably effective medical marijuana law was enacted by initiative in 2016. Gambling freedom is low. North Dakota is the very worst state in the country for educational freedom. Private schools and homeschools are both more harshly regulated than those anywhere else, and the state has no private or public school choice.