

North Dakota Oil Boom **Bust**

Implications for Higher Education

North Dakota: In The News

- ***North Dakota's oil bust blows \$1 billion hole in state budget:*** CNN Money, February, 2016.
- **North Dakota oil bust shatters, shifts dreams of transplants** , Chicago Tribune, February, 2016.
- **In North Dakota, Boom, Bust and Oil**, New York Times. August, 2015.
- **A North Dakota Oil Boom Goes Bust: What will happen to those who built their lives on it?**, The Atlantic, June, 2015.
- **North Dakota's Economy Has Been Completely Devastated by Oil's Collapse**, Zero-Hedge.Com, Feb, 2016.
- **Oil is a Bust, But Babies Boom in North Dakota**, Minneapolis Star Tribune, Jan, 2016.

Snapshot of a Boomtown

- Williston, North Dakota: fastest growing metro city in the country
2010 – 12,512; 2015 – >40,000
- The NYT reports the McDonalds is the 2nd busiest in the country.
- Check-out times at Wal Mart are over an hour.
- Oil workers throw away dirty clothes as there aren't enough laundromats.
- The main drag is renamed, "Million Dollar Way.
- Delta and United operate direct flights into the city.



- Over 25 new hotels are built.
- 0.9% unemployment rate

Snapshot of a Boomtown

- The City builds: (on borrowed \$\$)
 - \$ 110 million water-treatment plant
 - \$ 250 million (new) airport
 - \$ 160 million truck bypass
 - \$ 20 million jail expansion
 - \$ 15 million downtown expansion
 - \$ 56 million high school
 - \$ 70 million recreational center
 - 2,300 hotel rooms
 - 11,000 apartments
- 2,000 ND millionaires per year created at the height of the boom.



Snapshot of the Bust

- Wal Mart cuts hourly pay by 25%.
- Real estate prices drop 40%
- Apartment prices cut in ½
 - One-half of the apartments are empty.
- Population shrinks back to 26,533.
- United flights are cut.
- Williston's bonds downgraded to junk status.
- 9,000 people lose their jobs in one week



- 1,250 applicants show up at a job fair for 375 jobs.

North Dakota Higher Education: In The News

- **Budget Cuts Force North Dakota Universities to Take Multi-Faceted Approach**, Bismarck Tribune, Apr, 2016.
- **With State Hit Hard by Low Oil Prices, North Dakota Colleges and Universities Brace for Budget Cuts**, The Government Watchdog, Nov 30, 2015.
- **ND Budget Update**, Email from NDUS Chancellor, Mark Hagerot, Nov, 2015.
- **North Dakota Employees Group Concerned About Job Cuts in State University System**, KGFO News.Com, Sept, 2016.
- **University of North Dakota Budget Proposals Include Layoffs, \$9 Million in Academic Cuts**, Prairie Business Magazine, Apr, 2016.

NDUS Enrollment Trending Since the Boom Began

2011		2012		2013		2014		2015	
Head Count	Full Time Enrollment	Head Count	Full Time Enrollment	Head Count	Full Time Enrollment	Head Count	Full Time Enrollment	Head Count	Full Time Enrollment
48,833	39,089	48,203	38,703	48,015	38,326	47,660	38,174	47,513	38,151

North Dakota Population

- 2011: 672,591
- 2015: 756,927

From 1920 to 2010, population only grew by 26,719.

Oil Boom Sees Increase HE Funding

- North Dakota's economy didn't take a hit during the economic downturn that started during 2008.
- With billions of dollars in revenue due to an oil and gas boom the legislature spent more.
- HE was provided 14% increase (\$90 million) in the 13-15 biennial operating budget and an additional \$177 million in one-time capital expenditures

Then the Bust: ND Budget Cuts Woes

- Biennial budget for 17-19 is projected to be down by \$4.8 billion.
- The State has almost \$4 billion in the “Legacy Fund.” This is made up of 30% of the state’s oil tax collections each year. Approved in 2010 by voters, none of these funds may not be spent until 2017.
- Nearly all state agencies were required, in Feb 2016, to immediately and retroactively reduce biennial budgets by 4.05% This included higher education. An additional 10% budget cut is expected during the next biennium.

University System Reaction

- An additional 10% budget cut is being planned for biennial budget 17-19, in addition to the previous 4.05% retroactive cut. The plan for meeting this requirement across all public campuses includes:
 - Program cuts
 - Course cancellations
 - Fewer electives
 - Community college tuition freeze
 - Larger class sizes
 - 7.4% overall cut in personnel
 - Salary reductions
 - Buyouts/early retirements
- The two largest institutions, University of ND and ND State University are expecting an additional \$21.5 million and \$15.7 million cut, respectively in 17-19.
- New scholarship programs for displaced oil and gas workers—in an effort to keep those individuals from leaving the state and to re-build declining enrollments.

The Future: In The News

- **2017: Supply Will Not Be Able to Meet Demand**, The Bakken Magazine, September, 2016.
- **Betting on the Bakken's Future**, September, 2016.
- **Bakken Productivity Report Shows Uptick in Oil and Gas**, Drilling Productivity Report, September, 2016.
- **What the Future of Drilling Will Look Like**, May, 2016.
- **Prediction: Oil patch will come roaring back to life in 2017**, Houston Chronicle.
- **Saudi Arabia: We're on Track to Cut Oil Supply by November**, CNN Money October, 2016.