

Fifty-seventh
Legislative Assembly
of North Dakota

HOUSE BILL NO. 1454

Introduced by

Representatives Glassheim, Jensen, Keiser, Mahoney

Senators Lee, D. Mathern

1 A BILL for an Act to provide for a state investment fund program; to create and enact a new
2 section to chapter 15-03 and a new section to chapter 21-10 of the North Dakota Century Code,
3 relating to investments of the board of university and school lands and the state investment
4 board; to amend and reenact section 54-27-25 of the North Dakota Century Code, relating to
5 the tobacco settlement trust fund; to provide for state investments in the state investment fund;
6 and to provide a continuing appropriation.

7 BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

8 **SECTION 1.** A new section to chapter 15-03 of the North Dakota Century Code is
9 created and enacted as follows:

10 **Board of university and school lands - Investment.** To the extent the investment
11 meets the requirements of section 15-03-05, the board of university and school lands shall
12 invest one-tenth of one percent of the permanent funds under its control in the state investment
13 fund under section 4 of this Act, if the fund raises at least five million dollars in private
14 investments.

15 **SECTION 2.** A new section to chapter 21-10 of the North Dakota Century Code is
16 created and enacted as follows:

17 **Investment in state investment fund program.** To the extent the investment meets
18 the requirements of section 21-10-07, the board annually shall invest at least one-tenth of one
19 percent of the managed funds in the state investment fund under section 4 of this Act, if the
20 fund raises at least five million dollars in private investments.

21 **SECTION 3. AMENDMENT.** Section 54-27-25 of the 1999 Supplement to the North
22 Dakota Century Code is amended and reenacted as follows:

23 **54-27-25. Tobacco settlement trust fund - Interest on fund - Uses.** There is created
24 in the state treasury a tobacco settlement trust fund. The fund consists of the tobacco

1 settlement dollars obtained by the state under sections IX (payments) and XI (calculation and
2 disbursement of payments) of the master settlement agreement and consent agreement
3 adopted by the east central judicial district court in its judgment entered December 28, 1998
4 [Civil No. 98-3778]. All moneys received by the state pursuant to the judgment and all moneys
5 received by the state for enforcement of the judgment must be deposited in the fund. Five
6 hundred thousand dollars of fund deposits must be invested in the state investment fund under
7 section 4 of this Act, if the state investment fund raises at least five million dollars in private
8 investments. The investment in the state investment fund is not guaranteed a six percent
9 average annual return. Interest earned on the fund must be credited to the fund and deposited
10 in the fund. The principal and interest of the fund must be allocated as follows:

- 11 1. Transfers to a community health trust fund to be administered by the state
12 department of health. The state department of health may use funds as
13 appropriated for community-based public health programs and other public health
14 programs, including programs with emphasis on preventing or reducing tobacco
15 usage in this state. Transfers under this subsection must equal ten percent of total
16 annual transfers from the tobacco settlement trust fund.
- 17 2. Transfers to the common schools trust fund to become a part of the principal of
18 that fund. Transfers under this subsection must equal forty-five percent of total
19 annual transfers from the tobacco settlement trust fund.
- 20 3. Transfers to the water development trust fund to be used to address the long-term
21 water development and management needs of the state. Transfers under this
22 subsection must equal forty-five percent of the total annual transfers from the
23 tobacco settlement trust fund.

24 Notwithstanding the provisions of this section, during each biennium transfers that
25 would be made to the common schools trust fund under subsection 2 must instead be
26 transferred to the water development trust fund until the state water commission certifies to the
27 state treasurer that deposits in the water development trust fund during that biennium are
28 sufficient to pay the principal and interest for that biennium on bonds authorized under section
29 61-02.1-01. When that certification is received, the state treasurer shall determine the amount
30 deposited in the water development trust fund during that biennium and transfers that would be
31 made to the water development trust fund under subsection 3 must instead be transferred to

the common schools trust fund until deposits in the common schools trust fund during that biennium are equal to the amount deposited in the water development trust fund during that biennium or until the end of the biennium, whichever occurs first.

Transfers to the funds under this section must be made within thirty days of receipt by the tobacco settlement trust fund.

SECTION 4. State investment fund program - Continuing appropriation.

1. The department of economic development and finance, in cooperation with the securities commissioner, shall establish a state investment fund program that allows state residents and certain state entities to invest in primary sector businesses and wealth creation enterprises and to receive a return on the investment. The department shall contract with a private limited liability company, unitrust, or limited partnership to act as manager and implement the investment component of the program. The private manager shall make equity investments in new or expanding primary sector businesses and in new or expanding wealth creation enterprises. Using a five-year average, at least eighty percent of the fund's investments must be made in North Dakota businesses and enterprises.
2. The program, unless otherwise provided by law, must guarantee public and private investors a minimum average annual return on fund investments of at least six percent for the first ten years of the investor's investment. If the fund's earnings are not adequate to provide investors with the six percent average annual return on investment, the Bank of North Dakota shall provide the funds to ensure the six percent average annual return. There is appropriated as a standing and continuing appropriation the necessary amount of moneys from the unobligated portion of the Bank's profits for the purpose of providing investors with the six percent average annual return on the investment.

SECTION 5. BANK OF NORTH DAKOTA - INVESTMENT. The Bank of North Dakota shall invest in the state investment fund under section 4 of this Act the amount of \$1,000,000 from the unobligated portion of the Bank's profits for the biennium beginning July 1, 2001, and ending June 30, 2003, if the fund raises at least \$5,000,000 in private investments. The Bank is not guaranteed the minimum six percent average annual return on investment.