

FISCAL NOTE
Requested by Legislative Council
02/09/2021

Amendment to: HB 1425

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$0	\$0	\$0
Expenditures	\$0	\$185,000	\$0	\$3,115,000	\$0	\$4,930,000
Appropriations	\$0	\$0	\$0	\$230,000	\$0	\$230,000

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill includes a requirement that the state investment board (SIB) give preference to qualified investment firms with a presence in the state when investing Legacy Fund assets. It also sets specific targets for investing Legacy Fund assets within the state and within specified asset classes.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Sections 2 & 3 of the bill would require that the SIB give preference to qualified investment firms with a presence in the state when investing Legacy Fund assets. This would require the Retirement and Investment Office (RIO) to have a staff member who would be familiar with qualified ND firms, develop procedures for assessing those qualifications and determine a process to apply preference metrics to those firms.

Section 4 of the bill sets specific target allocations for in-state investments within the Legacy Fund. This would require RIO staff to continually seek out possible in-state opportunities to meet those targets while the Legacy Fund continues to grow in size. Because the opportunity set may not be as robust, this will require significantly more due diligence to ensure the assets are deployed to appropriate investments.

RIO anticipates the need for one additional FTE for an investment analyst to focus on the development, implementation and monitoring of the in-state investment program.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Not applicable.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Consulting Expenses (being incurred in current biennium) for education, program structure and implementation of an in-state investment program. (continuing appropriation under 21-10-06.2) \$185,000

Salaries and Benefits for one additional FTE \$215,000

Operating Expenses for one additional FTE 15,000

Total appropriated expenditures \$230,000 Per biennium

Expenditures covered under Continuing Appropriation (21-10-06.2)

Asset/Liability Study to determine new expected return and allocation of non-in-state investments \$65,000 (21-23)

Increase in Investment Management Fees for addition of 3% private equity allocation (estimated at 1.25% vs current 0.31% for public equity allocation) \$2,820,000 (21-23 - assumes phased implementation of \$100m/year) and \$4,700,000 (23-25 - fully implemented)

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Salaries and Benefits for one additional FTE \$215,000

Operating Expenses for one additional FTE 15,000

Total appropriated expenditures \$230,000 Per biennium

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