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## LEGACY FUND EARNINGS COMMITTEE

Wednesday, June 22, 2022  
Roughrider Room, State Capitol  
Bismarck, North Dakota

Representative Chet Pollert, Chairman, called the meeting to order at 10:00 a.m.

**Members present:** Representatives Chet Pollert, Joshua A. Boschee, Jeff Delzer, Craig Headland, Mike Lefor; Senators Jessica Bell, Joan Heckaman, Jerry Klein, Ronald Sorvaag, Terry M. Wanzek, Rich Wardner

**Members absent:** None

**Others present:** Representative Glenn Bosch, Bismarck, member of the Legislative Management  
Senator Brad Bekkedahl, Williston  
See [Appendix A](#) for additional persons present.

**It was moved by Senator Wardner, seconded by Representative Boschee, and carried on a voice vote that the minutes of the March 29, 2022, meeting be approved as distributed.**

### FUND STATUS UPDATES

Mr. Scott Anderson, Chief Investment Officer, Retirement and Investment Office, presented information ([Appendix B](#)) regarding the status of the legacy fund, including the status of the in-state investment program and legacy fund asset allocation study. He noted:

- The legacy fund had a balance of \$8.1 billion as of April 30, 2022, including \$541 million of earnings available to transfer to the general fund at the end of the 2021-23 biennium;
- The investment returns for the legacy fund for the calendar year to date through April 30, 2022, reflect a loss of 9.6 percent compared to the benchmark's loss of 9.5 percent; and
- The agency is developing plans to manage investments within the agency rather than through external managers to reduce investment fees which could result in a request for additional full-time equivalent positions.

In response to a committee member question, Ms. Janylyn Murtha, Executive Director, Retirement and Investment Office, noted the agency worked with the Human Resource Management Services Division of the Office of Management and Budget to determine the appropriate classification and pay grade for the four new full-time equivalent investment professionals, which were approved during the November 2021 special legislative session.

Mr. Scott Miller, Executive Director, Public Employees Retirement System, presented information ([Appendix C](#)) regarding the actuarial funded ratio of the main system plan, including recent trends and changes to increase the ratio. He noted:

- The actuarial funded ratio regularly exceeded 100 percent in the 1990s but has subsequently declined to the current ratio of 71.1 percent in 2021;
- Beginning in 2011, the Legislative Assembly approved increases to employer and employee contributions and reduced benefits for future hires to improve the actuarial funded ratio; and
- Closing the defined benefit plan may have a negative impact on the actuarial funded ratio.

## TAX UPDATES

Mr. Brian Kroshus, Tax Commissioner, presented information ([Appendix D](#)) regarding the status of the income tax credit authorized in House Bill No. 1515 (2021), including a comparison of the actual and budgeted credits for the biennium to date, and the estimated fiscal impact of the oil extraction "trigger" provisions. He noted:

- Through June 20, 2022, \$101.9 million of tax credits were claimed with approximately 268,000 tax returns eligible for a full or partial credit out of 408,000 returns filed; and
- The oil extraction tax rate increased from 5 to 6 percent effective for June 2022 oil production because oil prices exceeded the "trigger" price for 3 consecutive months; and
- Oil extraction tax collections are estimated to increase by 20 percent as a result of the tax rate increase, and the additional tax collections will be allocated to the same funds as the existing oil extraction tax collections.

## COMMENTS

Mr. Dean Hoiland, Northwood, submitted comments ([Appendix E](#)) requesting committee support for additional funding for township roads.

Chairman Pollert noted the Legacy Fund Earnings Committee is not authorized to distribute any funding from the legacy fund or legacy fund earnings, and any recommendations from the committee would still require approval from the Legislative Assembly.

Representative Paul Thomas, Velva, provided comments ([Appendix F](#)) regarding a proposal to use legacy fund earnings to provide funding for county and township bridge projects. He noted:

- An Upper Great Plains Transportation Institute study from 2020 found 46 counties need at least 1 bridge rehabilitated or replaced, including 11 counties with 20 or more bridges needing rehabilitation or replacement; and
- An allocation of \$100 million per biennium from legacy fund earnings would provide an adequate level of funding to complete the county and township bridge rehabilitation and replacement projects over the next 10 years.

Representative Boschee provided comments ([Appendix G](#)) regarding a health and human services innovation fund as a proposed use of legacy fund earnings. He noted:

- The fund could be used for one-time initiatives, including a pilot program to provide temporary support for families transitioning out of state and federal economic assistance programs; and
- If a transition program resulted in a 10 percent reduction to caseloads for the Department of Human Services, the department could have estimated savings of \$15 million per year.

Representative Lefor presented a bill draft [[23.0087.01000](#)] to provide a separate allocation of legacy fund earnings to the Public Employees Retirement System main system plan. He noted:

- The current provisions to allocate legacy fund earnings provide an allocation to the main system plan from any remaining amounts in the legacy sinking and interest fund after the amount needed for bond payments; and
- A separate allocation of \$50 million per biennium would provide a fixed amount to help increase the actuarial funded ratio of the main system plan.

Senator Sorvaag and Senator Bekkedahl presented a bill draft [[23.0100.01000](#)] to use legacy fund earnings to support an economic diversification research fund and a workforce development and enrichment fund.

Senator Sorvaag noted:

- Up to \$30 million is allocated from legacy fund earnings for university research programs, the innovation loan fund to support technology advancement, and workforce enrichment initiatives based on current law, but no specific criteria have been established for eligible university research programs or workforce enrichment initiatives; and
- His proposal includes the creation of an economic diversification research fund to establish a program for university research using legacy fund earnings, which is similar to a program that was considered but not approved during the 2021 legislative session.

Senator Bekkedahl noted:

- Communities located in oil-producing counties wish to diversify their economies and workforce in preparation for a future decline in oil development activity; and
- His proposal includes the creation of a workforce development and enrichment fund to establish criteria for eligible workforce initiatives using legacy fund earnings.

No further business appearing, Chairman Pollert adjourned the meeting at 2:25 p.m.

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Adam Mathiak  
Senior Fiscal Analyst

ATTACH:7