

November 10, 2021

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1512

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 21-10-11 of the North Dakota Century Code, relating to the legacy and budget stabilization fund advisory board; to provide for the selection of a chairman; and to provide for an effective date.

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

**SECTION 1. AMENDMENT.** Section 21-10-11 of the North Dakota Century Code is amended and reenacted as follows:

**21-10-11. Legacy and budget stabilization fund advisory board.**

1. The legacy and budget stabilization fund advisory board is created to develop recommendations for the investment of funds in the legacy fund and the budget stabilization fund to present to the state investment board.
2. The goal of investment for the legacy fund is principal preservation while maximizing total return and to provide a direct benefit to the state by investing a portion of the principal in the state. Preference must be given to qualified investment firms and financial institutions with a presence in the state for investment of the legacy fund.
3. The board shall determine the asset allocation for the investment of the principal of the legacy fund including:
  - a. A target allocation of ten percent to fixed income investments within the state, of which:
    - (1) Up to forty percent must be targeted for infrastructure loans to political subdivisions under section 6-09-49.1. The net return to the legacy fund under this paragraph must be fixed at a target rate of one and one-half percent;
    - (2) Up to sixty percent, with a minimum of four hundred million dollars, must be designated to the Bank of North Dakota's certificate of deposit match program with an interest rate fixed at the equivalent yield of United States treasury bonds having the same term, up to a maximum term of twenty years; and
    - (3) Any remaining amounts must be designated for other qualified fixed income investments within the state.
  - b. A target allocation of ten percent to equity investments in the state, of which at:
    - (1) At least three percent may be targeted for investment in one or more equity funds, venture capital funds, or alternative investment funds with a primary strategy of investing in

emerging or expanding companies in the state. Equity investments under this ~~subdivision~~paragraph must:

- (1)(a) Be managed by qualified investment firms, financial institutions, or equity funds which have a strategy to invest in qualified companies operating or seeking to operate in the state and which have a direct connection to the state; and
- (2)(b) Have a benchmark investment return equal to the five-year average net return for the legacy fund, excluding in-state investments.

(2) The legacy and budget stabilization fund advisory board shall develop guidelines for eligible investments under this paragraph. The advisory board shall receive and review proposals for eligible investments under this paragraph, and the advisory board shall consult with industry representatives, financial professionals, or other technical advisors to review the proposed investments. The advisory board shall submit recommendations for investments under this paragraph to the state investment board.

- 4. The board consists of ~~two~~three members of the senate appointed by the senate majority leader, ~~two~~three members of the house of representatives appointed by the house majority leader, ~~the director of the office of management and budget or designee,~~ the president of the Bank of North Dakota or designee, and the tax commissioner or designee, the insurance commissioner or designee, and the state treasurer or designee. The board shall select a member from the senate or house of representatives to serve as chairman for no more than one consecutive year and must meet at the call of the chairman.
- 5. The board shall report at least semiannually to the budget section.
- 6. Legislative members are entitled to receive compensation and expense reimbursement as provided under section 54-03-20 and reimbursement for mileage as provided by law for state officers. The legislative council shall pay the compensation and expense reimbursement for the legislative members.
- 7. The legislative council shall provide staff services to the legacy and budget stabilization fund advisory board.
- 8. The staff and consultants of the state retirement and investment office shall advise the board in developing asset allocation and investment policies.
- 9. The board ~~shall~~may develop a process to select a member of the board who is not a member of the state investment board to serve on the state investment board in a nonvoting capacity.

**SECTION 2. LEGACY AND BUDGET STABILIZATION FUND ADVISORY BOARD - SELECTION OF CHAIRMAN.** Pursuant to the requirement for the legacy and budget stabilization fund advisory board to select a chairman under subsection 4

of section 21-10-11, the advisory board shall select a new chairman during its first meeting after the effective date of this Act.

**SECTION 3. EFFECTIVE DATE.** This Act becomes effective on December 1, 2021."

Renumber accordingly