

The proposed \$700 million development fund is associated with financing the new and expanding primary sector businesses in North Dakota in the 2021-2022 biennium year¹. The North Dakota Department of Commerce utilized the **Regional Economic Model Policy Insight (REMI PI*)**² to project the potential economic impacts of the proposed funds at the state level. The projected economic impacts include increases in the state economy size (as measured by the state gross domestic product (GDP) and output); payroll creation (as measured by personal income, earnings by the place of work, wages, and salaries); and new jobs created (as measured by employment). The study also estimates tax revenues from the sales and use tax and individual income tax. The economic impacts are projected for five years from 2021-2025 and ten years from 2021-2030. The estimated impacts are substantial, and the findings of this analysis are outlined below.

The analysis projected that from 2021-2025, the average annual economic impacts from the increase in investment funding for North Dakota in a given year would be:

- An increase in the state economy's size of \$322 million in economic output and \$180 million in the State GDP.
- An increase of 3,859 jobs in total employment, with 83 percent occurring across all private non-farm industries. This estimate consists of full-time and part-time workers.
- An increase of \$101 million in personal income and \$79 million in wages and salaries. These increases are driven almost entirely by the growth in labor income derived from the jobs created across all industries.
- An increase of \$2.4 million in tax revenues from the sales and use tax and \$1.05 million in tax revenues from individual income tax.

In the ten year projection period (2021-2030), the analysis projected the average annual economic impacts from the increase in investment funding for North Dakota in a given year would be:

- An increase in the state economy's size of \$387 million in economic output and \$220 million in the State GDP.
- An increase of 4,224 jobs across all industries, with 86 percent occurring across all private non-farm industries. This estimate consists of full-time and part-time workers.
- An increase of \$132 million in personal income and \$96 million in wages and salaries, driven almost entirely by the growth in labor income derived from the jobs created across all industries.
- An increase of \$3.09 million in tax revenues from the sales and use tax and \$1.45 million in tax revenues from individual income tax.

¹That is from July 1, 2021 to June 30, 2022

²Regional Economic Models, Inc. (REMI) is an independent company with offices in Amherst, MA and Washington, D.C. that provides non-partisan economic analysis and modeling software to its clients, who include federal, state, and local government agencies, non-profit organizations, universities, and private companies.

Legacy Fund Allocation (As of November 31st, 2020)

Asset Class	Allocation	Actual Dollars (Market Value)
Equity	50%	\$4.109B
Domestic Equity	30%	\$2.437B
Large Cap	22%	\$1.778B
Small Cap	8.0%	\$659M
International Equity	20%	\$1.670B
Fixed Income	35%	\$2.590B
Bank of ND CD Match	.5%	\$35M
Real Assets	15%	\$1.090B
Diversified Real Assets	10%	\$746M
Real Estate	5%	\$344M
Total	100%	\$7.3B

November 31st, 2020 - Legacy Fund Market Value - \$7,894,446,184

SIB uses fund managers to invest these dollars at the direction of the Legacy and Budget Stabilization Advisory Board and State Investment Board. We hire fund managers and experts to manage our money.

Proposed North Dakota Investment Strategy (Assuming \$7.8B Legacy Fund Valuation):

- 20% of the Legacy Fund allocated for investment in North Dakota:
 - 10% - Fixed Income investments in North Dakota
 - 10% - Equity Investments in North Dakota
- 20% of the Legacy Fund Equates to Roughly \$1.56B
 - \$780M – Fixed Income
 - \$780M – Equity Investments

Currently (as of November) \$35M (BND CD Match) is allocated towards North Dakota

Key Takeaways:

- Changing the goal of the Legacy Fund Investment Strategy, to what the people of North Dakota expected the goal to be: 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 investment firms and financial institutions with a presence in the state for investment of the legacy fund.
- We have the expertise to do these investments in the State of North Dakota

- We have the opportunity, we have the capital, we need to the willingness to invest in ourselves.
- The North Dakota investments would be managed like every other investment we manage at the State Investment Board, just be targeted towards North Dakota Investments and North Dakota Investment Managers.
- We struggle to acquire capital in our State, yet we are sitting on well over \$20B in combined funds that are invested by the State Investment Board. Outside of the \$90M in the BND CD Match Program, none are targeted to North Dakota
- The Legacy Fund is not a pension fund, its purpose is different, and we need to recognize the true purpose of the Legacy Fund.