

Introduced by

Senators Klein, Hogan, Meyer

Representatives Bosch, Kreidt

1 A BILL for an Act to amend and reenact sections 21-10-11 and 21-10-12 of the North Dakota  
2 Century Code, relating to the legacy and budget stabilization fund advisory board and legacy  
3 fund definitions; and to repeal section 6-09-49.1 of the North Dakota Century Code, relating to  
4 the legacy infrastructure loan fund.

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

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

8 **21-10-11. Legacy and budget stabilization fund advisory board.**

- 9 1. The legacy and budget stabilization fund advisory board is created to develop  
10 recommendations for the investment of funds in the legacy fund and the budget  
11 stabilization fund to present to the state investment board.
- 12 2. The goal of investment for the legacy fund is principal preservation and growth while  
13 maximizing total return for an appropriate level of risk and to provide a direct benefit to  
14 the state by investing a portion of the principal in the state. Preference must be given  
15 to qualified investment firms and financial institutions with a presence in the state for  
16 investment of the legacy fund.
- 17 3. The board shall determine the asset allocation for the investment of the principal of the  
18 legacy fund including:
- 19 a. A target allocation of ~~ten~~six percent to fixed income investments within the state,  
20 ~~of which:~~
- 21 ~~(1) Up to forty percent must be targeted for infrastructure loans to political-~~  
22 ~~subdivisions under section 6-09-49.1. The net return to the legacy fund~~  
23 ~~under this paragraph must be fixed at a target rate of one and one-half~~  
24 ~~percent;~~

- 1           (2) ~~Up to sixty percent~~, with a minimum of four hundred million dollars, ~~must be~~  
2           designated to the Bank of North Dakota's certificate of deposit match  
3           program with an interest rate fixed at the equivalent yield of United States  
4           treasury bonds having the same term, up to a maximum term of twenty  
5           years; and
- 6           (3) ~~Any with any~~ remaining amounts ~~must be~~ designated for other qualified  
7           fixed income investments within the state.
- 8           b. A target allocation of ~~ten~~three percent to equity investments in the state, of which:
- 9           (1) ~~At least three~~Three percent may be targeted for investment in one or more  
10          equity funds, venture capital funds, or alternative investment funds with a  
11          primary strategy of investing in emerging or expanding companies in the  
12          state. Equity investments under this paragraph must:
- 13          (a) Be managed by qualified investment firms, financial institutions, or  
14          equity funds which have a strategy to invest in qualified companies  
15          operating or seeking to operate in the state and which have a direct  
16          connection to the state; and
- 17          (b) Have a benchmark investment return equal to the five-year average  
18          net return for the legacy fund, excluding in-state investments; and
- 19          (2) ~~The legacy and budget stabilization fund advisory board may develop~~  
20          guidelines~~Any remaining amounts may be targeted~~ for other eligible  
21          investments under this subdivision based on guidelines developed by the  
22          legacy and budget stabilization fund advisory board.
- 23          4. The board consists of three members of the senate appointed by the senate majority  
24          leader, three members of the house of representatives appointed by the house  
25          majority leader, the president of the Bank of North Dakota or designee, the tax  
26          commissioner or designee, the insurance commissioner or designee, and the state  
27          treasurer or designee. The board shall select a member from the senate or house of  
28          representatives to serve as chairman for no more than one consecutive year and must  
29          meet at the call of the chairman.
- 30          5. The board shall report at least semiannually to the budget section.

- 1       6.   Legislative members are entitled to receive compensation and expense
- 2            reimbursement as provided under section 54-03-20 and reimbursement for mileage as
- 3            provided by law for state officers. The legislative council shall pay the compensation
- 4            and expense reimbursement for the legislative members.
- 5       7.   The legislative council shall provide staff services to the legacy and budget
- 6            stabilization fund advisory board.
- 7       8.   The staff and consultants of the state retirement and investment office shall advise the
- 8            board in developing asset allocation and investment policies.
- 9       9.   The board may develop a process to select a member of the board who is not a
- 10           member of the state investment board to serve on the state investment board in a
- 11           nonvoting capacity.

12       **SECTION 2. AMENDMENT.** Section 21-10-12 of the North Dakota Century Code is  
13 amended and reenacted as follows:

14       **21-10-12. Legacy fund definitions.**

15       For the purposes of section 26 of article X of the Constitution of North Dakota:

- 16       1.   "Earnings" means ~~net income in accordance with generally accepted accounting~~  
17           ~~principles, excluding any unrealized gains or losses~~ an amount equal to seven percent  
18           of the five-year average value of the legacy fund assets as reported by the state  
19           investment board using the value of the assets at the end of each fiscal year for the  
20           five-year period ending with the most recently completed even-numbered fiscal year.
- 21       2.   "Principal" means all moneys in the legacy fund not included in earnings as defined  
22           under subsection 1.

23       **SECTION 3. REPEAL.** Section 6-09-49.1 of the North Dakota Century Code is repealed.