

Representative Mike Lefor

HB 1379 Testimony

Good morning chair Vigesaa, vice chair Kempenich and members of the House appropriations committee, for the record, my name is Mike Lefor and I represent District 37 – Dickinson in the House. Today, I bring HB 1379 for your consideration.

HB 1379 or Legacy Streams II is an update to the original Legacy Streams bill. Attached to my testimony you will note opportunities in the streams for the 21-23 biennium under legislative intent. If you look at the first attachment, HB 1380 from last session, you see the breakdown of how the funds were allocated.

In HB 1379, starting on page one, line 14, there is created an agriculture infrastructure fund. The purpose of this fund would be to allocate dollars to the department of agriculture for grants to political subdivisions for the development of infrastructure improvements necessary for the development or enhancement of value-added agriculture businesses or grants to individuals or organizations for capital improvements for the same purpose.

Within the bill, committees are created for economic research and reporting requirements. On page three beginning on line 8 is the workforce development and enrichment fund and how the dollars are allocated. The streams are as follows, beginning on page seven, line 26,

POMV

1. Legacy Sinking and Interest Fund	\$102,620,461
2. PERS Retirement Plan	\$ 70,000,000
Highway Tax Distribution Fund	\$ 60,000,000
3. Tax Relief	\$200,000,000
4. Clean Sustainable Energy	\$ 30,000,000
5. Economic Diversification Fund	\$ 10,000,000
6. Innovation Loan Fund	\$ 10,000,000
7. Workforce Development Fund	\$ 10,000,000
8. Legacy Projects Fund	\$ 16,600,000

Excess

1. Legacy Projects Fund	\$ 73,400,000
2. County and Township Bridge Fund	\$100,000,000
3. Agriculture Infrastructure Fund	\$ 15,000,000
4. Bioscience Innovation Fund	\$ 15,000,000
5. SIIF	Remainder

2023-25 Biennium

Based on information from the Retirement and Investment Office, the estimated earnings available for transfer from the legacy fund to the legacy earnings fund at the end of the 2021-23 biennium total **\$680 million** based on the current definition of earnings, which includes dividends, interest, and realized gains and losses but excludes unrealized gains and losses. The amount available for spending for the 2023-25 biennium based on the percent of market value calculation, which uses 7 percent of the 5-year average balance of the legacy fund, totals **\$486.6 million**. Since the estimated earnings exceed the estimated amount available for spending, **\$193.4 million** of excess earnings would be available for additional allocations as provided by law.

As a reference, the legacy fund earnings available for transfer at the end of the 2021-23 biennium total **\$423.6 million** based on the earnings through November 30, 2022, as reported by the Retirement and Investment Office

2025-27 Biennium

Estimates of the legacy fund earnings for the 2023-25 biennium, which would be available for spending in the 2025-27 biennium, are not yet available. A preliminary projection of the earnings for the 2023-25 biennium would be **\$626 million**, and the amount available for spending would be **\$573 million** based on the following:

- Oil and gas tax revenues of \$675 million per year increasing the principal balance of the fund;
- Investment returns of 5.5 percent per year, including 2 percent related to unrealized gains and 3.5 percent related to dividends, interest, and realized gains; and

The fund balance increasing from \$7.9 billion on June 30, 2022, to \$9.5 billion on June 30, 2024.

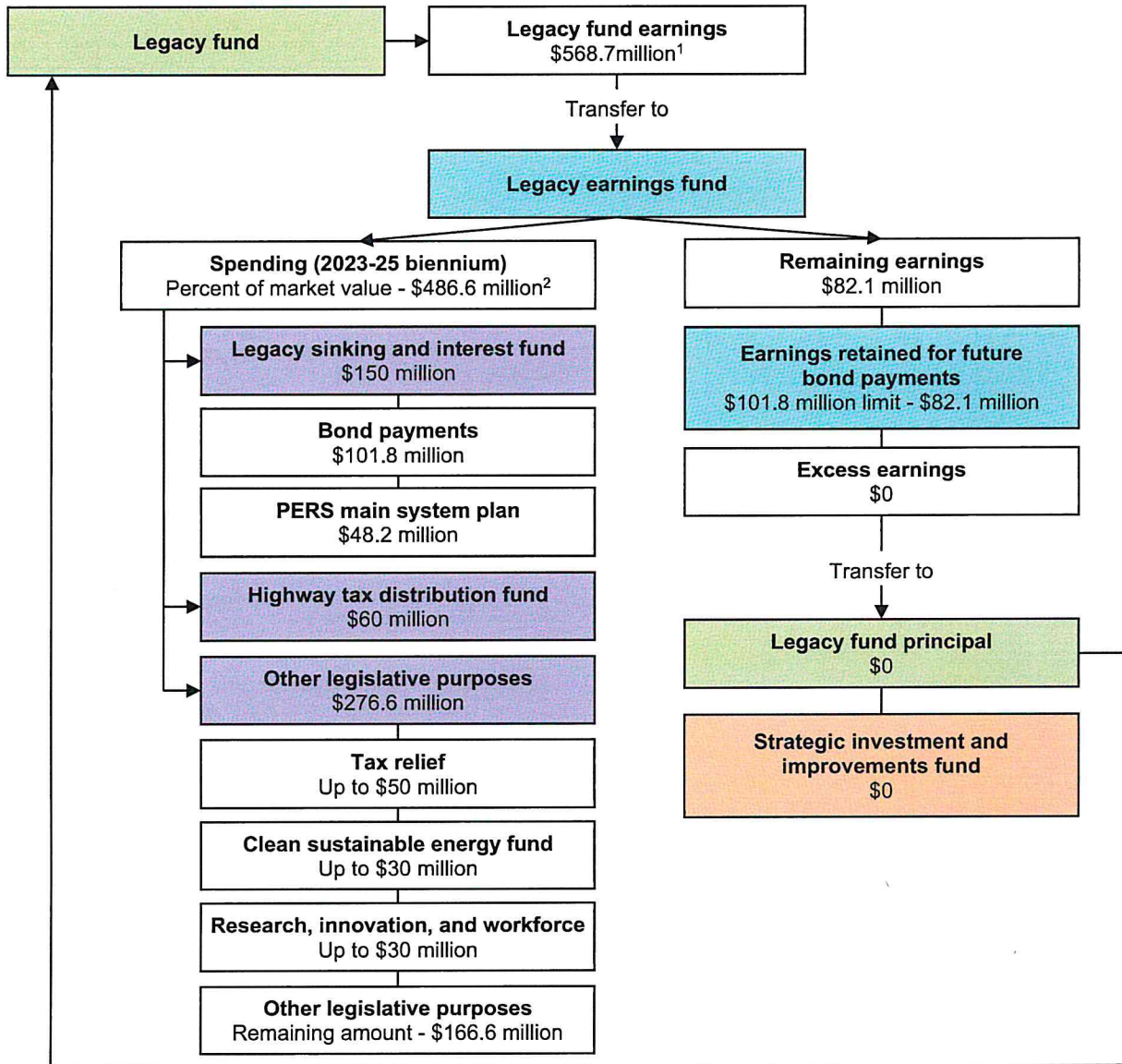
The Legacy Fund established by the voters of North Dakota many years ago has been put to good use on behalf of the state of North Dakota. Contained in the bill are dollars for bond payments, getting rid of our large retirement plan deficit, for roads, bridges, energy, economic development, innovation, legacy projects, workforce development, agriculture, biosciences making major investments in the future of our great state.

That completes my testimony, and I would be happy to answer any questions.

LEGACY FUND EARNINGS SCENARIO

This memorandum provides, for illustration purposes only, information on a legacy fund earnings scenario based the provisions of House Bill No. 1380 (2021), codified in North Dakota Century Code Section 21-10-13, and the amounts that may be allocated in the 2023-25 biennium using the 2021-23 biennium legacy fund earnings.

LEGACY FUND EARNINGS SCENARIO - 2021-23 BIENNIUM EARNINGS AND HOUSE BILL NO. 1380



NOTE: The amounts reflected on this schedule are not official allocations and are provided for illustration purposes only.

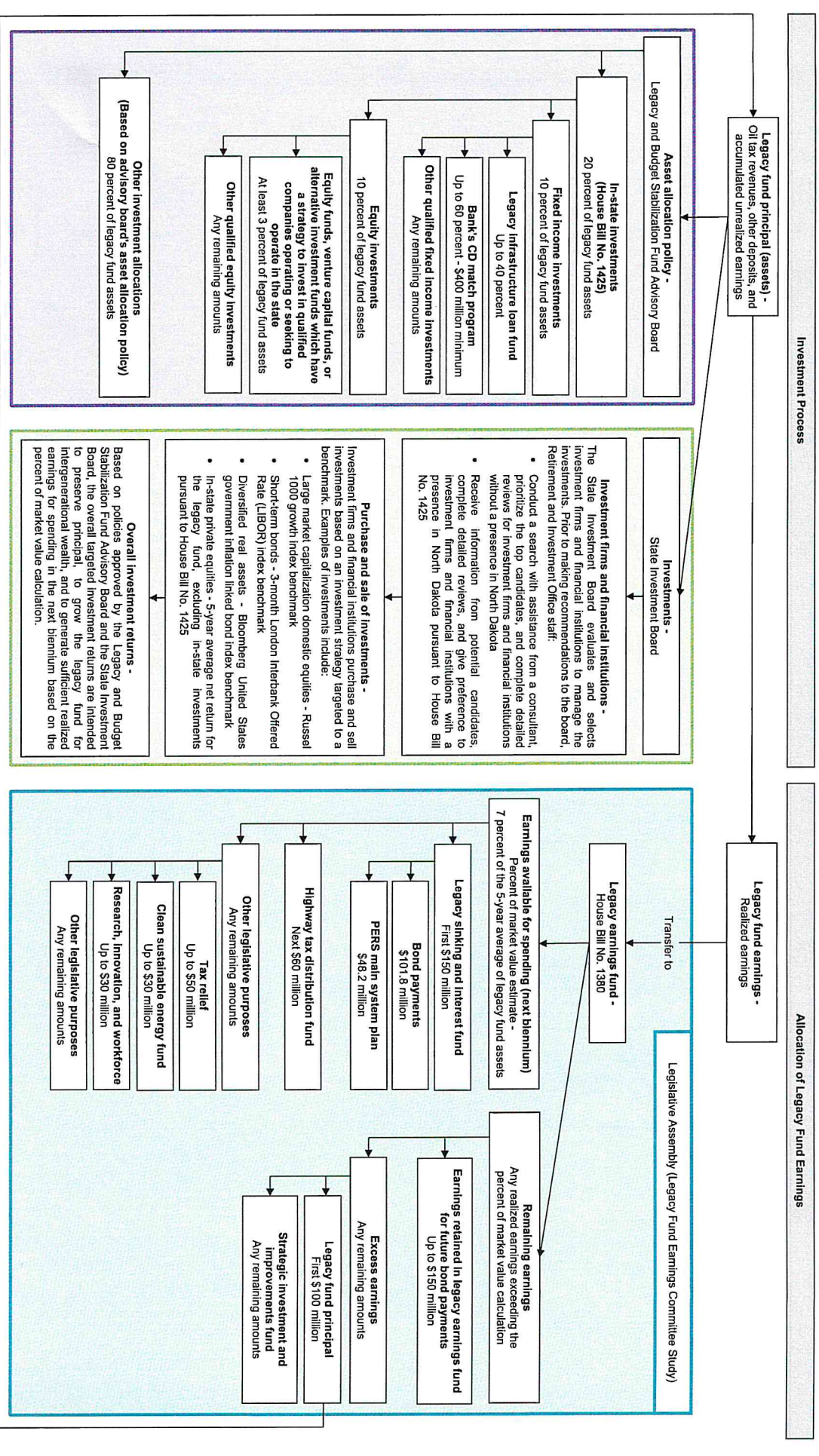
¹As reported by the Retirement and Investment Office, the actual realized earnings based on Section 21-10-12 totals \$568,719,459 for the 2021-23 biennium to date through June 30, 2022.

²Based on the following balances reported by the Retirement and Investment Office, the calculation for the percent of market value using 7 percent of the 5-year average of legacy fund assets for the 2023-25 biennium will be \$486,568,637:

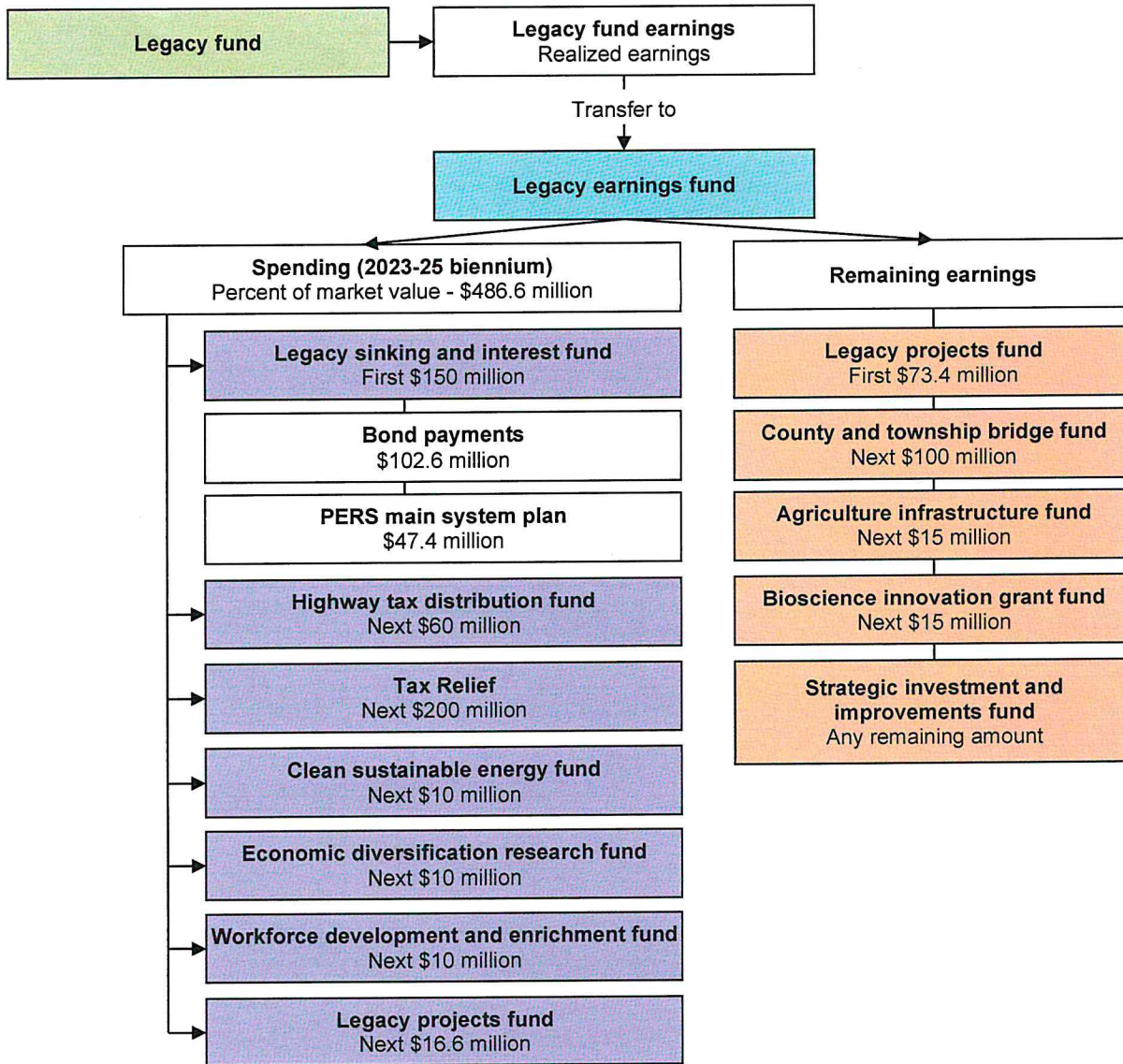
	Amount
June 30, 2018 balance	\$5,576,084,018
June 30, 2019 balance	6,122,227,871
June 30, 2020 balance	6,995,309,070
June 30, 2021 balance	8,115,202,181
June 30, 2022 balance	7,946,079,492
Average balance	\$6,950,980,526
Percent of market value (7 percent)	\$486,568,637

LEGACY FUND INVESTMENTS AND EARNINGS FLOWCHART

This memorandum provides information on the legacy fund investment process and the allocation of legacy fund earnings based on the provisions of House Bill Nos. 1360, 1425, and 1512 (2021), as codified in North Dakota Century Code Chapter 21-10, and the provisions of Section 26 of Article X of the Constitution of North Dakota, including the authority to develop the asset allocation policy (Legacy and Budget Stabilization Fund Advisory Board), to manage the investments (State Investment Board), and to determine the allocation of the earnings (Legislative Assembly).



2023-25 BIENNIUM LEGACY FUND EARNINGS - PROPOSED CHANGES IN HOUSE BILL NO. 1379



ESTIMATED LEGACY FUND EARNINGS 2023-25 Biennium

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