

OPINION

Port: Out-of-state consultant recommends out-of-state firm to manage North Dakota's new in-state investment program

People talk about "North Dakota nice." This is North Dakota self-loathing.

Written By: Rob Port | 3:50 pm, Apr. 27, 2021

MINOT, N.D. — North Dakota's reliance on consultants, at all levels of government, is an epidemic.

From state boards down to local school boards, our state's leaders can't seem to even tie their shoes without hiring a consultant.

Everybody knows it.

People in political circles joke about it.

The smartest person in the room, the oft-made quip goes, is the person from out-of-state with a briefcase.

Case in point, on April 8, **Gov. Doug Burgum** signed into law House Bill 1425, sponsored by **Rep. Mike Nathe** (R-Bismarck), which directs some of the principal of the Legacy Fund into an in-state investment program that directs capital to infrastructure projects and business ventures.

This was a hugely popular bill, passing 87-8 in the House and 47-0 in the Senate before Burgum put his signature on it, and it was needed, too. Historically the Legacy Fund has had a lot of money invested with the Putin regime in Russia, and in puppet companies for the Chinese Communists, and almost nothing invested in North Dakota.

Among the legislation's requirements is that the State Investment Board, which oversees the Legacy Fund, "give preference to investment firms and financial institutions with a presence in the state."

Per this hugely popular law, passed with broad bipartisan support, the SIB is supposed to make an effort to use North Dakota firms for managing investments.

So it was remarkable to see that by April 23, with the ink of Burgum's signature on HB 1425 barely dry, the SIB went ahead and followed the advice of their out-of-state consultant, Callan, to select an out of state firm from Chicago to manage North Dakota's brand new in-state investment program.

This firm, 50 South Capital of Chicago, may get a contract at the next SIB meeting in May.

Treasurer Thomas Beadle, a member of the SIB, tells me that, though he voted for 50 South, he's still making inquiries as to the proposal process that led to these finalists. He also said that he expects 50 South to act as an "umbrella" and will hire North Dakota-based firms to work under it.

Dave Hunter, the executive director of the SIB, assured the board members in the agenda for their April 23 meeting that whichever out-of-state firm they chose would be sure to open a North Dakota office as soon as they got the state's business.

I'm not joking. You can read it for yourself.

TO: State Investment Board
FROM: Dave Hunter
DATE: April 19, 2021
SUBJECT: SIB Meeting Materials – April 23, 2021

In-State Investment Program Update – After completing additional due diligence on the top three candidates advanced by the SIB last month, RIO and Callan identified 50 South Capital and Sun Mountain Capital as the top two finalists. All three firms were deemed to be strong candidates to expand the Legacy Fund In-State Investment Program (IIP) by providing needed capital to drive economic development in North Dakota. However, RIO and Callan ranked 50 South and Sun Mountain higher than GCM Grosvenor largely due to their proposals being more closely aligned with the desire to promote new capital formation for both new and existing entrepreneurs in our state in order to further diversify our economy and create jobs. 50 South Capital and Sun Mountain Capital also committed to establishing a physical presence in North Dakota. Finalist presentations will be distributed to the SIB on Monday, April 19th, in addition to RIO's recommendation based on a comprehensive due diligence process completed with Callan's exceptional assistance over the past six months.

Invesco Real Estate Recommendation – RIO will recommend the SIB approve a new \$200 million private real estate commitment to Invesco in order to reduce our current underweight allocation to the diversified real assets sector.

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This is North Dakota self-loathing.

This is simpering, craven deference to powerful consultants even despite what our own laws say.

Certainly, HB 1425 doesn't require the hiring of an in-state firm, but it does require that preference be given to such a firm. How did the State Investment Board even solicit proposals from North Dakota firms between April 8, when this program was created by the Legislature, and April 23, when the SIB made their decision?

The idea that 50 South Capital of Chicago can satisfy the preference language in HB 1425 by establishing some offices in our state is an insult to our intelligence.

One gets the idea that Hunter and his board feel they can do what they like, because nobody is really paying attention.