

HOUSE BILL NO. 1278

Introduced by

Representatives Lefor, Vigesaa, Vollmer, Swiontek

Senators Bekkedahl, Hogue, Patten, Rummel

1 A BILL for an Act to create and enact two new sections to chapter 54-11 of the North Dakota
2 Century Code, relating to the management and investment of moneys in the state treasury and
3 a cash management and investment board; to provide a report; and to provide a penalty.

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

5 **SECTION 1.** A new section to chapter 54-11 of the North Dakota Century Code is created
6 and enacted as follows:

7 **Moneys in the state treasury - Management and investment - Prohibition - Penalty -**
8 **Investment costs and reports.**

9 1. The state treasurer shall develop policies and procedures for the management and
10 investment of moneys in the state treasury based on the policies adopted by the cash
11 management and investment board. For purposes of this section, moneys in the state
12 treasury:

13 a. Include the general fund and special funds.

14 b. Exclude the veterans' postwar trust fund and funds invested by the state
15 investment board and the board of university and school lands.

16 2. Notwithstanding section 6-09-07, the state treasurer may invest a portion of the
17 moneys in the state treasury as liquid reserves or invested reserves based on the
18 policies adopted by the cash management and investment board as provided in
19 section 2 of this Act.

20 3. The state treasurer:

21 a. Shall apply the prudent investor rule for investing the moneys in the state
22 treasury in the same manner as section 21-10-07.

23 b. Shall properly account for the investment of the moneys in the state treasury,
24 including the allocation of investment earnings to the appropriate state funds.

- 1 c. May commingle, for investment purposes, the moneys in the state treasury when
- 2 determined to be advantageous.
- 3 d. May not make social investments as provided in section 21-10-08.1.
- 4 e. May not personally profit in any manner from transactions to manage and invest
- 5 the moneys in the state treasury. A violation of this subdivision is a class A
- 6 misdemeanor.
- 7 4. Within the limits of legislative appropriations, the state treasurer shall pay for
- 8 investment costs associated with the investment of the moneys in the state treasury,
- 9 including counseling fees, trustee fees, custodial fees, performance measurement
- 10 fees, money manager search expenses, audit fees, expenses to review investment
- 11 managers, and asset allocation expenses.
- 12 5. Annually, the state treasurer shall prepare a report on the investment performance of
- 13 the moneys in the state treasury. The report must include a list of investments at
- 14 market value with a comparison to the previous reporting period, comparisons to
- 15 relevant benchmarks, investment returns, and investment costs.

16 **SECTION 2.** A new section to chapter 54-11 of the North Dakota Century Code is created
17 and enacted as follows:

18 **Cash management and investment board - Report.**

- 19 1. The cash management and investment board is created to develop policies to present
- 20 to the state treasurer and the Bank of North Dakota for the management and
- 21 investment of moneys in the state treasury.
- 22 2. The board shall develop policies with a goal of managing and investing moneys in the
- 23 state treasury to ensure principal preservation and adequate liquidity for the state's
- 24 cash flow needs while maximizing total return for an appropriate level of risk. The
- 25 policies must include:
 - 26 a. A priority list to effectively manage cash resources.
 - 27 b. An available cash resource plan to meet agency cashflow needs.
 - 28 c. The determination of adequate liquidity levels for government operations.
- 29 3. The board shall adopt policies for managing the moneys in the state treasury which
- 30 must include designations for:
 - 31 a. Operating cash to provide for the state's daily cash flow and liquidity needs.

- 1 b. Liquid reserves to provide for the state's short-term cash flow and liquidity needs.
- 2 c. Invested reserves to provide for the state's intermediate or long-term cash flow
- 3 and liquidity needs while achieving a higher investment return.
- 4 4. The board shall determine the investment policies for the liquid reserves and invested
- 5 reserves, including the asset allocation and appropriate risk level.
- 6 5. The state treasurer shall provide staff services to the board. The staff and consultants
- 7 of the state treasurer's office and the Bank of North Dakota shall advise the board in
- 8 developing policies and determining investment policies.
- 9 6. Upon request, a state agency shall provide information to the board regarding cash
- 10 flow and liquidity needs, including projections for the timing of revenues and
- 11 expenditures.
- 12 7. The board consists of:
- 13 a. The state treasurer or the state treasurer's designee who shall serve as the
- 14 chairman;
- 15 b. The director of the office of management and budget or the director's designee;
- 16 c. The president of the Bank of North Dakota or the president's designee;
- 17 d. Two members of the house of representatives appointed by the house majority
- 18 leader; and
- 19 e. Two members of the senate appointed by the senate majority leader.
- 20 8. Legislative members of the board are entitled to receive compensation and expense
- 21 reimbursement as provided under section 54-03-20 and reimbursement for mileage as
- 22 provided by law for state officers. The legislative council shall pay the compensation
- 23 and expense reimbursement for the legislative members.
- 24 9. The board shall provide at least one report each fiscal year to the budget section.