

FISCAL NOTE
HOUSE BILL NO. 1163
LC# 25.0573.01000
01/14/2025

1 - State Fiscal Effect

Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.

	2023-2025 Biennium		2025-2027 Biennium		2027-2029 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

2 - County, City, School District, and Township Fiscal Effect

Identify the fiscal effect on the appropriate political subdivision.

	2023-2025 Biennium	2025-2027 Biennium	2027-2029 Biennium
Counties			
Cities			
School Districts			
Townships			

3 - Bill and Fiscal Impact Summary

Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).

See Attached

4 - Fiscal Impact Sections Detail

Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.

See Attached

5 - Revenues Detail

For information shown under state fiscal effect in 1 or 2, please explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.

6 - Expenditures Detail

For information shown under state fiscal effect in 1 or 2, please explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.

7 - Appropriations Detail

For information shown under state fiscal effect in 1 or 2, please explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.

Contact Information

Name: Rachel Kmetz

Agency: RIO

Telephone: 7013283459

Date Prepared: 01/14/2025

Fiscal Note
House Bill 1163
Summary of Consultant Information

Summary of Consultant Information:

Retirement and Investment’s Office, together with its consulting agency, RVK, Inc has reviewed the legislation proposed in this bill. Our initial analysis suggests a negative fiscal impact on the Legacy Fund of \$115.48 M in the Biennium that begins 7/1/25, followed by a negative fiscal impact of \$131.14 M in the Biennium that begins 7/1/27. Total negative fiscal impact is an expected opportunity cost to the Legacy Fund of \$246.62 M in the first 2 biennium.

Methods, Assumptions and Notes

The analysis begins by estimating what \$1 B invested in the current Legacy Fund is expected to return based on the current asset allocation of the fund and RVK’s current long-term capital market assumptions. The expected compound return for the current allocation is 6.09%. The analysis compares this output to what \$1 B would earn at 0.5% as proposed in the bill.

Additional Analysis could be completed that provides a more detailed range of potential outcomes by modeling additional variables for pace of deployment into the loan program, reasonable measures and adjustments that the Legacy Fund would have to take to manage uncertainty in the pace of deployment, and utilizing stochastic analysis to capture a range of potential return outcomes for the Legacy Fund.

The proposed size of the program is significant relative to the total size of the Legacy Fund (estimated at about 9% of current Legacy Fund assets). As such the program is likely to impose a high degree of disruption on the asset allocation structure and operation of the Legacy Fund, the costs of which are likely significant and difficult to fully estimate.

Exp Return	6.09%	0.50%		
	NDLF Allocation as of 10/31/2024	School Infra Loan at 0.5%		
In millions	\$1,000	\$1,000	Cumulative Fiscal Impact	Biennium Impact
year 1	\$1,060.90	\$1,005.00		
year 2	\$1,125.51	\$1,010.03	(\$115.48)	(\$115.48)
year 3	\$1,194.05	\$1,015.08		
year 4	\$1,266.77	\$1,020.15	(\$246.62)	(\$131.14)

	NDFL Target	NDFL as of 10/31/2024
Broad US Equity	27.5%	33.0%
Broad Int'l Equity	19.0%	23.0%
Private Equity (PE)	7.0%	0.6%
In-State PE	3.0%	0.5%
US Agg Fixed Inc	13.5%	19.0%
High Yield Fix Inc	5.0%	6.0%
Private Credit	10.0%	6.0%
BND CD Match	4.0%	2.7%
Infrastructure Loans	1.0%	0.5%
Core Real Estate	5.0%	3.7%
Private Core Infra.	5.0%	5.0%
Absolute Return		
Total	100.0%	100.0%
Expected Return	6.85%	6.67%
Expected Risk	11.90%	11.16%
Expected Compound Return	6.19%	6.09%
Exp Return/Risk Ratio		

NDFL: Custom real assets assumption = 65% to private real estate and 35% private infrastructure.