

PROPOSED AMENDMENTS TO

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 an~~
4 expiration date.

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

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

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

10 ~~—1.~~ The state treasurer in coordination with the Bank of North Dakota and the cash
11 management board shall review existing policies and procedures and, if necessary, develop
12 policies and procedures for the management ~~and investment~~ of moneys in the state treasury
13 ~~based on the policies adopted by the cash management and investment board.~~ For purposes of
14 this section, moneys in the state treasury:

15 a.1. Include the general fund and special funds.

16 b.2. Exclude the veterans' postwar trust fund and funds invested by the state investment
17 board and the board of university and school lands.

18 ~~—2.~~ Notwithstanding section 6-09-07, the state treasurer may invest a portion of the
19 moneys in the state treasury as liquid reserves or invested reserves based on the

- 1 ~~policies adopted by the cash management and investment board as provided in~~
2 ~~section 2 of this Act.~~
- 3 ~~3. The state treasurer:~~
- 4 ~~a. Shall apply the prudent investor rule for investing the moneys in the state~~
5 ~~treasury in the same manner as section 21-10-07.~~
- 6 ~~b. Shall properly account for the investment of the moneys in the state treasury,~~
7 ~~including the allocation of investment earnings to the appropriate state funds.~~
- 8 ~~c. May commingle, for investment purposes, the moneys in the state treasury when~~
9 ~~determined to be advantageous.~~
- 10 ~~d. May not make social investments as provided in section 21-10-08.1.~~
- 11 ~~e. May not personally profit in any manner from transactions to manage and invest~~
12 ~~the moneys in the state treasury. A violation of this subdivision is a class A~~
13 ~~misdemeanor.~~
- 14 ~~4. Within the limits of legislative appropriations, the state treasurer shall pay for~~
15 ~~investment costs associated with the investment of the moneys in the state treasury,~~
16 ~~including counseling fees, trustee fees, custodial fees, performance measurement~~
17 ~~fees, money manager search expenses, audit fees, expenses to review investment~~
18 ~~managers, and asset allocation expenses.~~
- 19 ~~5. Annually, the state treasurer shall prepare a report on the investment performance of~~
20 ~~the moneys in the state treasury. The report must include a list of investments at~~
21 ~~market value with a comparison to the previous reporting period, comparisons to~~
22 ~~relevant benchmarks, investment returns, and investment costs.~~

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

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

- 26 1. The cash management and investment board is created to:
- 27 a. Review existing policies and, if necessary, develop policies to present to in
28 coordination with the state treasurer and the Bank of North Dakota for the
29 management and investment of moneys in the state treasury.
- 30 b. Provide transparency regarding the state's consolidated financial position.
- 31 c. Identify state agency and interagency cash flow characteristics and processes.

- 1 d. Review state agency cash management technology and opportunities to improve
2 state cash management practices.
- 3 e. Review state agency and statewide operational cash flow requirements and
4 forecast cash flow needs.
- 5 f. Identify cash management practices to improve cash structures and to provide
6 transaction efficiencies.
- 7 2. The board shall review existing policies and, if necessary, develop policies with a goal
8 of managing ~~and investing~~ moneys in the state treasury to ensure principal
9 preservation and adequate liquidity for the state's cash flow needs while maximizing
10 total return ~~for~~ based on an appropriate level of statewide risk. The policies ~~must~~ may
11 include:
- 12 a. ~~A priority list to effectively manage cash resources~~ An appropriate tiered cash flow
13 structure.
- 14 b. ~~An available cash resource plan to meet agency cashflow needs~~ Authorization to
15 commingle, for management purposes, moneys in the state treasury when
16 determined to be advantageous.
- 17 c. ~~The determination of adequate liquidity levels for government~~
18 operations Prioritization to optimize cash flow structuring to align with the mission
19 of state agencies and the state's consolidated financial position.
- 20 3. The board shall adopt policies for managing the moneys in the state treasury which
21 must include designations for:
- 22 ~~a. Operating cash to provide for the state's daily cash flow and liquidity needs.~~
- 23 ~~b. Liquid reserves to provide for the state's short term cash flow and liquidity needs.~~
- 24 ~~c. Invested reserves to provide for the state's intermediate or long term cash flow~~
25 ~~and liquidity needs while achieving a higher investment return.~~
- 26 ~~4. The board shall determine the investment policies for the liquid reserves and invested~~
27 ~~reserves, including the asset allocation and appropriate risk level.~~
- 28 ~~5. The state treasurer~~ Bank of North Dakota shall provide staff services to the board. ~~The~~
29 ~~staff and consultants of the state treasurer's office and the Bank of North Dakota shall~~
30 ~~advise the board in developing policies and determining investment policies.~~

1 ~~6.4.~~ Upon request, a state agency shall provide information to the board regarding cash
2 flow and liquidity needs, including projections for the timing of revenues and
3 expenditures.

4 ~~7.5.~~ The board consists of:

5 a. The state treasurer or the state treasurer's designee who shall serve as the
6 chairman;

7 b. The director of the office of management and budget or the director's designee;

8 c. The president of the Bank of North Dakota or the president's designee;

9 d. Two members of the house of representatives appointed by the house majority
10 leader: ~~and~~

11 e. Two members of the senate appointed by the senate majority leader: and

12 f. ~~One member appointed by the~~The governor or the governor's designee.

13 ~~8.6.~~ Legislative members of the board are entitled to receive compensation and expense
14 reimbursement as provided under section 54-03-20 and reimbursement for mileage as
15 provided by law for state officers. The legislative council shall pay the compensation
16 and expense reimbursement for the legislative members.

17 ~~9.7.~~ The board shall provide at least one report each fiscal year to the budget section.

18 **SECTION 3. EXPIRATION DATE.** This Act is effective through June 30, 2028, and after that
19 date is in effective.