

**FISCAL NOTE**  
**Requested by Legislative Council**  
**04/22/2021**

Revised  
 Amendment to: Engrossed SB 2046

- 1 A. **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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
<b>Revenues</b>						
<b>Expenditures</b>			\$100,000,000	\$635,212		\$390,582
<b>Appropriations</b>			\$100,000,000	\$635,212		\$390,582

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
<b>Counties</b>		\$1,567,221	\$2,089,629
<b>Cities</b>		\$1,186,925	\$1,582,566
<b>School Districts</b>		\$1,924,882	\$2,566,510
<b>Townships</b>			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Closes the State DB Plan Jan 2023; increases new Pol Sub Plan employer/employee contributions .5% Jan 2022; creates a legacy earnings fund to receive the constitutionally mandated legacy fund earnings transfers, stipulates appropriation amount, and directs to multiple funds.

- B. **Fiscal impact sections:** *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.*

SB 2046 provides a .5% employer increase effective January 2022 for the NDPERS Political Sub System.

Section 18 transfers \$100,000,000 from the general fund to the NDPERS State Main plan on Jan 2023.

It also requires all legacy fund earnings which are constitutionally required to be transferred to the general fund at the end of each biennium be immediately transferred into the new legacy earnings fund. It also requires all interest and earnings derived from these funds be kept in this new fund. This would go into effect for legacy fund earnings generated and transferred during the 2021-23 biennium. It spells out the amount available for appropriation out of the new fund as six percent (6%) of the five-year average value of legacy fund assets as determined by SIB.

Beginning with the 2023-25 biennium, the bill would require transfers of the amount available for appropriation from the legacy earnings fund to newly created or existing funds as follows...

- First \$100M to legacy sinking and interest fund
- Next \$40M to the clean sustainable energy fund
- Next \$40M to the NDPERS Main Defined Benefit Plan
- Remainder to be designated by future legislative assembly

Any amounts in the new legacy earnings fund in EXCESS of this 6% amount are to be allocated as follows...

- 40% to strategic investment and improvements fund
- 40% to legacy fund to become part of the principal
- 20% to the income tax relief fund

It creates the new legacy sinking and interest fund to be used to meet debt service requirements. It creates the income tax relief fund to be used pursuant to legislative appropriations for income tax relief.

It spells out legislative intent regarding the future allocations of legacy earnings fund usage.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

For the 2021-23 biennium and going forward, the bill will require all of the constitutionally mandated legacy fund earnings which are transferred in to the general fund be transferred immediately to the new legacy earnings fund. Therefore, for the 2021-23 biennium, there will be a reduction in the available general fund revenues in an amount equal to the legacy fund earnings for the biennium.

Due to the complexity of estimating the legacy fund earnings under the current statutory definition of earnings, it would be very difficult to accurately estimate the actual amount of legacy fund earnings that would be transferred to the general fund and subsequently to the legacy earnings fund for the biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

Section 18 transfers \$100,000,000 from the general fund to the NDPERS State Main plan. Funds appropriated to the NDPERS plan from the Legacy Fund would be expended by that plan. NDPERS would require additional administration.

2 FTE - \$361,852 in salaries for a biennium and \$28,730 in operating for a total cost of \$390,582 each biennium

3 Full Time Temporary Staff for 1 year - \$152,850 in salaries and \$12,540 in operating for a total cost of \$165,390 for the first biennium.

Sagitec, the software company from which NDPERS licenses its business system, PERSLink, estimates it will take 1,000 hours to convert everything and get programming done for the State Plan. That will cost \$79,240 for the first biennium. Political subdivisions will also need to modify the programming on their payroll reporting systems, the cost of which is unknown.

C. **Appropriations:** *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.*

Section 18 transfers \$100,000,000 from the general fund to the NDPERS State Main plan.

Beginning in 2023-25 biennium, the bill appropriates out of the new legacy earnings fund as spelled out above.

The calculation of the five-year average value of the legacy fund will be based off the five-year period ending with the most recently completed even-numbered fiscal year.

NDPERS would require additional administration.

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SB 2046 divides the PERS DB Plan into a State Plan and a Political Subdivision plan; closes the State's Plan Jan 1, 2023; and provides a .5% employer and employee contribution increase Jan 2022 for the Political Sub Plan.

NDPERS has not had the opportunity to conduct an actuarial analysis of SB 2046 to determine the ongoing effects, or the ongoing costs, of the bill. Nor has SB 2046 been considered by the Employee Benefits Programs Committee, as required by the North Dakota Century Code. However, based on the actuarial analyses of previous bills that closed the State Plan in somewhat similar ways, we anticipate that the state's employer contribution rate for the State Plan will need to increase between 10% and 14% of compensation in order to stabilize the new State Plan and

put it on the track toward 100% funding. We can only determine the actual amount necessary to stabilize the new State Plan through an actuarial analysis.

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