

**FISCAL NOTE**  
**Requested by Legislative Council**  
**12/24/2020**

Bill/Resolution No.: HB 1037

- 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
Revenues						
Expenditures						
Appropriations						

- 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
Counties			
Cities			
School Districts			
Townships			

- 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).*

Section 1 of House Bill 1037 gives the state investment board authority over the investment of the legacy earnings fund. Section 2 of the bill creates the new fund and outlines the purposes and requirements of the fund.

- 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.*

Section 2 of HB 1037 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 bill would go into effect for legacy fund earnings generated and transferred during the 2021-23 biennium.

The bill then spells out the amount available for appropriation out of this new fund as six percent (6%) of the five-year average value of legacy fund assets as determined by SIB. Any amounts in the new legacy earnings fund in excess of this 6% amount are to be retained in the fund as a reserve balance for future use only if the amounts transferred from the legacy fund are insufficient to cover the calculated 6% of average value amount.

Beginning with the 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to the six percent amount calculated in paragraph 4 or the balance of the fund, whichever is less.

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, Section 2 of the bill will require all of the constitutionally mandated legacy fund earnings which are transferred in to the general fund be transferred 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.*
- 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.*

Beginning in 2023-25 biennium, the legislature will be able to appropriate out of the new legacy earnings fund an amount equal to six percent of the five-year average value of the legacy fund or the balance of this new fund, whichever is less.

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 so the legislature will know the amount available for appropriation prior to the normal convening of legislative session in January of each odd-numbered year.

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