

HB 1275

Definition of Principal Legacy Fund

Retirement and Investment Office

David Hunter, Executive Director/CIO

Darren Schulz, Deputy CIO

Janilyn Murtha, Deputy Executive Director/CRO

Suggested changes to HB 1275 - Definition of Principal

Page 4 Lines 13-14

“Principal” means all transfers into the legacy fund under North Dakota Constitution, Article X, Section 26, paragraph 1 and all earnings as defined in subsection 1 earned prior to July 1, 2017. Principal also includes realized earnings, as defined in subsection 1 and earned after June 30, 2017, that are reinvested in the fund after having been transferred to the general fund.

Section 26.

1. Thirty percent of total revenue derived from taxes on oil and gas production or extraction must be transferred by the state treasurer to a special fund in the state treasury known as the legacy fund. The legislative assembly may transfer funds from any source into the legacy fund and such transfers become part of the principal of the legacy fund.

****As currently written in HB 1275, principal would include unrealized gains/losses on investments.****

2. "Principal" means all moneys in the legacy fund not included in earnings as defined under subsection 1.

What is Principal?

\$10,000
Invested in CD at 5%
for one year

← This is the
principal amount



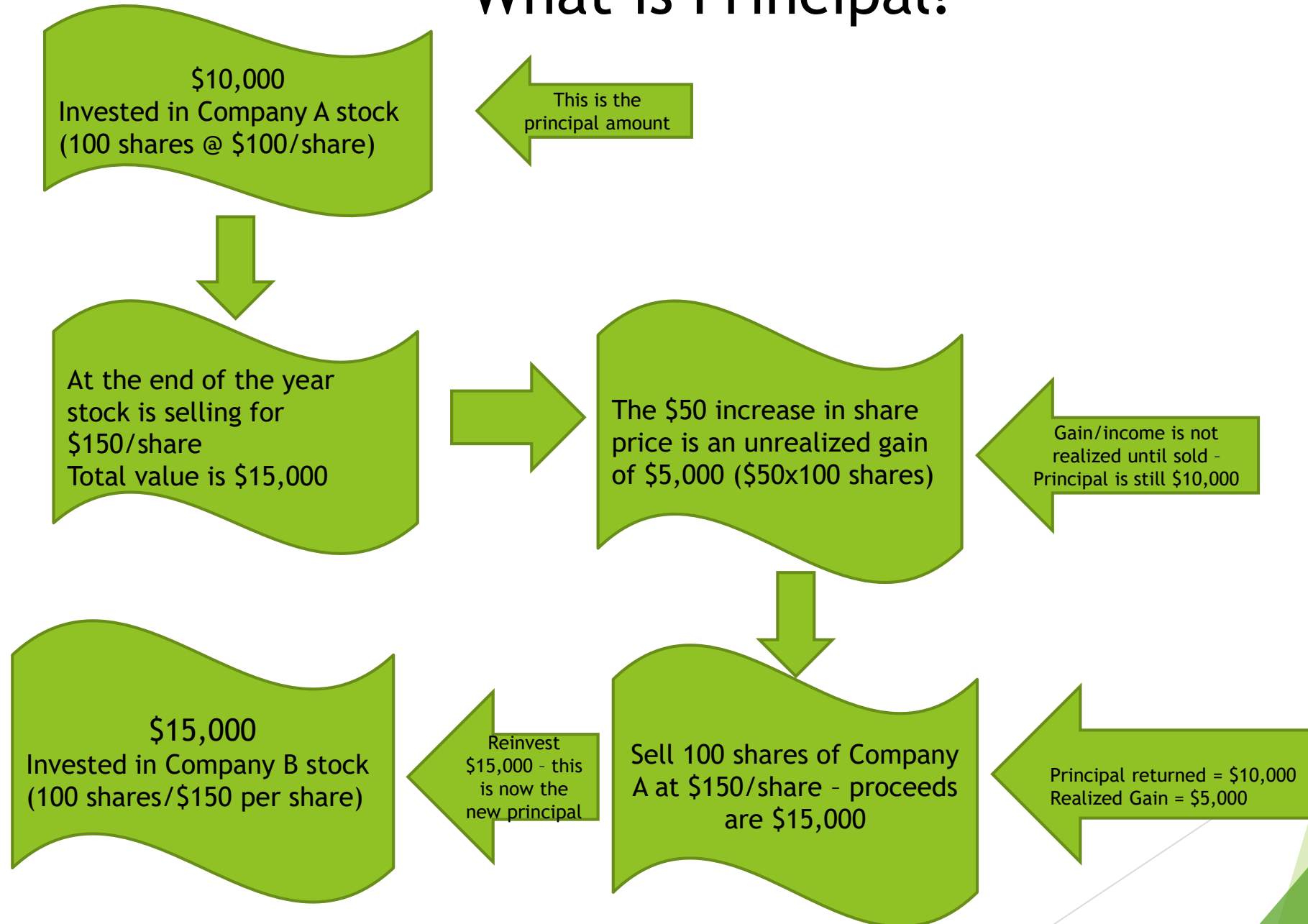
At the end of the year
you have \$10,500

← \$10,000 is
principal →

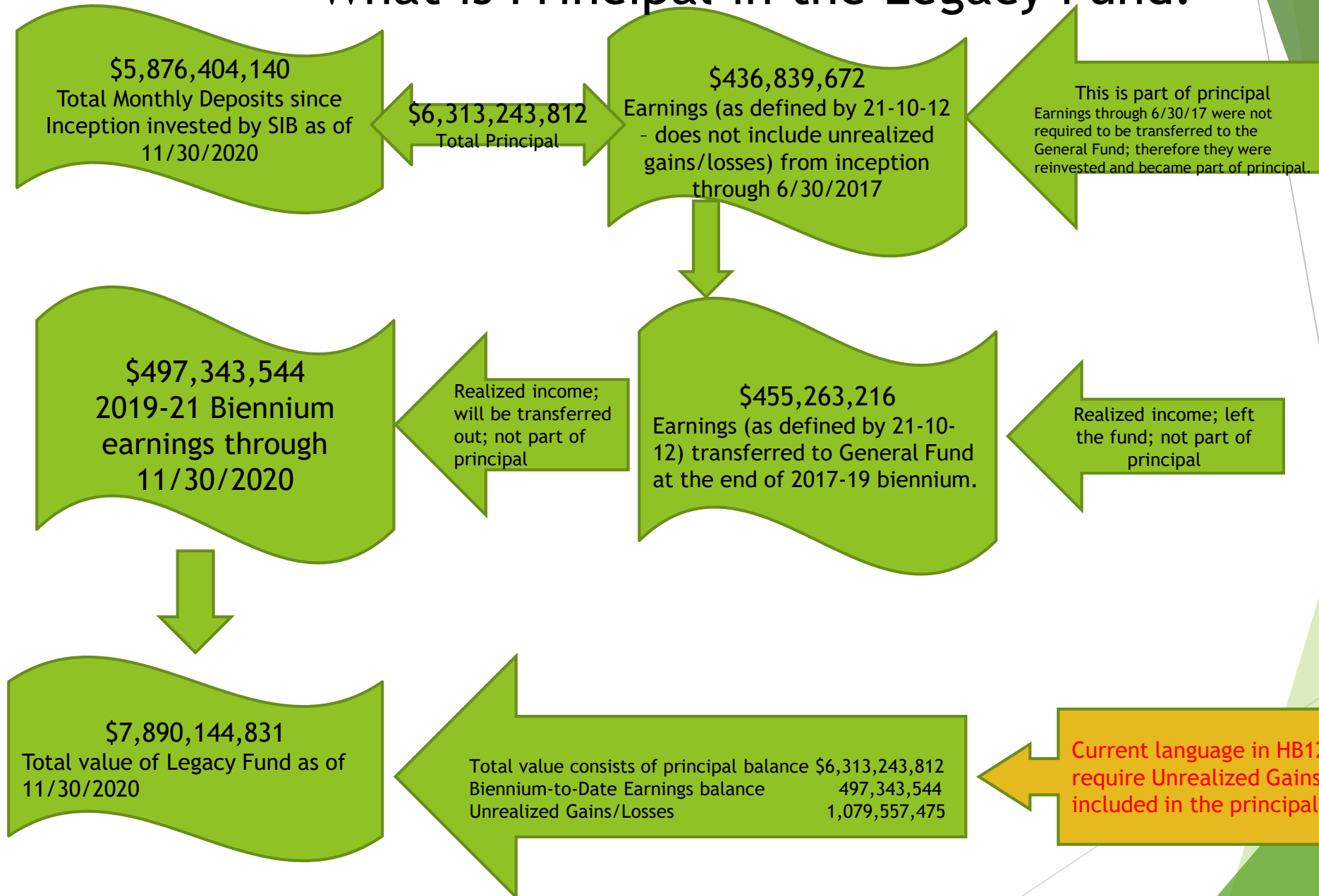
← \$500 is
earnings →

If you reinvest the \$10,500
in a new CD, that now
becomes the new principal
amount.

What is Principal?



What is Principal in the Legacy Fund?



North Dakota Retirement and Investment Office - Legacy Fund Website

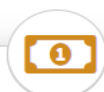
<https://www.rio.nd.gov/legacy-fund>



Legacy Fund

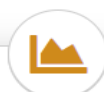
The Legacy Fund was created by a constitutional amendment in 2010. The amendment provides that 30% of oil and gas gross production and oil extraction taxes on oil produced after June 30, 2011, be transferred to the Legacy Fund. The State Investment Board (SIB) is responsible for the investment of the fund. The first Legacy Fund transfer was received by the SIB in September 2011. The ND Constitution also requires that all earnings accrued after June 30, 2017, must be transferred to the state's general fund at the end of each biennium.

Balances listed below as of November 30, 2020.



FUND VALUE

\$7,890,144,831



INCEPTION-TO-DATE NET INCOME

\$2,469,003,907



PRINCIPAL BALANCE

\$6,313,243,812



CURRENT BIENNIUM-TO-DATE EARNINGS

(as defined by NDCC 21-10-12)

\$497,343,544



EARNINGS TRANSFERRED TO GENERAL FUND

2017-19 Biennium

\$455,263,216

****PLEASE NOTE:** Monthly numbers are preliminary and subject to change.