FISCAL NOTE
SENATE BILL NO. 2330
LC# 23.0469.05000
04/25/2023

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.

	2021-2023 Biennium		2023-2025 Biennium		2025-2027 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.

	2021-2023 Biennium	2023-2025 Biennium	2025-2027 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).

SB 2330 modifies the asset allocation for the investment of legacy fund. It also modifies the definition of earnings as it pertains to the calculation of legacy fund earnings to be transferred to the general fund at the end of each biennium.

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.

Conference committee amendments to SB 2330 added the new Section 1 which reduces the maximum individual loan amount within the infrastructure loan fund from $40M to $20M per applicant.

The amendments to Section 2 of the bill change the in-state target allocation for the fixed income and equity pieces.

The fixed target allocation is changed from 6% to a set $700M. Of which, a statutory cap to the infrastructure revolving loan allocation is set at $150M with the remainder going to BND for match loans. The equity target allocation is changed from 3% to a set $600M.

An analysis done on these proposed amendments to the in-state target allocations indicate a $355M reduction in legacy fund value over the next 10 years versus the projected value of the fund under SB 2330 as originally proposed.

Section 2 of the bill defines earnings as an amount equal to seven percent of the five-year average value of the legacy fund assets. Currently, the definition of earnings means GAAP earnings, excluding unrealized gains or losses. This definition can cause the biennial earnings to swing drastically based on the inclusion of realized gains and losses. This change to a set percentage would match the earnings to be transferred with the calculated amount available for appropriation from the legacy earnings fund as defined in paragraph 3 of NDCC 21-10-13.

Under the current definition of earnings, the amount available for transfer varies significantly based on market conditions as well as other investment operations. This modification of the earnings definition would generate a much more consistent and predictable amount of earnings to be used by the legislature. As statute currently requires, all legacy fund earnings transferred to the general fund are to be immediately transferred to the legacy earnings fund. Of these earnings transferred to the legacy earnings fund, only an amount equal to seven percent of the five-year balance is available for appropriation through the legacy streams with the remainder either being returned to the legacy fund or placed in a separate special fund for future use. As such, any change in the amount of transfers from the legacy fund into the legacy earnings fund would be an equal change in the opposite direction for the legacy earnings fund and resulting in a net total special fund change of zero.

The main change would be that any GAAP legacy fund earnings in excess of the seven percent percent of market value calculation would remain in the legacy fund at the end of each biennium rather than flowing through to the legacy earnings fund per paragraph 5 of NDCC 21-10-13.

This bill also includes an emergency clause which would make the changes applicable when the bill is filed. The main effect of this would be to set the current biennium's legacy fund earnings to be transferred at the known 7% POMV amount ($486M) instead of an amount that will be determined at the end of the biennium.

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

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