

**FISCAL NOTE**  
**HOUSE BILL NO. 1278**  
**LC# 23.0455.02000**  
**02/20/2023**

**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).*

Engrossed HB 1278 amends NDCC to require additional reporting requirements for the SIB in relation to foreign and in-state investments. It amends the social investment prohibition statute to include ESG language and make it applicable to all state entities and finally, requires an ESG study.

**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.*

Section 1 of engrossed HB 1278 adds language to NDCC to clarify the State Investment Board's (SIB) ability to use both external and internal managers for its investment management services. Additional appropriations required for internal investment management have been included as part of the Retirement and Investment Office's biennial budget request in SB 2022 and are not required under this bill.

Section 2 requires additional reporting be done annually by the SIB. It requires an annual reporting of all countries in which SIB funds are invested. It also requires annual investment reporting to LAFRC. Finally it requires annual, or on demand, reporting of investment performance of the in-state investment program to the legacy and budget stabilization fund advisory board. There would be no additional fiscal impact of generating these additional reports.

Section 3 modifies the social investment prohibition definitions to include "and environmental, social, and governance impact criteria" under the definition of social investment which is prohibited by law. It also goes on to make this prohibition section applicable to all state agencies making investments. All financial contracts entered into by the SIB are for the exclusive benefit of each client fund it is investing for and, as such, cannot include any ESG or other non-pecuniary factors so there would be no additional fiscal impact because of this amendment.

Section 4 amends NDCC 54-44.4-02 to specifically preclude a state agency from creating or renewing any financial contract perpetually and without limitation.

Section 5 requires legislative management to study current ESG trends, issues, policies, and impacts to the state.

## **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.*

N/A

## **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.*

N/A

## **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.*

N/A

## **Contact Information**

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