

**2021 SENATE INDUSTRY, BUSINESS AND LABOR**

**SB 2320**

# 2021 SENATE STANDING COMMITTEE MINUTES

## Industry, Business and Labor Committee Fort Union Room, State Capitol

SB 2320  
2/3/2021 AM

relating to fiscal impact statements for a measure or policy affecting the legacy fund
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**Chair Klein** opened the hearing at 8:30 a.m. All members present. Senators Klein, Larsen, Burckhard, Vedaa, Kreun, and Marcellais.

### Discussion Topics:

- Spending of the legacy fund
- Bonds
- Investors

**Representative Kempenich** introduced the bill and testified in favor and submitted testimony #5147 [8:31].

**Dave Hunter, Director of Retirement Investment Office** testified in favor [8:50].

**Representative Nathe** testified in opposition [9:11].

**Chair Klein** ended the hearing at 9:27 a.m.

*Isabella Grotberg, Committee Clerk*

## Summary of Objectives

*"The Legacy Fund was created, in part, due to the recognition that state revenue from the oil and gas industry will be derived over a finite timeframe. The Legacy Fund defers the recognition of 30 percent of this revenue for the benefit of future generations. The primary mission of the Legacy Fund is to preserve the real, inflation-adjusted purchasing power of the monies deposited into the Fund."<sup>1</sup>*

- This policy excerpt introduces two key concepts used in our analysis:
  - Focus on building a corpus for future generations
  - Focus on preserving purchasing power
- Implications for asset allocation policy include:
  - Current income is not a primary focus – the Legacy Fund is a mechanism to defer income recognition.
  - The Legacy Fund is intended to help create generational equality – emphasis on growth and a very long-term investment horizon.

1. Source: North Dakota Legacy Fund Investment Policy Statement.

# Preserving Real Return

- Preservation of real, inflation-adjusted purchasing power implies the need for assets to grow by a rate that exceeds the combination of the rate of inflation, the spending rate, and expenses.
- Required Rate of Return > Expected Rate of Inflation + Expected Rate of Spending + Expenses

- **Example:**

2.5% Inflation  
3.5% Spending  
0.6% Expenses

$$2.5\% + 3.5\% + 0.6\% = 6.6\% \text{ or higher Required Rate of Return}$$

- The Required Rate of Return is a function of these variables.

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2:39 PM

**Chair Klein** opened the hearing at 2:39 p.m. All members were present. Senators Klein, Larsen, Burckhard, Vedaa, Kreun, and Marcellais.

### Discussion Topics:

- The necessity of the bill

**Senator Larsen** moved a DO NOT PASS [14:41].

**Senator Burckhard** seconded the motion [14:41].

[14:55]

Senators	Vote
Senator Jerry Klein	Y
Senator Doug Larsen	Y
Senator Randy A. Burckhard	Y
Senator Curt Kreun	Y
Senator Richard Marcellais	Y
Senator Shawn Vedaa	Y

Motion passed: 6-0-0

**Senator Klein** will carry the bill [14:55].

Chair Klein ended the hearing at 2:55 p.m.

*Isabella Grotberg, Committee Clerk*

**REPORT OF STANDING COMMITTEE**

**SB 2320: Industry, Business and Labor Committee (Sen. Klein, Chairman)** recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2320 was placed on the Eleventh order on the calendar.