

LEGACY FUND SUMMARY

LEGACY FUND HISTORY

In 2010, the voters of North Dakota approved a constitutional amendment to create the legacy fund (Section 26 of Article X of the Constitution of North Dakota). Pursuant to the measure, 30 percent of oil and gas gross production and oil extraction taxes are deposited in the legacy fund. The measure restricted the expenditure of principal and earnings until after June 30, 2017. Any expenditure of principal requires a vote of at least two-thirds of the members elected to each house of the Legislative Assembly, and the expenditure of principal may not exceed 15 percent of the principal balance of the legacy fund during a biennium. The Legislative Assembly may transfer funds from any source to the legacy fund, which become part of the principal of the fund. The State Investment Board is responsible for investing the principal of the legacy fund. Investment earnings accruing after June 30, 2017, are transferred to the general fund at the end of each biennium. North Dakota Century Code Section 21-10-12 provides a definition for the earnings of the legacy fund. The earnings include interest, dividends, and realized gains and losses, but exclude unrealized gains and losses.

The 2011 Legislative Assembly established the Legacy and Budget Stabilization Fund Advisory Board to develop recommendations for the investment of the legacy fund and the budget stabilization fund. The goal of the investment strategy is principal preservation while maximizing total returns. The advisory board makes recommendations to the State Investment Board, including asset allocations and investment policies.

STATUS OF THE LEGACY FUND

During the budgeting process for the 2017-19 biennium, the 2017 Legislative Assembly included \$200 million of estimated legacy fund earnings in the general fund revenue forecast. The 2019 Legislative Assembly revised the general fund revenue forecast for the 2017-19 biennium to include \$300 million of estimated legacy fund earnings, an increase of \$100 million compared to the original estimate. The 2017-19 biennium earnings of the legacy fund transferred to the general fund at the end of the biennium were \$455.26 million.

For the 2019-21 biennium through September 2019, the investment earnings of the legacy fund that are eligible to be transferred to the general fund at the end of the biennium total \$126.7 million, including \$46.9 million related to June 2019 earnings and \$79.8 million related to 2019-21 biennium earnings. As a part of the 2019 legislative revenue forecast, the Legislative Assembly budgeted for a transfer of \$100 million from the legacy fund to the general fund at the end of the 2019-21 biennium.

The balance of the legacy fund as of September 30, 2019, is \$6.36 billion, including principal of \$5.78 billion and cumulative realized and unrealized investment earnings of \$0.58 billion.