

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2019-20		FY 2020-21	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	172,215		167,515	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	172,215		167,515	

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

Current law requires specified financial institutions that accept deposits by the State of Nebraska or its political subdivisions, which exceed the amount insured by the Federal Deposit Insurance Corporation (FDIC), to pledge collateral to secure such excess amounts. LB622 would provide for a mechanism (single-bank pooled method) whereby such collateral could be based on the total of such public deposits accepted by a bank as opposed to pledging collateral individually for each relevant public entity's deposit account(s).

The bill would assign oversight and administrative responsibilities to the Department of Banking and Finance (Department) with respect to the alternative single bank pooled method for securing deposits of public funds. The bill authorizes the Director of Banking and Finance (Director) to delegate such of his or her rights and responsibilities relating to the single-bank pooled method to financial entities as specified in the bill to the extent the director deems appropriate. Fees and expenses of any such entity to which the director may delegate such rights and responsibilities are to be paid by financial institutions utilizing the single-bank pooled method to secure public fund deposits.

The Department indicates that if the Director determines that oversight and administrative responsibilities associated with provisions of LB622 were to be retained and performed by the Department, the agency would incur workload necessitating ongoing funding for a professional Review Examiner position (1.0 FTE), an administrative support staff position (1.0 FTE) and associated non-personnel expenses. The Department estimates related cash fund expenses at \$172,215 for 2019-20 and 167,515 for 2020-21. The agency's estimate of related costs appear reasonable.

The Department further indicates that if the Director determines that responsibilities as provided in LB622 were to be delegated to a third party as authorized by the bill, the agency would incur workload necessitating funding for personnel and non-personnel costs as estimated above for a two-year period. Such costs are estimated to be incurred over the period to develop requests for information and proposals (RFI and RFP) to support selection of a third party to administer a single bank pooled method for securing deposits of public funds. Such costs over the two-year period are estimated to also include expenses associated with promulgating rules and regulations as well as development of standards, procedures, and an electronic process for monitoring the safety of public fund deposits. Following a two-year implementation period, the Department estimates it could accommodate costs to monitor a third party administrator of a single bank pooled method for securing deposits of public funds at existing levels of funding resources. The agency's estimate of related costs under this scenario also appear reasonable.

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2019

LB⁽¹⁾ 622

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Banking & Finance

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2019-20</u>		<u>FY 2020-21</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>172,215</u>	_____	<u>167,515</u>	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u><u>172,215</u></u>	<u>_____</u>	<u><u>167,515</u></u>	<u>_____</u>

Explanation of Estimate:

LB 622 would authorize banks, capital stock financial institutions, or qualifying mutual financial institutions to secure the deposit of public money or public funds using “the dedicated method,” “the single bank pooled method,” or both methods. The bill provides duties to the Department of Banking and Finance with respect to the single bank pooled method. Section 9 of the bill provides that the Director may delegate these duties and responsibilities to a qualified third party.

If the Director determines that the duties will remain with the Department, the Department will require an additional two permanent positions: a Review Examiner and a skilled assistant. Nebraska Bank Call Reports currently identify over \$7 Billion in pledged securities. LB 622 would require the Department to write and enforce rules, design an initial single bank pledge pool structure, exercise daily administration and oversight of the pledging, substitution, and valuing of securities’ pledges by state and national institutions, review reports, and create and disseminate reports on a monthly basis. Initial start-up, in addition to promulgating rules, include the need to identify participants to the program, identify safe keeping agents, create a RFI and RFP to identify and select partners, define a secure electronic process to identify and audit items including physical security movement, perfection of security, market value of security, as well as track maturity and the occasional bond call, and identify a single pooled process whereby the total available to pledge is available to public entities. The Department would need to create a review process and testing of various levels of reports for all stakeholders and identify significant costs, creating a fee equated to shared cost of operation.

If the Director determines that the duties will be delegated to an outside third party, the Department will require an additional Review Examiner position and a skilled assistant for two years to create the RFI and RFP for selection of the third party administrator, promulgate rules that will set the requirements for the above processes, and develop standards, procedures, and an electronic process for ongoing monitoring of the third party and the safety of the public funds. Following the two-year implementation period, the Department believes it will be able to absorb the costs of monitoring from existing resources.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2019-20</u>	<u>2020-21</u>
	<u>19-20</u>	<u>20-21</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Review Examiner	<u>1</u>	<u>1</u>	<u>81,201</u>	<u>81,201</u>
Administrative Assistant II	<u>1</u>	<u>1</u>	<u>40,030</u>	<u>40,030</u>
Benefits.....			<u>36,369</u>	<u>36,369</u>
Operating.....			<u>8,315</u>	<u>8,315</u>
Travel.....				<u>1,600</u>
Capital outlay.....			<u>6,300</u>	
Aid.....				
Capital improvements.....				
TOTAL.....			<u>172,215</u>	<u>167,515</u>