

FISCAL NOTE
 LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES *				
	FY 2008-09		FY 2009-10	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$273,513		\$184,050	
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$273,513		\$184,050	

*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB992 provides that within 90 days after the effective date of this act, the state investment officer (SIO) shall make his or her best efforts to identify all companies that have business operations that involve contracts with or the provision of supplies or services to the Government of Sudan in which the state has direct or indirect holdings as a result of its investments. LB992 outlines the SIO's duties, responsibilities and reporting requirements in order to carry-out this directive.

The Nebraska Investment Council (NIC) estimates the impact of LB992 as follows.

	FY2008-09	FY2009-10
Option A		
Services to screen portfolios	145,000	145,000
Legal Work	25,000	10,000
Staff (1.0 FTE FY09; .25 FTE FY10)	103,513	29,050
Total Option A	273,513	184,050

The NIC provides an option to adding staff as follows.

	FY2008-09	FY2009-10
Option B		
Services to screen portfolios	145,000	145,000
Legal Work	25,000	10,000
Investment Consultant	450,000	138,000
Total Option B	620,000	293,000

In addition to Options A or B above, the NIC estimates a cost of \$2 million to transition to funds that are in compliance with LB992. This would be a one-time cost and would be a reduction to the impacted funds' return, not a direct out-of-pocket cost.

Also the NIC indicates the impact of increase tracking error (risk) to be over \$12 million. Note, this could be to the good (more) or the bad (less).

There is no basis to disagree with estimates provided.

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DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	1/29/08	PHONE	471-2526
<p data-bbox="81 289 235 315">COMMENTS</p> <p data-bbox="81 346 1542 430">Disagree with the Agency's estimate of the impact. The Agency has combined two scenarios: Increasing staff or using an outside investment consultant in their calculation of operating expenses. If the increased staff scenario is used, the total impact for FY2009-10 would be \$175,048. If the outside investment consultant scenario was used, the total impact for FY2009-10 would be \$620,000.</p> <p data-bbox="81 451 1542 535">Disagree with Agency that an additional Investment Officer would be required to comply with the provisions of LB992. Currently the Investment Council monitors Northern Ireland (RSS 72-1246.6 to 72-1246.8) by utilizing a service similar to the one indicated in the fiscal note for approximately \$16,000 a year.</p> <p data-bbox="81 556 1542 703">There would be an indirect General Fund impact if the Investment Council's appropriated budget was increased. The investment income is reduced by the amount of Investment Council's appropriated budget. In the Investment Council's 3rd Quarter (ending 9/30/07) Performance Report, it was shown that of all funds under investment of the Investment Council, the Operating Investment Pool is 18.0% of the total. As of December 2007, the General Funds was 18.9% of the Operating Investment Pool. This would mean a reduction in investment earnings for General Funds of approximate 3.4% or \$24,614 ($\\$723,513 * 3.4\%$).</p> <p data-bbox="81 724 1542 787">Using this 3.4% reduction in earnings for General Funds and apply to the funds that are in portfolios not directly managed by the Investment Council, the lost income could be estimated to be \$484,930 ($\\$14,254,276 * 3.4\%$) per year.</p>					