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FISCAL IMPACT REPORT

SPONSOR Carraro **DATE TYPED** 02/25/05 **HB** _____

SHORT TITLE Create State Investment Funds Task Force **SB** SJM 13

ANALYST Padilla-Jackson

REVENUE

Estimated Revenue		Subsequent Years Impact	Recurring or Non-Rec	Fund Affected
FY05	FY06			
NFI*	NFI*			

(Parenthesis () Indicate Revenue Decreases)

*See Fiscal Implications section below

Duplicate of House Joint Memorial 20

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis of Bill

Senate Joint Memorial 13 requests that the Legislative Council create and appoint members of the legislature to the State Investment Fund Task Force. The State Investment Funds Task Force would continue the work of the State Permanent Fund Task Force, which was created in 2004 to examine the controls and safeguards applicable to investments of the permanent funds. Senate Joint Memorial 13 also requests that the Department of Finance and Administration, the State Investment Council, the Public Employees Retirement Association and the Educational Retirement Board appointment members to the State Investment Funds Taskforce.

This joint memorial is being proposed on behalf of the State Permanent Fund Task Force.

Significant Issues

Work During the 2004 Interim

According to the Final Report of the State Permanent Fund Task Force, the task force convened on four occasions in Santa Fe. At these meetings, the task force received testimony on the history

of the severance tax and its relationship with severance tax bonds, the permanent fund and public school capital outlay. Also, the task force received testimony concerning the sources and uses of funds associated with the land grant permanent fund. The two retirement funds were explored in depth with emphasis on unfunded liabilities, contribution rates and investment performance. The task force also received testimony concerning investment instruments, market performance, banking practices and alternative strategies for financing capital projects.

PERFORMANCE IMPLICATIONS

According to the final report, the task force focused on four areas intended to assist the investment agencies in the performance of their duties. These are:

- removal of statutory limitations on investment instruments in favor of the higher standard imposed by the Prudent Investor Act;
- exempting the investment agencies from the lengthy bid process required by the procurement code in the case of personal service investment advisor contracts;
- revision of the statutes that prohibit the use of out-of-state custodial banks; and
- permitting custodial banks to serve as securities lenders.

FISCAL IMPLICATIONS

There is no direct fiscal impact. That said, an appropriation has already been made in House Bill 1 for \$886 thousand for all 2005 interim committees. According to estimates from the Legislative Council Service, including per diem and mileage, a committee this size, meeting around four times throughout the summer, could cost anywhere from \$4 to \$7 thousand.

ADMINISTRATIVE IMPLICATIONS

Over the interim, the State Permanent Fund Taskforce was assigned two staff members from the Legislative Council Service. On occasion, staff of the legislative finance committee and public school facilities authority also assisted.

According to the Legislative Council Service, approximately 40 man hours were spent over the 2004 interim (4 meetings x approximately 10 man hours per meeting). Activities included preparing the agenda and lining up witnesses (approximately 4 hours per meeting), and writing the minutes. (approximately 4 hours per meeting). Research was occasionally requested from the Legislative Council staff (average of 2 hours per meeting). Witnesses would typically provide their own photocopies and no external resources were necessary.

OPJ/lg