

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 154** HLS 21RS 489
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2021 2:00 PM **Author:** ZERINGUE
Dept./Agy.: LA State Treasury **Analyst:** Alan M. Boxberger
Subject: Provides relative to investment authority of the treasurer

FUNDS/INVESTMENTS EG SEE FISC NOTE SD RV See Note Page 1 of 1
 (Constitutional Amendment) Provides relative to the maximum amount of monies in certain funds that may be invested in stocks

Present constitution establishes the LA Education Quality Trust Fund (LEQTF), the Millennium Trust, the Artificial Reef Development Fund, the Lifetime License Endowment Trust Fund, the Rockefeller Wildlife Refuge Trust and Protection Fund, the Russell Sage or Marsh Island Refuge Fund, and the Medicaid Trust Fund for the Elderly; provides for deposit and use of monies in the funds; and provides for certain maximum limits on the percentage of monies in the funds that may be invested in equities. Proposed constitutional amendment increases the maximum percentage of monies in these funds that may be invested in equities to 65%. Proposed constitutional amendment will be submitted to the voters at the statewide election to be held November 8, 2022.

EXPENDITURES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	SEE BELOW	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0		\$0	\$0	\$0	\$0
REVENUES	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

The Secretary of State may incur minimal ballot printing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the November 8, 2022, statewide election. Any expenditure impact would be realized in FY 23.

REVENUE EXPLANATION

HB 154 is the constitutional companion to HB 142 and provides for the investment authority of the Treasury with regard to certain dedicated funds. Proposed constitutional amendment will likely result in increased revenues to the LA Education Quality Trust Fund (LEQTF), the Millennium Trust, the Artificial Reef Development Fund, the Lifetime License Endowment Trust Fund, the Rockefeller Wildlife Refuge Trust and Protection Fund, the Russell Sage or Marsh Island Refuge Fund, and the Medicaid Trust Fund for the Elderly. Proposed law will allow flexibility to the Treasury to adjust the proportion of fixed income investments and equity investments in the investment portfolio of each fund, allowing the Treasury the opportunity to shift investments to maximize income and growth potential within funds available for investment. The Treasury estimates that if in each year, 2.5% of the trust funds' fixed income investments that mature are reinvested in stocks paying dividends, the investment portfolios would increase estimated cumulative revenue potential by approximately \$885,000 per year (i.e., \$885,000 in year one, \$1.77 M in year two, \$2.66 M in year three and so on).

Shifting the balance of the investment portfolio more heavily into stock paying dividends will yield a larger return on investment over the long-term. Stock paying dividends historically produce a greater growth return on investment when compared to fixed income investments such as government and corporate bonds, certificates of deposit and other instruments. However, investments in stocks are also accompanied by higher risk, and investment returns (especially capital values) in any given year are not guaranteed and will vary based on market conditions. Investment in dividend paying stocks assures a greater likelihood of annual income from the portfolio even when market values decline.

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Christopher A. Keaton
 Legislative Fiscal Officer