

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 832** HLS 14RS 1086

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

Date: March 18, 2014 11:06 AM	Author: BROADWATER
Dept./Agy.: State Treasury	Analyst: Travis McIlwain
Subject: Permissible investments for LA Education Quality Trust Fund	

TREASURER

OR SEE FISC NOTE SD RV

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Provides relative to permissible investment by the state treasurer of offshore revenues deposited into the Louisiana Education Quality Trust Fund

Proposed legislation allows the state treasurer to invest LA Education Quality Trust Fund monies in open-end mutual funds, closed-end mutual funds, exchange traded funds and unit investment trusts consisting of international securities constructed to track the components of a market index provided by globally recognized index providers. Proposed legislation limits the total investment in any and all such index funds at one time from exceeding 10% of the market value of all funds held by the treasurer in the LA Education Quality Trust Fund.

EXPENDITURES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$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>	<u>\$0</u>
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2014-15	2015-16	2016-17	2017-18	2018-19	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
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>	<u>\$0</u>
Annual Total						

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure. The State Treasury anticipates a one time fee of \$25,000 to perform a search for the appropriate index and provider fund manager. This one time costs has been built into the department's FY 15 budget. This one time fee will be paid from LA Education Quality Trust Fund monies.

REVENUE EXPLANATION

The bill allows the LEQTF investment portfolio to include a limited exposure to international securities through different kinds indexed investment instruments. While this international exposure is allowed through market indexed instruments, greater risk would typically be expected from this portion of the portfolio. Over time, greater risk should be rewarded with greater return. According to the state treasury, under current market conditions, additional capital gains and dividends of approximately \$2 million per year might be expected. However, in any particular year returns can vary substantially and losses are possible.

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|---|----------------------------|--------------|--|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 State Rev. Reduc. {H & S} |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} |

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