

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS				

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

LB77 would adopt the Nebraska Iran Divestment Act (NIDA). The NIDA indicates that state funds and funds administered by the state, including public employee retirement funds, could not be invested in companies that provide power production-related services, mineral extraction activities, or military equipment to the government of Iran. LB77 would apply to any direct holding in a company on the scrutinized list and does not apply to indirect holdings in a company on the scrutinized list. NIDA does not apply to the following.

- Direct holdings in a social development company, and
- Direct holdings in a U.S. company that is authorized by the U.S. government to have active business operations in Iran.

Attorney General (AG) Responsibilities

- Within 90 days following the effective date of the act, the AG shall use his or her best efforts to assemble a comprehensive list of scrutinized companies.
- The AG shall transmit the completed comprehensive scrutinized companies list to the state investment officer.
- The AG shall update the scrutinized companies list annually.
- The AG shall annually submit letters to the managers of all indirect holdings of the Nebraska Investment Council stating the policy of this act and requesting the managers to consider avoiding acquiring direct holdings in scrutinized companies or removing such scrutinized companies from the fund.

The AG indicates no fiscal impact.

Nebraska Investment Council (NIC) Responsibilities

- The NIC shall not acquire any direct holding in a company on the scrutinized companies list unless such prohibition would, in the good faith judgment of the state investment officer, result in a breach of fiduciary duty.

The NIC indicates some increase in workload but no increase in staff or budget expenditure authority.

ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSES		
LB: 77	AM:	AGENCY/POLT. SUB: Attorney General
REVIEWED BY: Gary Bush	DATE: January 16, 2013	PHONE: 471-4161
COMMENTS: Assuming existing public resources are used to identify companies doing business with Iran than the agency's estimate of no fiscal impact is reasonable.		

Please complete ALL (5) blanks in the first three lines.

2013

LB⁽¹⁾ 77 FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Attorney General

Prepared by: ⁽³⁾ David Cookson Date Prepared: ⁽⁴⁾ 1-11-13 Phone: ⁽⁵⁾ 471-2687

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2013-14		FY 2014-15	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

No Fiscal Impact.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

POSITION TITLE	NUMBER OF POSITIONS		2013-14	2014-15
	13-14	14-15	EXPENDITURES	EXPENDITURES
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

Please complete ALL (5) blanks in the first three lines.

2013

LB⁽¹⁾ 77 FISCAL NOTE revised

State Agency OR Political Subdivision Name: ⁽²⁾ Nebraska Investment Council

Prepared by: ⁽³⁾ Jeffrey States Date Prepared: ⁽⁴⁾ 1/25/2013 Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2013-14</u>		<u>FY 2014-15</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>	<u>See Below</u>
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
TOTAL FUNDS	=====	=====	=====	=====

Return by date specified or 72 hours prior to public hearing, whichever is earlier.

Explanation of Estimate:

The revision is for editing and to correct typos only.

LB 77 is estimated to have no fiscal impact on the agency Cash Fund.

LB 77 provides that within 90 days after the effective date of the act, the State Attorney General shall use his or her best efforts to assemble a comprehensive list of scrutinized companies. The definition of “scrutinized company” is contained in Section 3, paragraph 9, which states in part, “The company has business operations that involve contracts with or provision of supplies or services to the government of Iran, companies in which the government of Iran has any holdings, in whole or in part, consortiums or projects commissioned by the government” The definition also sets out specific criteria to apply to the company for it to be placed on the list.

Once the list of “scrutinized companies” is developed the Attorney General will provide the list to the state investment officer for further action in accordance with this act. The actions are to direct the investment managers not to acquire any direct holding in a company on the scrutinized companies list unless prohibition for investment would, in the good faith judgment of the, result in a breach of fiduciary duty of the state investment officer or the members of the Nebraska Investment Council. The state investment officer is directed to transmit to the Attorney General all information necessary to carry out the requirements of this section.

There are three areas of work that could result in costs to implement this act: 1.) On-going cost of compliance including identification of scrutinized companies; 2.) transition costs; and 3.) loss in value of the assets.

1. On-going compliance. The reasoning for determining that there is no fiscal impact on the Nebraska Investment Council Cash Fund is because the majority of the expense will come from the work required to develop and maintain the list of scrutinized companies. This act assigns these responsibilities to the Attorney General. The staff time and costs to do this will be handled by that Attorney General.

The remaining work to support compliance efforts are the duties assigned to the state investment officer: 1.) to supply information to the Attorney General; and 2.) evaluate the list of “scrutinized companies” to determine whether to not invest directly in any of the companies in the state investment officers good faith judgment be a breach of fiduciary duty of the state investment officer or the members of the Nebraska Investment Council. The first item should require little time. The second item will not require additional staff to do, but could take a considerable amount of time depending on how many companies are on the list. The State of Iowa has an existing statute with language very similar to this act for defining a “scrutinized company”. The Iowa list contains 58 companies. No analysis has been done to determine how many of these companies are held directly as investments by the Nebraska Investment Council or its external managers used to invest various

portions of the assets it manages.

2. Transition costs. This act does not include commingled funds, mutual funds or other fund investments in which the Nebraska Investment Council owns shares or interests together with other investors. The Nebraska Investment Council is not directed to request the fund managers to create an investment fund or to transition the Council's investments to a fund that excludes "scrutinized companies". This act also does not require divestiture of currently held direct investments. It imposes a prohibition of the state investment officer and the Nebraska Investment Council to acquire any direct holding in a company on the list, unless the state investment officer finds that the prohibition would violate the state investment officer or Nebraska Investment Council's fiduciary duty to do so. There are no mandatory transition expenses that would be incurred.

3. Loss of Value. Given that Section 4, Paragraph 6 of the act contains language permitting the state investment officer to use his or her good faith judgment to determine whether a prohibition against acquiring a holding of a "scrutinized company" would cause the state investment officer or the Nebraska Investment Council to breach their fiduciary duty, there should be no loss in value. It may require a significant amount of staff time to complete the research for the state investment officer to make the required good faith judgment determination along with some legal costs, but at this time it is not expected to require additional staff or an increase in the agency appropriation.

MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2013-14</u>	<u>2014-15</u>
	<u>13-14</u>	<u>14-15</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....				
Operating.....				
Travel.....				
Capital outlay.....				
Aid.....				
Capital improvements.....				
TOTAL.....				