

PREPARED BY:
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February 9, 2026
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LB 1188

Revision: 00

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)					
EXPENDITURES	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0
REVENUE	GENERAL	CASH	FEDERAL	REVOLVING	TOTAL
FY2025-2026	0	0	0	0	0
FY2026-2027	0	0	0	0	0
FY2027-2028	0	0	0	0	0
FY2028-2029	0	0	0	0	0

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

LB 1188 amends the Foreign-Owned Real Estate National Security Act to disallow the State of Nebraska and any political subdivision thereof to own interest in real estate in an adversary nation.

The Nebraska Investment Council (NIC) assumes LB 1188 would restrict investment in certain holdings, which would lead to an increase in management fees annually and a one-time transition cost to buy and sell securities. NIC also assumes the change in investment holdings in defined benefit retirement plans, cash balance retirement plans, and endowment funds will result in a fiscal impact on state contributions to retirement plans and to certain endowment funds. There is no basis to disagree with this estimate.

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

2026

LB⁽¹⁾ 1188

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Department of Administrative Services (DAS) – State Building Division (SBD)

Prepared by: ⁽³⁾ Brent Flachsbart Date Prepared: ⁽⁴⁾ 01-22-2026 Phone: ⁽⁵⁾ 531-207-9029

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2026-27</u>		<u>FY 2027-28</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
REVOLVING FUNDS	_____	_____	_____	_____
TOTAL FUNDS	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>

Explanation of Estimate:

LB 1188 prohibits the State of Nebraska and any political subdivision from owning any interest in real estate in an adversary nation as defined in section 4-203.

LB 1188 has no fiscal impact to the Department of Administrative Services.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27</u>	<u>2027-28</u>
	<u>26-27</u>	<u>27-28</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
TOTAL.....	_____	_____	_____	_____

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1188 AM:	AGENCY/POLT. SUB: Department of Administrative Services		
REVIEWED BY: Ashley Dempsey	DATE: 1/26/26	PHONE: (402) 326-2182	
COMMENTS: Concur with the Department of Administrative Services' assessment of no fiscal impact from LB 1188.			

ADMINISTRATIVE SERVICES STATE BUDGET DIVISION: REVIEW OF AGENCY & POLT. SUB. RESPONSE			
LB: 1188 AM:	AGENCY/POLT. SUB: Nebraska Investment Council		
REVIEWED BY: Ashley Dempsey	DATE: 2/9/26	PHONE: (402) 326-2182	
COMMENTS: No basis to dispute the Nebraska Investment Council's estimated fiscal impact as a result of LB 1188.			

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

2026

LB⁽¹⁾ 1188

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾

Nebraska Investment Council

Prepared by: ⁽³⁾ Ellen Hung

Date Prepared: ⁽⁴⁾ February 6, 2026

Phone: ⁽⁵⁾ 402-471-2001

ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	FY 2026-27		FY 2027-28	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$1,265,927		\$369,515	
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS	\$397,356		\$155,985	
TOTAL FUNDS	\$1,663,283		\$485,500	

Explanation of Estimate:

LB 1188 prohibits ownership of real estate in adversary nations. This would apply to assets managed by the Nebraska Investment Council (NIC) in the Defined Benefits, Cash Balance Benefit and Endowment funds. Approximately 10.5% of the total portfolios are invested in a MSCI All Country World (ACWI) ex-US IMI passive commingled account as it's a cost-effective way to get exposure in the international equity markets. The MSCI ACWI ex-US IMI index has 2-3% invested in REITs (real estate investment trusts). A REIT is a company that owns, operates, or finances income-producing real estate across various sectors. It provides investments in diversified real estate properties without buying or managing properties directly.

LB 1188 would prohibit the NIC from investing in the MSCI ACWI ex-US IMI passive commingled account because of the REIT holdings. It would require the NIC to sell the MSCI ACWI ex-US IMI index and invest in a separately managed account (SMA), with the same international equity exposure, without the exposure in REITs of adversary nations. This would result in increased fees and expenses of approximately **\$5.64 million in FY 2026-2027** as follows:

- Management fees will increase by \$1.54 million/year.
- The transition to a SMA would result in a one-time transition cost (buying and selling the securities) of approximately \$4.1 million.
- A separately managed account would require the NIC to comply with specific "openings", regulations and conditions established by foreign countries. Some country "openings" can be long drawn-out processes with annual fees and paperwork, and the requirement to hire business representatives in the country. I don't have an estimate of that cost at this time.
- A separately managed account would also place the burden of reclaiming taxes on the NIC.

Allocation of Financial Impact

The estimated impact stated above includes portfolios in the defined benefit plans, cash balance plans and endowment funds. To determine the impact on the General Fund, we used the percentages attributable to each retirement plan and the contributions that would be needed in the event of a shortfall.

- 100% of the amount from the Cash Balance, Defined Benefits-Judges and Defined Benefits-Patrol Plans as any shortfall would have to be made up by the State.
- 9% of the amount attributed to the Defined Benefits-School and Omaha Service Annuity based on the current State contribution rate of 2%.

The effect attributable to the Endowment Funds are listed under "Other Funds".

The estimated impact of \$121 thousand dollars on OSERS for FY 2026-27 is not included in the table above. This is for informational purposes as it is uncertain what the State's responsibility is if the underfunded status increases.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2026-27 EXPENDITURES</u>	<u>2027-28 EXPENDITURES</u>
	<u>26-27</u>	<u>27-28</u>		
Benefits.....				
...				
Operating.....				
....				
Travel.....				
.				
Capital outlay.....				
Aid.....				
.				
Capital improvements.....				
TOTAL.....				