



**LEGISLATIVE FISCAL OFFICE
Fiscal Note**

Fiscal Note On: **HB 142** HLS 21RS 505
 Bill Text Version: **ORIGINAL**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 14, 2021 12:04 PM **Author:** THOMPSON
Dept./Agy.: LA State Treasury **Analyst:** Alan M. Boxberger
Subject: Provides relative to investment authority of the treasurer

FUNDS/INVESTMENTS OR SEE FISC NOTE SD RV Page 1 of 1
 Provides relative to investment authority of the treasurer

Present constitution establishes the LA Education Quality Trust Fund (LEQTF) and the Millennium Leverage Fund, provides for deposit and use of monies in the fund, and provides that the legislature shall provide by law for procedures for the investment of LEQTF and Millennium Leverage Fund monies. Present law establishes such procedures, providing that a maximum of 35% of monies in the LEQTF and 50% of monies in the Millennium Leverage Fund may be invested in stocks. Proposed law increases the maximum that may be invested in stocks to 65% of monies in the two funds.

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	\$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	<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>	<u>\$0</u>
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

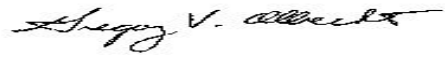
REVENUE EXPLANATION

Proposed law is the statutory companion to the proposed constitutional amendment in HB 154 and provides for the investment authority of the Treasury with regard to certain dedicated funds. Proposed law will likely result in increased revenues to the LA Education Quality Trust Fund (LEQTF) and the Millennium Leverage Fund. 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}


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