

**FISCAL NOTE**  
**LEGISLATIVE FISCAL ANALYST ESTIMATE**

<b>ESTIMATE OF FISCAL IMPACT – STATE AGENCIES</b> (See narrative for political subdivision estimates)				
	<b>FY 2016-17</b>		<b>FY 2017-18</b>	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS				
CASH FUNDS	\$20,000			
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$20,000			

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

LB1069 would require the Nebraska Investment Council (Council) to create a plan to divest from fossil fuels and invest in clean energy and report such plan to the Governor and the Legislature by December 15, 2016.

The Council estimates that based on their current asset allocation, the cost to sell out of such securities and to replace them would be about \$20 million, if done immediately. A longer liquidation time frame of 10 to 15 years would minimize losses.

The Council indicates an increase in ongoing management fees for specialized fossil-free funds. Management fees are not included in the Council's appropriated budget.

The Council also estimates a one-time increase in legal fees of \$20,000.

The Council also indicates a conflict between the provisions of LB1069 and section 72-1239.01.

<b>ADMINISTRATIVE SERVICES-STATE BUDGET DIVISION: REVIEW OF AGENCY &amp; POLT. SUB. RESPONSES</b>			
LB: 1069	AM:	AGENCY/POLT. SUB: Nebraska Investment Council	
REVIEWED BY: Gary Bush		DATE: 1/28/16	PHONE: 471-4161
COMMENTS: The estimate of the cost for additional legal review of the Council's investments appears to be reasonable. Disagree with the need for additional appropriations as the Council has sufficient resources to cover this increased expense.			

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

**2016**

**LB<sup>(1)</sup> 1069**

**FISCAL NOTE**

State Agency OR Political Subdivision Name: <sup>(2)</sup>

Nebraska Investment Council

Prepared by: <sup>(3)</sup> Michael Walden-Newman

Date Prepared: <sup>(4)</sup> 1-28-16

Phone: <sup>(5)</sup> 402-471-2001

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	<u>FY 2016-17</u>		<u>FY 2017-18</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	20,000	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	_____	_____	_____	_____
<b>TOTAL FUNDS</b>	<u>\$20,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Explanation of Estimate:**

The Nebraska Investment Council (Council) estimates that based on our current asset allocation prohibiting investments in fossil fuel-related securities eliminate 6%-7% of the investable equity opportunity set, 3% of fixed income and 20% of private equity. This would significantly reduce portfolio diversification. The Council estimates the cost to sell out of such securities and to replace them would be about \$20 million, if done immediately. The long-term plan provided for in the bill, however, would allow for the much longer 10-15 year liquidation time requirement to minimize realized capital losses in illiquid private markets portfolios.

There would be an ongoing increase in costs because management fees are higher for specialized fossil-free funds than for broad index funds. Other costs such as compliance monitoring and legal will increase as unique investment portfolios are developed. The Council estimates one-time legal costs to be \$20,000.

The Council notes Nebraska Revised Statute 72-1239.01 states in part, "No assets of the retirements systems, the Nebraska educational savings plan trust, or the achieving a better life experience program shall be invested or reinvested if the sole or primary investment objective is for economic development or social objectives." LB 1069 should clarify its apparent conflict with this provision in state law.

**BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2016-17 EXPENDITURES</u>	<u>2017-18 EXPENDITURES</u>
	<u>16-17</u>	<u>17-18</u>		
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	20,000	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	_____	_____
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	<u>20,000</u>	_____