

Department of Planning and Budget 2001 Fiscal Impact Statement

1. Bill Number SB853

House of Origin ☐ Introduced ☐ Substitute ☒ Engrossed
Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron Miller, K.G.

3. Committee Finance

4. Title Investment of state funds in corporate notes; and use of ancillary contracts

5. Summary/Purpose: The bill increases the number of corporate note issues that are eligible for investment by the Department of the Treasury (more specifically it allows Treasury to invest in investment grade corporate notes rated at least BBB or Baa2, limited to not more than 10 percent of moneys under Treasury's control). It also permits the use of various types of ancillary contracts (i.e. swaps, futures, caps and other investment agreements) in connection with or incidental to the issuance, sale, resale, purchase, repurchase or payment or carrying of notes or bonds or any investments by qualified public entities. For the purpose of utilizing ancillary contracts, "qualified public entities" are defined as the Treasury Board, any state agency or institution of the Commonwealth whose governing body has determined the necessity and appropriateness of the use of such contracts and has established controls for their use, and for the purposes of ancillary contracts related to investments, have an internal public funds manager with professional investment management capabilities or contracted with an external public funds manager.

6. Fiscal Impact Estimates are Preliminary:

6a. Revenue Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2000-01	\$0	0.00	-
2001-02	\$500,000	0.00	GF
2002-03	\$500,000	0.00	GF

7. Budget amendment necessary: No. The additional general fund interest revenue is included as revenue in the 2001 Budget Bill.

8. Fiscal implications: The bill would have a positive general fund revenue impact of \$500,000 each year, beginning in FY 2002. This revenue estimate is based on the assumption that potentially \$100 million in AA and A rated bonds may be moved to BBB rated bonds and assumes earning an additional 50 basis points on the BBB bonds. The ability to utilize ancillary contracts will depend on market conditions at that time. The ability to improve performance of the investment portfolio with the increased set of eligible corporate notes would likewise be driven by market conditions.

9. Specific agency or political subdivisions affected:

- Department of the Treasury
- Treasury Board
- Higher Education Institutions
- Commonwealth Transportation Board
- Virginia Port Authority

10. Technical amendment necessary: No.

11. Other comments: HB 1768 is a companion bill introduced by Delegate Cox.

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cc: Secretary of Finance

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