

Department of Planning and Budget

2002 Fiscal Impact Statement

1. **Bill Number** HB592

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

2. **Patron** Reid

3. **Committee** Finance

4. **Title** Duration of corporate notes for investment

5. **Summary/Purpose:** The bill allows state agencies or institutions of the Commonwealth having an internal or external public funds manager with professional investment management capabilities to invest in corporate notes with a duration of more than five years. Current law limits the duration of a corporate note to no more than five years. The corporate notes are still required to have a rating of at least A by two rating agencies, one of which shall be either Moody's Investors Service or Standard and Poors.

6. **Fiscal Impact Estimates are Final:**

6a. **Expenditure Impact:** None.

6b. **Revenue Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2001-02	\$0	0.00	-
2002-03	\$500,000	0.00	GF
2003-04	\$500,000	0.00	GF

7. **Budget amendment necessary:** No, the increased revenue is reflected in the introduced budget bills (HB30/SB30).

8. **Fiscal implications:** The bill would eliminate the five-year restriction on the duration of corporate notes, providing the Commonwealth with the opportunity to maximize the yield of the general account investment portfolio, increasing interest revenue for the Commonwealth. Removing the restriction would enhance the performance of the portfolio without any significant increase in risk. The average duration of the portfolio would not change and the removal of the five-year restriction would result in greater diversification with less concentration of credit risk.

9. **Specific agency or political subdivisions affected:** Department of the Treasury, Treasury Board.

10. **Technical amendment necessary:** No.

11. **Other comments:** SB186 is a companion bill introduced by Senator Stosch.

Date: 01/23/02/mst

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cc:SecretaryofFinance