

## Department of Planning and Budget 2017 Fiscal Impact Statement

**1. Bill Number:** HB2211

**House of Origin**     Introduced     Substitute     Engrossed  
**Second House**     In Committee     Substitute     Enrolled

**2. Patron:** Rush

**3. Committee:** Appropriations

**4. Title:** Tobacco Indemnification and Community Revitalization Fund; investment by Tobacco Region Revitalization Commission.

**5. Summary:** This bill authorizes the Tobacco Region Revitalization Commission to manage and invest the assets of the Tobacco Indemnification and Community Revitalization Fund. Current law allows the State Treasurer to invest the Fund. The bill authorizes the Commission to comingle, for purposes of investment, the corpus of the Fund under certain conditions and allows the Commission to hire independent advisors and managers as appropriate. Costs associated with making and disposing of investments shall be payable out of the income of the Fund. The bill also clarifies that the State Inspector General shall review the management and investments of assets, as well as the distributions, from the Fund as part of its current review of the Commission. *This revised fiscal impact statement clarifies the impact of the bill on the Department of Treasury.*

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Preliminary.

**8. Fiscal Implications:** Currently, the Department of Treasury invests the assets of the Tobacco Indemnification and Community Revitalization Fund. It is anticipated that this bill, which transfers the management and investment responsibilities of the Tobacco Indemnification and Community Revitalization Fund from the Department of the Treasury to the Tobacco Region Revitalization Commission, will result in a nongeneral fund revenue reduction of \$61,000 per year to the Department of Treasury. Currently, Treasury relies upon the Fund to support a portion of three Cash Management and Investment positions (one position is funded at 50 percent from the Fund and two others are funded at ten percent). If additional general fund support is not provided to offset this nongeneral fund revenue reduction, Treasury may be required to adjust the Local Government Investment Pool (LGIP) overhead rate to continue support for the positions, eliminate a position, or if possible, reprogram existing general fund support to address this impact.

The bill provides that costs associated with the Commission making and disposing of investments shall be payable out of the income of the Fund, and the current resources are sufficient to achieve this purpose. At this time, it is not possible to anticipate the investment

income of the Fund under the direction of the Commission rather than the Department of Treasury.

The bill addresses the management and investment of assets in the Tobacco Indemnification and Community Revitalization Fund, but it does not address the management and investment of the Tobacco Indemnification and Community Revitalization Endowment. According to the Commission, this Endowment contains the majority, about 58 percent, of the Commission's funds managed and invested by the Department of Treasury. It is anticipated that if the Endowment funds remain invested by the Department of Treasury while the Tobacco Indemnification and Community Revitalization Fund assets are managed and invested by the Commission, the costs to the Commission may increase as two separate agencies would be managing investments.

**9. Specific Agency or Political Subdivisions Affected:** Tobacco Region Revitalization Commission; Department of Treasury; State Inspector General.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.