FISCAL NOTE

HB 568 - SB 1037

March 28, 2007

SUMMARY OF BILL: Prohibits the state from investing state funds in any corporation, or any other business entity, that conducts business with any country sponsoring terrorism. Requires any public funds of the state which are invested in such entities to be divested as soon as possible without violating any contractual terms. Requires the creation of a special committee to make determinations as to which entities do business with countries sponsoring terrorism. Requires the names of entities determined to do business with countries sponsoring terrorism to be posted on the State Treasurer's website.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $2,566,000 One-Time
$51,800 Recurring

Increase Local Govt. Expenditures* - $1,655,000 One-Time
$58,800 Recurring

Increase Federal Govt. Expenditures - $379,000 One-Time
$9,400 Recurring

Other Fiscal Impact – Additional increases to state, local, and federal government expenditures if this bill as written is interpreted to include debt securities such as commercial paper.

Assumptions:

- The creation of the special committee shall consist of the Commissioner of Finance and Administration, the State Treasurer, the Comptroller of the Treasurer, one member of the House of Representatives, and one member of the Senate. The State Treasurer shall serve as chair of the committee.
- The increase to state expenditures associated with the creation of the special committee is estimated to be not significant.

- Article II, Section 31 of the Tennessee Constitution prohibits the state from being a stockholder with others in any association, company, corporation, or municipality.
- Includes investments within trust funds held by the state to which the state has no beneficial interest, such as the Tennessee Consolidated Retirement System (TCRS) or the Baccalaureate Education System Trust (BEST).
- According to the Office of the Treasury, divestiture of approximately 2.0% of domestic and international stocks within state and local pension plans could be required.
- According to the Office of the Treasury, and based from total plan assets and average transaction costs, a one-time increase of transaction costs estimated to be $4,600,000 would result from such divestiture. The state would pay approximately $2,566,000; local governments would pay approximately $1,655,000; and the federal government would pay approximately $379,000.
- According to the Office of the Treasury, the department would require four additional software licenses to implement the provisions of this bill with an estimated total cost of $120,000 per year. It is estimated that the state would be required to pay approximately $51,800 per year; local governments would pay approximately $58,800 per year, and the federal government would pay approximately $9,400 per year.
- According to the Office of the Treasury, there could be additional transaction costs if this bill as written is interpreted to include debt securities such as commercial paper.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James W. White, Executive Director