TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL NOTE

HB 3642 - SB 3609

March 16, 2012

SUMMARY OF BILL: Prohibits entities engaged in investment activities in Iran, as defined under this bill, from bidding on, submitting a proposal for, entering or renewing a contract with a public entity in Tennessee, or with a person preparing to contract with a public entity in Tennessee, for goods or services valued at $1,000,000 or more. Exempts social development companies from such prohibition. Requires the Department of Economic and Community Development (ECD), by October 1, 2012, to identify entities engaged in investment activities in Iran. Requires ECD to: compose a list of such entities identified as current investors; issue 90 days' notice to entities who will be placed on the list; provide an opportunity for such entities to show that they are not engaged in investment activities in Iran; and provide an opportunity for such entities to petition to be removed from the list upon showing that investment activities in Iran have ceased and a public declaration of intent to refrain from engaging in any new investment activities in Iran has been made. Authorizes a public entity to petition ECD for an exemption if certain conditions are met and if such entity is unable to obtain particular goods or services from an entity not engaged in investment activities in Iran.

Terminates the provisions of this bill if the President of the United States affirmatively and unambiguously states by executive order or by written certification to Congress, or Congress affirmatively and unambiguously states by legislation, that the government of Iran has ceased to pursue the capabilities to develop nuclear weapons and the capabilities to support national terrorism, or that prohibiting entities engaged in investment activities in Iran from bidding on, submitting proposals for, or entering or renewing contract with a public entity interferes with the conduct of United States foreign policy.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures – $250,000/One-Time
$350,000/Recurring

Other Fiscal Impact – The Department of Treasury assumes potential loss of earnings each year by the need to divest funds prematurely based upon the activities of a certain broker, dealer, bank, or investment advisor that doesn't meet the statute's requirement and would therefore necessitate the need to make immediate investment changes. The amount of such loss cannot be determined due to many unknown factors.

Assumptions:

- "Investment activities" means: providing goods or services of $20,000,000 or more in the energy sector of Iran; providing oil or liquefied natural gas tankers; products used to construct or maintain pipelines used to transport oil or liquefied natural gas, for the energy sector of Iran; or where the person is a financial institution, extending $20,000,000 or more in credit to another person for 45 days or more if that other person will use the credit to provide goods or services in the energy sector of Iran and is identified on the list of investors to Iran created by ECD.
- ECD will compose a list of entities identified as current investors and effectuate all other provisions of this bill, as required, without a significant increase in expenditures. Any cost incurred will be accommodated within existing resources without an increased appropriation or reduced reversion.
- The cumulative value of equities with an Iranian involvement is currently unknown. It is estimated that the one-time cost to divest these securities and sever contracts with entities not in compliance with the proposed statute will be approximately $250,000.
- The Department of Treasury will engage the services of the outside legal counsel that has the expertise to monitor the complexity of the retirement fund and determine compliance of all investments and contracts. According to the Department, this will result in a recurring increase in state expenditures of $350,000.
- The Department of Treasury assumes that there would be loss of earnings each year by the need to divest funds prematurely based upon the activities of a certain broker, dealer, bank, or investment advisor that doesn't meet the statute's requirement and would therefore necessitate the need to make immediate investment changes. The amount of such loss cannot be determined due to many unknown factors.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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