

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 777 - SB 973

February 28, 2017

SUMMARY OF BILL: Authorizes the Treasurer to invest state funds in gold bullion and other precious metal bullion. Requires 40 percent of the amount in the Reserve for Revenue Fluctuations (the Rainy Day Fund) to be invested in gold bullion or other precious metal bullion. Requires such bullion to be stored securely in a bank vault in Tennessee and requires the Treasurer to contract with such bank to store the bullion at no cost.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – The precise impact on state earnings revenue is unknown and is expected to vary considerably based on the status of financial market performance at any future time and the timing for which any liquidation and reinvestment of funds would be made. Further, it is unknown if the Department of Treasury could obtain a contract for financial services at no cost to the state as proposed.

Assumptions:

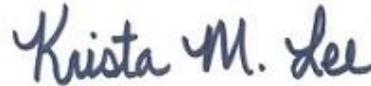
- Based on information from the Department of Treasury (Treasury), the balance in the Reserve for Revenue Fluctuations is estimated to be \$800,000,000 in FY17-18. For purposes of this fiscal note, that amount is assumed to remain unchanged in subsequent years.
- The required 40 percent, or approximately \$320,000,000, will be invested in gold or other metal bullion.
- Tenn. Code Ann. § 9-4-602 authorizes the Treasurer to invest state funds in multiple investment options.
- Limiting how funds may be invested may result in either a recurring decrease in earnings revenue or a recurring increase in earnings revenue depending upon the status of financial markets at any given point in the future.
- Based on information provided by Treasury and based on recent returns, there would be a recurring decrease in state revenue earnings estimated to be approximately \$1,600,000 if transactions were required under current market conditions.
- In the event alternative investments yielded lower earnings than gold bullion or other precious metal investments, there would be an increase in state earnings revenue. Further, if alternative investments yielded higher earnings than gold bullion or other precious metals investments, there would be a decrease in state earnings revenue.

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- The precise impact in any future years will vary from year to year and is dependent on the price of gold bullion or other precious metals and dependent on what earnings would have been on alternative forms of investment. The future price of gold and precious metals compared to the price of alternative forms of investment in any given year and the timing of any purchases or sales cannot be reasonably determined; therefore, the precise fiscal impact cannot be reasonably determined.
- Requiring the Treasurer to secure a contract with a bank at no cost does not ensure that such a contract is attainable. Any increase in state expenditures related to bank contracts or the storage of gold bullion or precious metals cannot be reasonably determined.

CERTIFICATION:

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

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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