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FISCAL IMPACT REPORT

SPONSOR Rue ORIGINAL DATE 1/23/17
 LAST UPDATED 2/14/17 HB _____

SHORT TITLE Additional Agency Info to State Auditor SB 2/aSPAC/aSFC

ANALYST Romero

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	Minimal	Minimal	Minimal	Minimal	Recurring	Agencies Operating*

(Parenthesis () Indicate Expenditure Decreases) *State Auditor, Educational Retirement Board, State Treasurer, Public Employees Retirement Association and the State Investment Council.

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Auditor’s Office (OSA)
 Department of Finance and Administration (DFA)
 State Investment Council (SIC)
 Public Employee Retirement Association (PERA)
 Educational Retirement Board (ERB)

SUMMARY

Synopsis of Senate Finance Amendment

This amendment removes two Senate Public Affairs Committee amendments detailing submissions of “each asset class.” The amendment also removes a section of new language stating, “information on investment performance, including gross investment performance and investment performance net of fees.” Lastly, it reletters the subsections accordingly.

Synopsis of SPAC Amendment

Senate Public Affairs Committee amends Senate Bill 2 as follows:

- Clarifies that income from swaps that needs to be reported to be income from “bond” swaps that are not otherwise reported by the agency;
- Strikes schedule of investment “advisors” to be a schedule of investment “managers”;
- The schedule of investment managers shall show all managers and amounts paid to them for public small-cap, mid-cap and large-cap equities, public international equities, core fixed income and real estate investment trusts;

- The schedule of investment managers will also show the aggregate amount of fees paid to managers for other asset classes not specifically mentioned;
- Clarifies that base management fees and performance fees to be disclosed shall be on an aggregate basis;
- Clarifies that overall investment performance gross and net of fees to be detailed for each asset class;
- Clarifies the meaning of “commission”.

Synopsis of Original Bill

Senate Bill 2 Requires the Educational Retirement Board, Office of the State Treasurer, Public Employees Retirement Association and the State Investment Council to submit additional information as part of the annual financial audit process. The additional information and disclosures relate to changes in each agency’s fiduciary net position including fees, income, interest and other. Each specified agency will report detailed expenses pertaining to internal investment activity, general administration expenses of the agency, professional and consultant fees, advisors, management fees, investment performance, and commissions paid.

FISCAL IMPLICATIONS

There will be a small but indeterminate fiscal impact related to costs in preparing the audit reports. The administrative workload will increase for compiling the additional information for the annual audits and as such each agency affected may demonstrate a need for additional operating budget in the future. However, the benefits of the additional information required may outweigh the potential additional costs.

SIGNIFICANT ISSUES

Although some of the data that would be required with this bill is already produced in the Management Discussion and Analysis section of an agency's audit, much of it is above and beyond the requirements of the annual financial statements.

The accounting information being requested is managerial in nature and can likely be attained on a periodic basis. Additionally, requiring delivery of the information with the agency's annual financial statements will ensure that the information is six months old before the audit is available.

Audits of financial statements are performed using the accounting requirements issued by the Government Accounting Standards Board (GASB). Adding statutory requirements on top of GASB requirements could impact comparability among other, similar, state and local government entities.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Less information will be provided to the public regarding the operations of these agencies.

IR/jle/al/jle