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FISCAL IMPACT REPORT

SPONSOR Rue ORIGINAL DATE 1/22/19
LAST UPDATED _____ HB _____

SHORT TITLE Additional Reports to State Auditor SB 57

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY19	FY20	FY21	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Minimal	Minimal	Minimal	Recurring	Various

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Education Retirement Board (ERB)
Public Employee Retirement Association (PERA)
State Investment Council (SIC)

SUMMARY

Synopsis of Bill

Senate Bill 57 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.

ADMINISTRATIVE IMPLICATIONS

The three investment agencies responding noted that they already publish much of the information requested in SB57 and there will be little to no additional staff time needed to prepare this information.

TECHNICAL ISSUES

ERB notes the following:

Paragraph B(3) [page 2, line 9] requires a disclosure of “income from swaps on agency investments,” but does not define what “swaps” are. It is unclear if this is referring to bond swaps or swap contracts. It is also unclear how disclosure of income from “swaps” would assist the State Auditor’s Office in its mission. Similarly, paragraph F [page 4, lines 22-24] refers to “a schedule of investment advisors” but does not define the term “investment advisors.” This could possibly mean NMERB’s investment consultant or individual investment managers. The provision requires disclosure of the amount paid to the advisor. As discussed above, NMERB could disclose such information by asset category but could not disclose the information by individual investment manager.

OTHER SUBSTANTIVE ISSUES

Disclosure of fees on an individual manager basis for private investments could be a violation of existing agreements between investment agencies and fund manager.