



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:

HB0608 - Revise laws related to boycotts of Israel and state investments (Anderson, Fred)

Status: As Introduced

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
Proprietary	\$174,272	\$184,562	\$192,536	\$200,966
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact: HB 608 generally revises state investment laws regarding companies who do not do business with Israel. The bill requires divestiture of certain assets under certain conditions and creates additional reporting requirements on the Montana Board of Investments (BOI). Impacts to the general fund cannot be quantified at this time.

FISCAL ANALYSIS

Assumptions:

- The BOI has 260 external mandates overseeing \$11,583,967,272.13 in assets as of December 31, 2022.
- HB 608 would require the BOI to annually research each manager and all companies each manager invests in to determine whether a company is refusing to, abstaining from, terminating, or performing any other action that is intended to limit commercial relations with Israel as well as to account for all funds held directly or indirectly by the manager.
- The bill also requires consultation with third parties to do the same.

4. The BOI would then be required to prepare a list of scrutinized companies from which it would be required to both divest any investment and be prohibited from engaging. BOI would not pay to acquire any lists of “scrutinized companies” and would only use free, publicly available resources.
5. A Level 2 Investment Analyst would be necessary to comply with HB 608 with an estimated personal services cost of \$126,217 in FY 2024, \$135,304 in FY 2025, \$139,702 in FY 2026, and \$144,242 in FY 2027, plus associated operating costs including a Bloomberg trading terminal, computer, office furniture, and indirect costs.
6. BOI’s proprietary rate is paid through a cost allocation methodology to each invested pool. There would be general fund impacts, however, an estimate cannot be provided until all assets and who owns those assets are known at the beginning of each month and will fluctuate based on STIP asset value of the treasurer’s cash account.

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$126,217	\$135,304	\$139,702	\$144,242
Operating Expenses	\$48,055	\$49,258	\$52,834	\$56,724
TOTAL Expenditures	<u>\$174,272</u>	<u>\$184,562</u>	<u>\$192,536</u>	<u>\$200,966</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Proprietary (06)	\$174,272	\$184,562	\$192,536	\$200,966
TOTAL Funding of Exp.	<u>\$174,272</u>	<u>\$184,562</u>	<u>\$192,536</u>	<u>\$200,966</u>
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
TOTAL Revenues	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	\$0	\$0
Proprietary (06)	(\$174,272)	(\$184,562)	(\$192,536)	(\$200,966)

Technical Notes:

1. Article VIII Sec. 13 (3) of the Montana Constitution states “Investment of public retirement system assets shall be managed in a fiduciary capacity in the same manner that a prudent expert acting in a fiduciary capacity and familiar with the circumstances would use in the conduct of an enterprise of a similar character with similar aims. Public retirement system assets may be invested in private corporate capital stock.”
2. Article VIII Sec 15 further states that “Public retirement systems shall be funded on an actuarially sound basis. Public retirement system assets, including income and actuarially required contributions, shall not be encumbered, diverted, reduced, or terminated and shall be held in trust to provide benefits to participants and their beneficiaries and to defray administrative expenses.”

3. The bill may conflict with the board’s constitutional obligation of acting as a prudent fiduciary. The bill may unconstitutionally encumber the board’s decision abilities regarding pension assets.
4. HB 493 creates new regulation on the selection of investments. There could be unquantifiable adverse impacts on net investment earnings.
5. New Section 3 (2) is unclear whether the BOI, after having identified a scrutinized company, would be required to take any action if the scrutinized company was fulfilling the fiduciary responsibilities of the BOI.
6. It is unknown if the BOI would incur any liability for identifying an entity on the scrutinized company list.

Fuel Anderson
Sponsor’s Initials

2/23/23
Date

AD
Budget Director’s Initials

2-22-23
Date