

**NORTH CAROLINA GENERAL ASSEMBLY
LEGISLATIVE FISCAL NOTE**

BILL NUMBER: HB-327 <Second Edition>

SHORT TITLE: Revise Treasurer Investment Authority

FISCAL IMPACT (\$ Million)					
	Yes (x)	No ()	No Estimate Available ()		
	<u>FY 2001-02</u>	<u>FY 2002-03</u>	<u>FY 2003-04</u>	<u>FY 2004-05</u>	<u>FY 2005-06</u>
GENERAL FUND:					
REVENUES	\$-5.01	\$-5.25	\$-5.49	\$-5.76	\$-6.09
EXPEND.	-5.01	-5.25	-5.49	-5.76	-6.09
DEPT. RECEIPTS					
REVENUES	+5.01	+5.25	+5.49	+5.76	+6.09
EXPEND.	<u>+5.01</u>	<u>+5.25</u>	<u>+5.49</u>	<u>+5.76</u>	<u>+6.09</u>
NET CHANGE	0	0	0	0	0
POSITIONS: No Change					
PRINCIPAL DEPARTMENT AFFECTED: Department of State Treasurer. The enactment of the bill should have no impact on the spending requirements of the Department.					
EFFECTIVE DATE: July 1, 2001					
*Positive amount indicates a reduction in budget requirements that enhances General Fund availability.					

BILL SUMMARY: (1) The banking and investment management functions of the Department of State Treasurer are funded by a General Fund appropriation and the agency then charges fees to cover the actual cost of the functions. The cost recovery occurs on a monthly basis. The fees assessed are recorded as General Fund nontax revenue. **Under HB 327, the fees charged would be classified as agency receipts instead of General Fund revenue and the General Fund appropriation of the Department would be eliminated. The effect of the language would make it clear that the banking and investment functions of the Department of State Treasurer are receipt-supported.** (2) Makes

numerous technical and conforming changes to the laws regarding the State Treasurer's investment authority by: (a) repealing out of date statutes; (b) modifying laws that are out of conformity with existing administrative practice; (c) amending laws to conform to changes in industry and accounting standards.

ASSUMPTIONS AND METHODOLOGY: Discussions with the Department of State Treasurer indicated that changes would not have a fiscal impact on the General Fund. From an accounting point of view, the "receipts-support" language in the bill would reduce General Fund nontax revenue by \$5.0 million per year and eliminate \$5.0 million of budget requirements for the General Fund.

The \$5.0 million of net appropriations for 2001-02 is based on Governor's continuation budget for 2001-03 biennium. This base year amount was grown by the salary inflation rate that is used by Fiscal Research in costing out fiscal notes. The source of the estimate is the Data Resources, Inc. The annual salary increase amounts range from 4.6 to 5.0%.

Approximately 30% of the budget of the Banking and Investment Management goes for salaries and benefits. The remaining 70% is used for "contract services." It is assumed that the majority of the costs of the contract services relate to salaries and benefits.

FISCAL RESEARCH DIVISION 733-4910

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