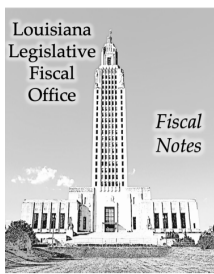


LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 146** SLS 23RS 362
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action: **w/ HSE FLOOR AMD**
 Proposed Amd.:
 Sub. Bill For.:

Date: May 31, 2023 9:21 AM **Author:** CORTEZ
Dept./Agy.: Treasury/Transportation and Development **Analyst:** Kimberly Fruge
Subject: Megaproject Leverage Fund Investments

FUNDS/FUNDING EGF INCREASE SD RV See Note Page 1 of 1
 Provides for Megaprojects Leverage Fund investments. (gov sig)

Proposed law allows the Megaproject Leverage Fund to be invested in a separate portfolio in the same securities as allowed for the State General Fund; allows for amounts in the fund to be appropriated to pay expenses incurred for custody, investment, and disbursement costs.

EXPENDITURES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>	<u>2026-27</u>	<u>2027-28</u>	<u>5 -YEAR TOTAL</u>
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	INCREASE	INCREASE	INCREASE	INCREASE	INCREASE	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

EXPENDITURE EXPLANATION

Proposed law will increase expenditures out of the Megaprojects Leverage Fund (MLF) to pay the custodian of the portfolio the fund administration fee, the custody fee, and the transaction fees. The Treasury reports the fund administration fee to be \$179 per month, the custody fee to be 0.0002% of the fair market value of the fund as of the last day of the month, and the transaction fee to vary but be approximately \$3.50 per transaction. The table below presents an estimation of monthly and annual fees based on the end of the year anticipated balance and the assumption that there will be 18 transactions in a month.

	FY 24	FY 25	FY 26	FY 27	FY 28
Account Fee	\$179	\$179	\$179	\$179	\$179
Custody Fee	\$1,612	\$2,000	\$2,398	\$2,802	\$3,212
Transaction Fee	\$63	\$63	\$63	\$63	\$63
<u>Monthly Fee</u>	<u>\$1,854</u>	<u>\$2,242</u>	<u>\$2,640</u>	<u>\$3,044</u>	<u>\$3,455</u>
Annual Fee	\$22,252	\$26,909	\$31,676	\$36,534	\$41,460

Note: Annual Fee and Monthly Fee sums differ due to rounding errors

REVENUE EXPLANATION

Proposed law will likely result in increased revenues to the Megaprojects Leverage Fund (MLF) as a result of investing the fund in a separate portfolio. The Department of Transportation and Development (DOTD) has indicated that they will not use money from the fund within the five-year window. Because the money will not be used, the Treasury is able to increase the interest earned in the account by investing in a separate portfolio. Revenues produced by investments will depend on market conditions. The table below presents the estimation by the Treasury of the earned interest.

	FY 24 (4%)	FY 25 (3.75%)	FY 26 (3.5%)	FY 27 (3.25%)	FY 28 (3%)
(Interest Rate)					
Starting Balance	\$628,000,000	\$806,086,679	\$1,000,127,460	\$1,198,764,957	\$1,401,155,257
Vehicle Sales Tax	\$128,000,000	\$160,000,000	\$160,000,000	\$160,000,000	\$160,000,000
Interest Earned	\$24,486,679	\$34,040,781	\$38,637,497	\$42,390,300	\$45,241,461
Ending Balance	\$806,086,679	\$1,000,127,460	\$1,198,764,957	\$1,401,155,257	\$1,606,396,718

Senate Dual Referral Rules
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Interim Deputy Fiscal Officer