

**LEGISLATIVE FISCAL OFFICE
Fiscal Note**



Fiscal Note On: **HB 284** HLS 21RS 625
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

Date: April 27, 2021 12:34 PM	Author: ILLG
Dept./Agy.: Treasury	Analyst: Alan M. Boxberger
Subject: Provides relative to securities lending	

TREASURER EG INCREASE SG RV See Note Page 1 of 1
 Provides relative to securities lending

Present law authorizes the treasurer to engage in securities lending and to engage financial institutions to act as agents for the state; requires a security lending agent to indemnify the state for any losses resulting from the default of a borrower; requires the borrower to provide collateral and specifies the forms of collateral; and requires collateral with a value equal to or greater than 102% of the market value of securities lent by the state plus any accrued interest. Proposed law defines "securities lending" to mean a contract by which securities are supplied to a lending agent for a fee and secured by a pledge of collateral with value equal to or greater than the securities supplied; provides for definitions; requires indemnification for losses resulting from insolvency of a borrower; authorizes investment of cash collateral in securities authorized for investment for the LA Education Quality Trust Fund; lowers the collateral value that must be maintained for cash collateral 100% of the total market value of securities lent plus accrued interest; provides for required submission of additional collateral in certain circumstances; and provides for determination of the market value.

EXPENDITURES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0	\$0	\$0

REVENUES	2021-22	2022-23	2023-24	2024-25	2025-26	5 -YEAR TOTAL
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

There is no anticipated direct material effect on governmental expenditures as a result of this measure. Proposed law may result in an increase in revenues from securities lending, which contributes to the SGR providing for general operating costs of the Treasury.

REVENUE EXPLANATION

Proposed law may result in an increase of approximately \$2.1 - \$2.8 M of SGR revenue for the Treasury to the extent changes to the authority to lend securities results in an increase in returns. The Treasury reports that the state currently has approximately \$2.6 B U.S. Treasury securities on loan through various securities lending transactions. Proposed law will amend the securities statute to comport with modern securities lending rules, regulations and best practices, which in turn the Treasury estimates will result in an increase in fees the Treasury may earn from 3.5 to 4 basis points to around 21 basis points. To the extent the Treasury is able to realize the anticipated fee revenue increase for securities lending, the estimated revenue increase on \$2.6 B market value of securities on loan may generate an additional \$2.1 M to \$2.8 M SGR annually.

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}

Christopher A. Keaton
Legislative Fiscal Officer