

STATEMENT OF PURPOSE

RS23976

The purpose of this legislation is to provide statutory authority for the Department of Environmental Quality (DEQ) to utilize the State of Idaho Endowment Fund Investment Board (EFIB) to invest certain moneys received by the agency, with the concurrence of the Idaho State Treasurer and EFIB. This will allow DEQ to realize increased rates of return and better meet long-term funding obligations for cleanup activities such as those being conducted at the Bunker Hill Superfund Site. The EFIB was established to manage investment of proceeds generated by the state's endowment lands. As allowed by law, the EFIB also manages some financial assets for various state agencies with a focus on long-term investment. Currently, Idaho Code 39-107C requires DEQ to invest all moneys received by the agency in the form of gifts, bequests, donations, grants, or other conditional grants such as settlements with the Idaho State Treasurers Office. In consultation with, and with the concurrence of, the Idaho State Treasurer and EFIB, DEQ would like to have the option to invest portions of other non-general fund moneys received for long-term cleanup activities with the EFIB. This legislation would provide the statutory authority to do so.

FISCAL NOTE

Greater returns on investments through the EFIB will ensure more resources are available for DEQ to meet funding obligations and sustain long-term cleanup activities going forward. In addition, greater returns may reduce the need for future state contributions. Long-term investments with the EFIB generally receive better returns on investment when compared to the Idaho State Treasurer's Office. Conservatively, the EFIB is anticipated to bring a 4% rate of return when adjusted for inflation over the next 20 years. The Treasurer's Office Diversified Bond Fund (DBF) is designed for three to five year investments and saw returns ranging from 1.1% to 2.6% between 2010 and 2015, without being adjusted for inflation. The administrative fee for investments with the Idaho State Treasurer's Office is 0.05% per year while the EFIB charges 0.4% per year. The difference is directly related to the type of investment management required. The EFIB, for instance, regularly contracts with outside investment companies resulting in greater administrative costs. This difference in fees does not change the overall fiscal impact, however, as the rate of return on investment is a more significant fiscal driver.

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