

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2022 Regular Session
Legislative Fiscal Office

Measure: HB 4115 - 3

*Only Impacts on Original or Engrossed
Versions are Considered Official*

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Measure Description:

Directs the Oregon State Treasurer to publish annually a complete list of assets held in investment fund and to publish a one-time report on climate-related financial risk to assets held in investment funds.

Government Unit(s) Affected:

Oregon State Treasurer (OST)

Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

Analysis:

House Bill 4115, as modified by the -3 amendments, directs the Oregon State Treasurer (OST) to make publicly available a complete list of publicly traded investments by December 31 of each year. The measure also directs OST to prepare and make publicly available a report on climate-related financial risk to assets held in investment funds by December 31, 2022. The measure takes effect 91 days after adjournment *sine die*.

The measure introduces an annual reporting (annual holding report) requirement that will necessitate the gathering of a complete list of publicly traded investments. Information will need to be retrieved from multiple software applications, compiled into a portfolio-wide report, subjected to legal review, and published. While the process of preparing the annual holding report will increase the annual workload of OST staff, it is anticipated that OST's Investment Division can absorb the increase in workload.

The measure also requires a one-time report on climate-related financial risk to assets held in investment funds. To comply with this requirement, OST will need to contract for a portfolio-wide discovery process to search for evidence of climate-related risks. OST will need to conduct procurement for an investment consultant that specializes in climate-related reports and conduct procurement for data subscriptions from industry sources (e.g., MSCI, Inc., Institutional Shareholder Services group, etc.) and cover reference data to incorporate climate change risks and opportunities across multiple dimensions, such as emissions data, fossil fuel exposure, forward-looking strategy assessment, and clean technology exposure. Once gathered, the information will be compiled into a portfolio-wide report, subjected to legal review, and published.

The estimated fiscal impact to OST in the 2021-23 biennium to prepare the one-time climate-related report is \$205,000 to contract with an investment consultant and procure data subscriptions associated with the climate-related report. Because the only source of revenue in OST's Investment Division is investment management fees from various investment funds, OST notes it is unable to use available Other Funds revenues in its budget unless the use of those funds are for the exclusive benefit of beneficiaries of those investment funds. OST has indicated that General Fund would be needed to cover the costs of preparing the climate-related report, as the report is not for the exclusive benefit of the investment funds' beneficiaries. However, this fiscal impact statement assumes that OST will be able to use its existing Other Funds revenues in 2021-23 to cover the costs of preparing this climate-related report. If additional budgetary resources are warranted, OST may request a General Fund appropriation from the Emergency Board to prepare the climate-related report.