

**FISCAL IMPACT OF PROPOSED LEGISLATION****Measure: HB 2218**

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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**Measure Description:**

Modifies maximum allowable deduction from assets under management for expenses of State Treasurer as investment officer.

**Government Unit(s) Affected:**

State Treasurer

**Summary of Fiscal Impact:**

Costs related to this measure are indeterminate at this time - See explanatory analysis.

**Analysis:**

House Bill 2218 increases the maximum allowable deduction from assets under management for expenses of the State Treasurer, in the State Treasurer's capacity as investment officer of the Oregon Investment Council, from 0.25 basis points (0.0025%) to 0.35 basis points (0.0035%) of the most recent market value of assets under management for each of the investment funds, and from 0.435 basis points (0.00435%) to 0.5 basis points (0.005%) for funds that are invested in the Oregon Short Term Fund or in another commingled investment vehicle.

Investment fund management fees support the State Treasurer's investment operations and support programs, which have grown over the last several biennia, due in part to insourcing investment management activities. This measure would raise the statutory caps on investment management fees, which have not been increased since 1999, though the level of fee revenue that may be generated increases as the value of managed investment portfolios grow. As of December 2022, assets under management subject to fees totaled \$134.2 billion. Fees charged to the state's investment and commingled funds in fiscal year 2022 totaled \$46.7 million.

The State Treasurer looks at the costs to run each investment fund based on its legislatively approved limitation and the forecast of the assets under management to set rates that result in a revenue amount equal to that expenditure at the median rate of return. Investment management fees generated under the current caps are anticipated to be sufficient to support the State Treasurer's 2023-25 budget. Additionally, a future increase in the rates would only generate additional revenue provided assets under management stayed constant or increased.

Although the measure is not anticipated to have a direct fiscal impact on the State Treasurer in the upcoming biennium, a future increase investment fee rates may result in increased investment fee revenue available to the State Treasurer to support additional Other Funds expenditures.