

HF4165 - 2A - Divestment Required; Russia and Belarus

Chief Author: **Sydney Jordan**
 Committee: **Ways And Means**
 Date Completed: **3/18/2022 5:15:44 PM**
 Lead Agency: **Investment Board**
 Other Agencies:
 Administration Dept

State Fiscal Impact	Yes	No
Expenditures		X
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2021	FY2022	FY2023	FY2024	FY2025
State Total						
Total	-	-	-	-	-	-
Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-

Lead LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/18/2022 5:15:44 PM
Phone: 651-284-6542 **Email:** joel.enders@lbo.mn.gov

State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

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Biennial Total			-			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2021	FY2022	FY2023	FY2024	FY2025
Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/18/2022 5:12:48 PM
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State Cost (Savings) Calculation Details

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State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2021	FY2022	FY2023	FY2024	FY2025
Total		-	-	-	-	-
Biennial Total				-		-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total		-	-	-	-	-
Biennial Total				-		-
2 - Revenues, Transfers In*						
Total		-	-	-	-	-
Biennial Total				-		-

Bill Description

The bill requires the SBI to liquidate and not purchase prospectively all directly held, publicly traded assets of companies with their principal places of business in Belarus and Russia and all governmental entities of Belarus and Russia.

The bill defines the types of securities subject to divestment as publicly traded securities; depository receipts representing ownership rights to such securities; government issued securities; government issued currencies; and derivatives or notes representing exposure to any of the foregoing.

The bill provides that the SBI must consider several factors when determining a company's principal place of business, including the company's country of risk, domicile, and incorporation; the country in which the securities are issued; and other relevant factors as determined by the SBI or its director.

To the extent practicable, the SBI must liquidate 50 percent of such assets within nine months of the effective date, and 100 percent within 15 months after the effective date.

The bill excludes any asset to the extent such asset is specifically excluded from US federal sanctions; investments in a company providing goods or services intended to relieve human suffering; investments in a company engaged primarily in promoting health, education, or journalistic, religious, or welfare activities; and investments in US companies authorized to conduct business in Russia or Belarus.

The bill's requirements do not apply to the SBI's indirect holdings in investment funds, but does require the SBI to engage with the manager's of such funds and request that managers remove the securities defined above from such funds. If the manager creates a similar fund without such securities, the SBI must replace applicable investments with investments in similar fund.

The SBI director is required to report to the board on a quarterly basis the progress of actions taken pursuant to the bill. On a yearly basis, the SBI must report to the chairs and ranking minority members of the legislative committees with jurisdiction over the SBI a list of liquidated assets, a list of prohibited investments, and a description of progress made in engaging with managers of funds constituting indirect investments.

The bill exempts the SBI board, director, and staff from all applicable common law and statutory legal obligations that conflict with the SBI's good-faith implementation of the bill.

Assumptions

SBI staff do not believe it will experience a fiscal impact from this bill. The bill is specific and acute in its application. The costs of monitoring and complying with the bill can be subsumed into SBI's current budget.

Expenditure and/or Revenue Formula

None

Long-Term Fiscal Considerations

None

Local Fiscal Impact

None

References/Sources

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Full Time Equivalent Positions (FTE)	Biennium			Biennium	
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Total	-	-	-	-	-

LBO Analyst's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with the LBO's Uniform Standards and Procedures.

LBO Signature: Joel Enders **Date:** 3/18/2022 11:52:56 AM
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Biennial Total			-			-
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Total	-	-	-	-	-	-
Biennial Total			-			-
2 - Revenues, Transfers In*						
Total	-	-	-	-	-	-
Biennial Total			-			-

Bill Description

Section 1 of this bill provides definitions and directs the State Board of Investment (SBI) to take certain actions to divest all direct holdings of securities, currency and derivatives issued by Russia or Belarus. This section further prohibits the SBI from making new acquisitions that are subject to sale, redemption or withdrawal under the previous subdivision.

Section 2 of this bill directs state agencies to review existing contracts to determine if any are with Russian or Belarussian entities. If contracts are found, they must be promptly terminated as practicable. This bill also requires state agencies to refrain from entering into new contracts with Russian or Belarussian entities unless the head of the agency determines there is no suitable alternative.

Assumptions

This fiscal note assumes that there are currently no active state agency contracts with Russian or Belarussian entities.

Expenditure and/or Revenue Formula

Long-Term Fiscal Considerations

Local Fiscal Impact

References/Sources

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