

Department of Legislative Services  
Maryland General Assembly

**FISCAL NOTE**

Senate Bill 771 (Senator Boozer)

Budget and Taxation

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**Commission on Pension Fund Investments in Venture Capital**

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This bill creates a 16-member Commission on Pension Fund Investments in Venture Capital to study issues related to venture capital investments by the Maryland State Retirement and Pension System (MSRPS). The commission is to undertake a review of a series of issues related to the investment of MSRPS funds in venture capital endeavors. The Department of Legislative Services would provide staff support. The commission must issue a final report to the General Assembly by December 31, 1998.

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**Fiscal Summary**

**State Effect:** Additional minimal expenditures for reimbursement of travel expenditures under the standard State travel regulations. Staff support could be absorbed within existing resources. Potential increase in expenditures for contractual services for pension investment consultants.

**Local Effect:** None.

**Small Business Effect:** None.

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**Fiscal Analysis**

**Bill Summary:** The commission would develop definitions of “alternative investments” and “venture capital investments,” and undertake a review of a series of issues related to the investment of MSRPS funds in venture capital endeavors. These issues include, but would not be limited to:

- review of existing public funds, private foundations, and partnerships in venture capital investments;
- review of existing partnerships between State, local, and municipal pension funds and corporate pension funds;
- survey of other states' venture capital investment "best efforts" policies, programs, contributions, and economic development benefits;
- review of existing State "best efforts" policies, program structure, and percentage of Maryland pension fund investments into venture capital;
- review of pension funded investment policies in venture capital that meet Maryland's public policy objectives for enhancing tax revenues, company formation, jobs, and targeted economic development in political subdivisions;
- review of the current application of ERISA regulations to venture capital investment policies;
- determination of factors necessary to promote further venture capital investment in the State of Maryland.

**State Expenditures:** The Department of Legislative Services could provide staff support for the commission with existing resources. Several of the issues to be studied by the commission, however, may require specialized knowledge and/or background in pension investment regulation. Legislative Services may therefore need to use outside contractual services for these items. The cost of such pension investment consulting services cannot be reliably estimated at this time. For illustrative purposes, however, a recent outside contract for an actuarial audit of the MSRPS cost \$95,000. For fiscal 1999, Legislative Services has budgeted \$50,000 for management studies and consulting services. These funds are earmarked for sunset review analysis and actuarial services.

Commission members would be reimbursed for expenses under the standard State travel regulations. Any such expenditures would depend upon the time, location, and frequency of the commission's meetings. It is expected that reimbursements could be handled with the existing budgeted resources of the General Assembly and affected agencies.

**Information Source(s):** Department of Legislative Services

**Fiscal Note History:** First Reader - March 9, 1998

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