

FISCAL NOTE

The fiscal impact, in the form of increased revenue to the General Fund, is indeterminable.

Allowing the Legislative Stabilization Reserve Account (LSRA) to be invested up to 55 percent in equities after the first \$500 million is invested in fixed income securities could increase investment income to the General Fund on a long-term basis. However, as investment returns always depend on a variety of factors such as market conditions and asset allocation, the State Treasurer's Office cannot provide the specific amount these investment revenues would change for each fiscal year. There may be individual years that revenues could potentially be less when invested in equity investments.

The Treasurer's Office projects yields in FY20 through FY22 to be around 2.55% for permanent funds and 3.23% for State Agency Pool funds. Yield is defined as the interest and dividend income from the investment. Over the long term, total returns for permanent funds are expected to be 3.0% plus inflation while total returns for State Agency Pool funds are expected to be 2.0% plus inflation, according to the State's Investment Policy. Total return is defined as growth in the value of the investment, including both yield and realized & unrealized gains.

Prepared by: Dean Temte, LSO Phone: 777-7881
(Information provided by Lisa Jerde Spillman, State Treasurer's Office, 777-6549;
Amanda Sewell, Office of State Lands and Investments, 777-7028)