CORRECTED COPY

FISCAL NOTE

	FY 2021	FY 2022	FY 2023
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
COMMON SCHL. RESERVE ACCT	$4,600,000	$3,500,000	$2,200,000
PERM. MIN. TRUST FUND RES	$4,700,000	$2,500,000	$200,000
GENERAL FUND	($9,300,000)	($6,000,000)	($2,400,000)

Source of revenue increase(decrease):
This bill directs the investment earnings of the Common School Permanent Fund Reserve Account (CSPLF RA) and the Permanent Mineral Trust Fund Reserve Account(PWMTF RA) to the respective accounts. Current law , W.S. 9-4-204(t)(i)(A), directs investment earnings to the General Fund except as otherwise provided by law. By practice, investment earnings from the CSPLF RA are currently directed to the Common School Land Income Account and subsequently to the School Foundation Program Account. The above table depicts the estimated revenue increase and decrease to each fund based upon current law not current practice.

Assumptions:
The balance of the CSPLF RA will decrease from $249.2 million to $120.8 million throughout the forecast period. The balance of the PWMTF RA will decrease from $253.4 million to $11.9 million throughout the forecast period.

The State Treasurer’s Office projects yields in FY21 through FY23 to be around 1.85% for State Agency Pool funds. Yield is defined as the interest and dividend income from the investment. Over the long-term 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.

This bill would also allow the State Treasurer’s Office (STO) to invest the PWMTF RA and CSPLF RA in up to 100 percent equities. The fiscal impact is indeterminable as future investment returns are unknown. STO indicates that, historically, investment in equities has demonstrated higher total returns than investing in fixed income strategies only. The actual investment strategies and percentages for these funds are not currently known and would depend on the investment policy statement and market conditions. Currently, because of high valuations and the market environment a more conservative investment strategy would likely be in place, but in the long run, the reserve accounts would likely be invested similar to the funds within Pool A. For example, the PWMTF RA balance of $313 million and the CSPLF RA balance of $164 million, if invested in equities, could generate up to $2.5 million and $1.3 million more per year, respectively. STO indicates that this legislation would require the adoption of an investment policy statement for the reserve accounts which will take additional STO resources, but the plan would be to incorporate these within the larger investment policy statement and will be absorbed by current staff.

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