

Investment of state unemployment insurance trust fund.

24LSO-0194, 1.0

FISCAL NOTE

| | FY 2025 | FY 2026 | FY 2027 |
|-------------------------------------|-----------|-----------|-----------|
| NON-ADMINISTRATIVE IMPACT | | | |
| Anticipated Revenue increase | | | |
| WORKFORCE DEVELOPMENT TRAINING FUND | \$800,000 | \$800,000 | \$800,000 |

| | FY 2025 | FY 2026 | FY 2027 |
|-------------------------------------|-----------|-----------|-----------|
| NON-ADMINISTRATIVE IMPACT | | | |
| Anticipated Expenditure increase | | | |
| WORKFORCE DEVELOPMENT TRAINING FUND | \$800,000 | \$800,000 | \$800,000 |

Source of revenue and expenditure increase:

This bill allows for the investment of the State Unemployment Insurance Trust Fund (UI Trust Fund) in the Pool A Investment Account (Pool A). The UI Trust Fund is currently invested in the State Agency Pool (SAP). The bill provides for the investment earnings from the UI Trust Fund to be deposited within the Workforce Development Training Fund if the balance of the UI Trust Fund is equal to or greater than the balance of the fund on July 1, 2023. If the balance of the UI Trust Fund at the end of the fiscal year is less than the balance of the fund on July 1, 2023, at least half of the investment earnings are required to be retained in the fund until the balance is restored to the balance of the fund on July 1, 2023.

The Department of Workforce Services (DWS) indicates the current balance of the UI Trust Fund is \$51,460,891. The DWS estimates an \$800,000 revenue increase to the Workforce Development Training Fund in the form of investment earnings in fiscal years (FY) 2025 through 2027, by investing the UI Trust Fund in Pool A rather than the SAP. The DWS estimates a corresponding expenditure increase in the form of training and grant expenditures from the Workforce Development Training Fund.

Assumptions:

The DWS assumes the full balance of the UI Trust Fund will be invested in Pool A. Additionally, the revenue increase in the form of investment earnings is based upon the 10-year average performance difference between the SAP and Pool A. According to the DWS, based on a 10-year average, Pool A has an average total return of 3.4 percent and the SAP has an average total return of 1.8 percent, for a difference of 1.6 percentage points. The UI Trust Fund balance of \$51,460,981, multiplied by 1.6 percent, equals approximately \$800,000.

The State Treasurer's Office projects yields in FY 2025 through FY 2027 to be 3.29 percent, 3.38 percent, and 3.39 percent, respectively for permanent funds and 3.77 percent, 4.32 percent, and 4.32 percent, respectively for SAP 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 6.5 percent, while total returns for SAP funds are expected to be 3.25 percent. This is in accordance with the State's Investment Policy. Total return is defined as growth in the value of the investment, including both yield and realized and unrealized gains.

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