

The Permanent Wyoming Mineral Trust Fund (PWMTF)



STATE of WYOMING LEGISLATURE & WYOMING STATE TREASURER'S OFFICE

Don Richards, Budget/Fiscal Administrator, Legislative Service Office and Patrick Fleming, CIO, Wyoming State Treasurer's Office, August 15, 2024 for the Colorado Legislative Task Force on Permanent Funds

Creation of the PWMTF

The Legislature shall provide by law for an excise tax on the privilege of severing or extracting minerals, of one and one-half percent (1 1/2%) on the value of the gross product extracted. The minerals subject to such excise tax shall be coal, petroleum, natural gas, oil shale, and such other minerals as may be designated by the Legislature. Such tax shall be in addition to any other excise, severance or ad valorem tax. The proceeds from such tax shall be deposited in the Permanent Wyoming Mineral Trust Fund. The fund, including all monies deposited in the fund from whatever source, shall remain inviolate. The monies in the fund shall be invested as prescribed by the Legislature and all income from fund investments shall be deposited by the State Treasurer in the general fund on an annual basis. The Legislature may also specify by law, conditions and terms under which monies in the fund may be loaned to political subdivisions of the state.
(Wyoming Constitution, Article 15, Section 19; 1974; amended 2006)



Permissible Investments

W.S. 9-4-715. Permissible investments.

- CIO requirements
- Equities
- Alternatives
- [Investment Funds Committee](#) (7 members; 5 ex-officio, non-voting)
- Approval by the State Lands and Investments Board (five, statewide elected officials)
- Prudent Investor Act
- Risk Evaluation
- Legislatively Designating Investments, or Public Purpose Investments



Discussion of “Earnings”

9-4-108. Crediting of investment returns.

(a) *Earnings on state funds invested by the state treasurer shall be credited to accounts or funds as provided by law and as follows:*

(i) *Interest, dividends and rents earned shall be credited not later than at the end of the second month following each fiscal quarter;*

(ii) *Subject to paragraph (iii) of this subsection, other realized earnings shall be credited as soon as practicable after the end of the fiscal year but no later than ninety (90) days after the end of the fiscal year in which the earnings were realized;*

(iii) *Any debit against the account or fund which exists as a result of realized investment losses from a prior year's investments of the fund or account shall be paid before distributions under paragraph (ii) of this subsection;*

(iv) *Subject to the requirements of paragraph (iii) of this subsection, the state treasurer may credit any earnings at such earlier times than provided in this section and in such amounts as may be advantageous for the state's investment program and cash management.*

(b) *Any provision of law which specifies the crediting or distribution of a state fund investment earnings to a specific fund or account at a time different than the provisions of this section shall control over this section.*



Aspirations of Statutory “Spending Policy”

9-4-719. Investment earnings spending policy permanent funds.

(a) The purpose of this section is to establish a spending policy for earnings on permanent fund investments to provide, in descending order of importance:

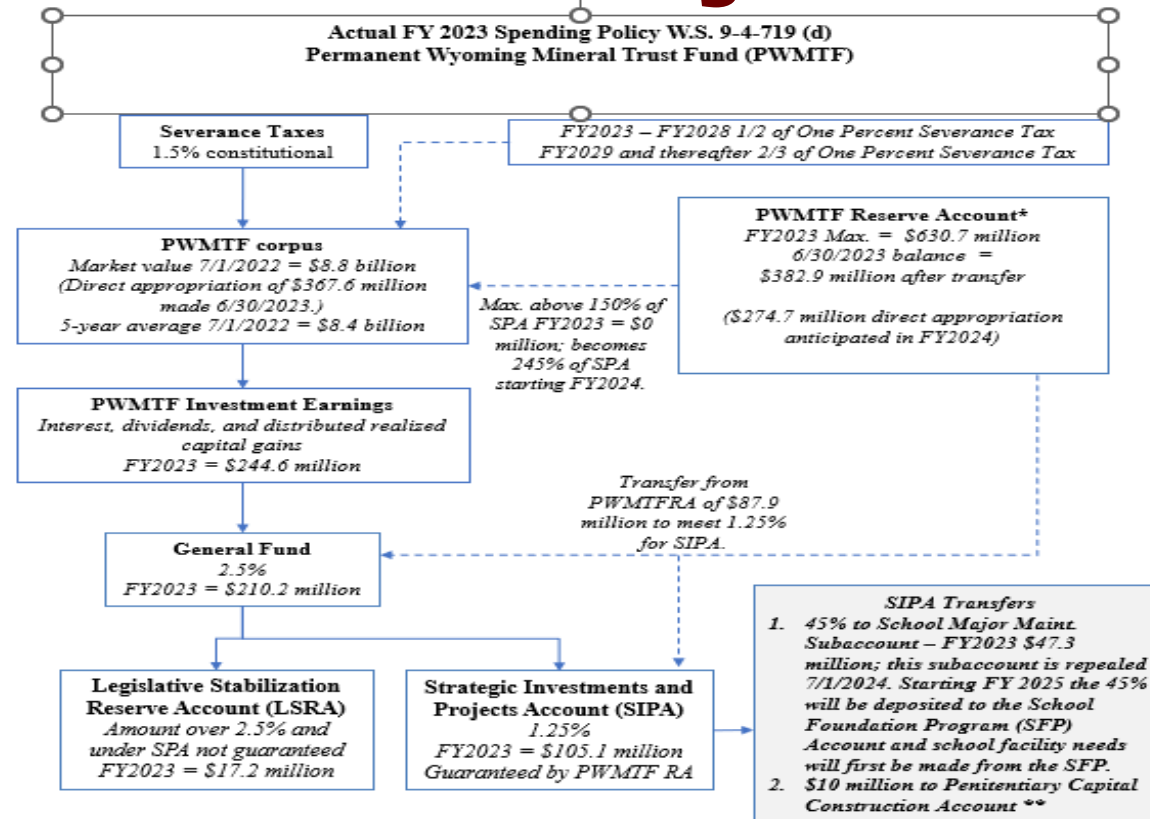
(i) Consistent, sustainable flow of earnings for expenditure over time;

(ii) Protection of the corpus of the permanent funds against inflation; and

(iii) To the extent practicable, increases in earnings available for expenditure to offset the effects of inflation.



Visualization of PWMTF Spending Policy



Notes:

*The statutory maximum for the PWMTF Reserve Account was 150% of the spending policy amount. 2023 HB 89 changed that to 245% of the spending policy amount effective July 1, 2023. The balance includes \$9.5 million in investment earnings within the PWMTF Reserve Account for FY2023.

**For FY 2023 and FY 2024 the transfer to the Penitentiary Capital Construction Account is made after the transfer to the School Major Maintenance Subaccount.



State Investment Policy

- Developed, approved, and amended by the State Loan and Investment Board (5 statewide elected officials) – [State Investment Policy](#)
- Appendix A. Long-Term Permanent Funds
 - Philosophy
 - Liquidity
 - Diversification
 - Risk
 - Return Expectations
 - Spending Policy
 - Asset Allocation



Governance

- Oversight: Legislature, Select Committee on Capital Financing and Investments
- High level approvals: State Loan and Investment Board
- Guidance and direction: Investment Funds Committee
- Execution: State Treasurer's Office, investments led by CIO

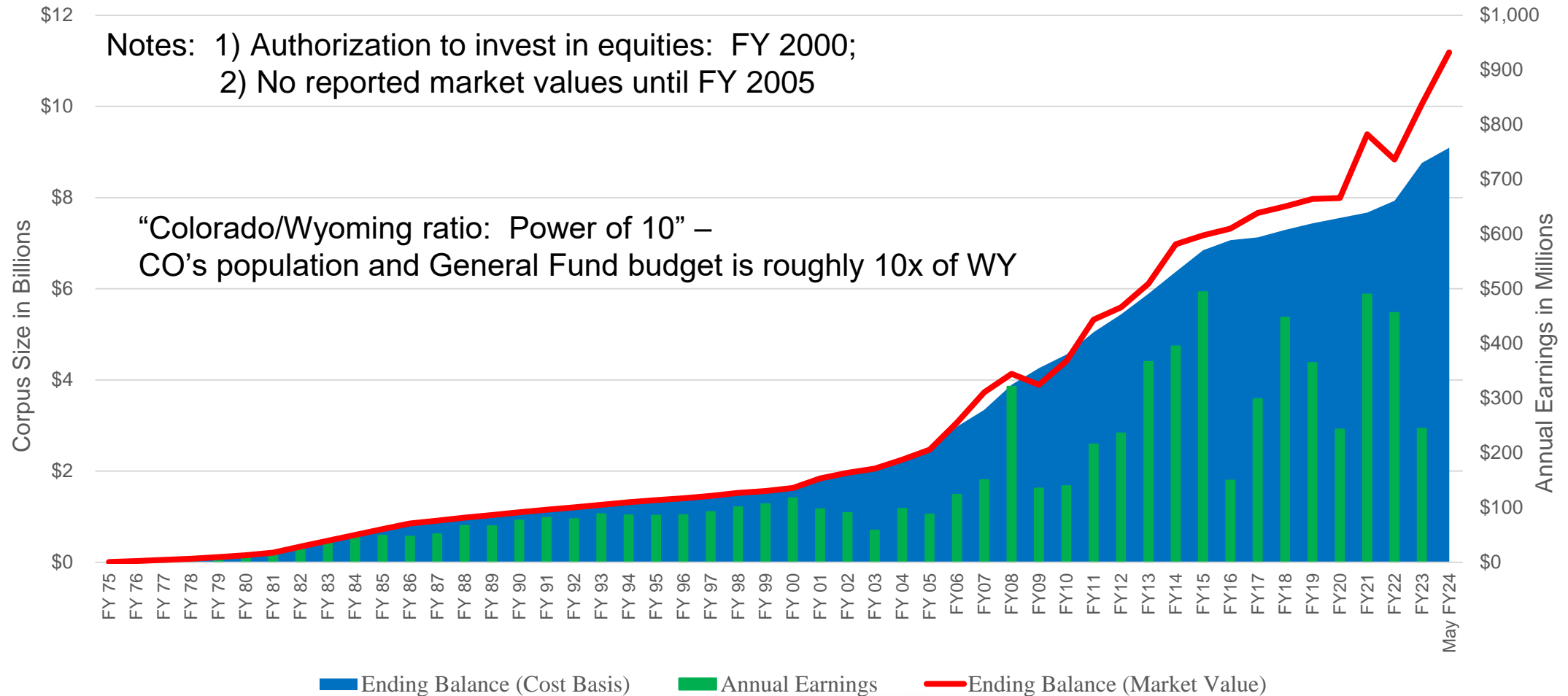


Growth in the corpus of the PWTM

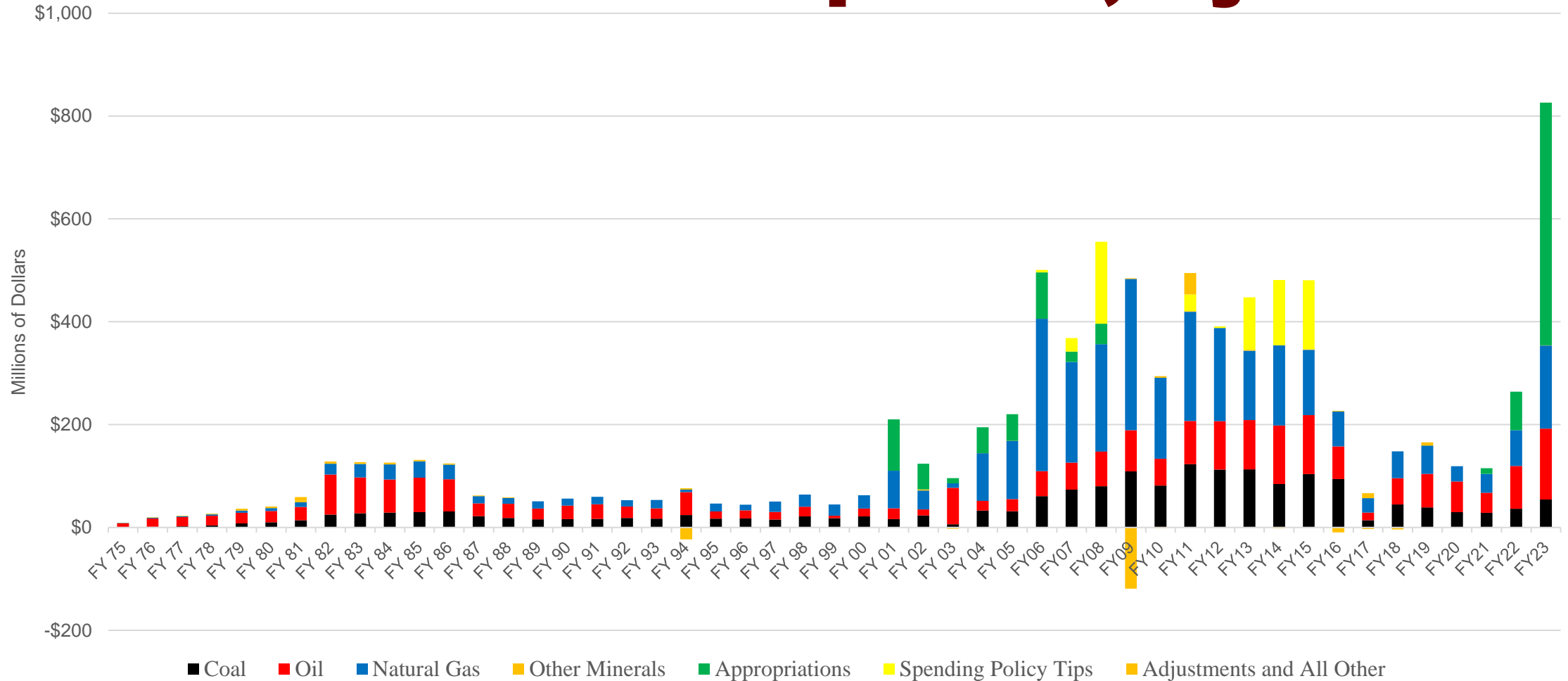
- 1) Constitutional mineral severance taxes
(coal, oil, natural gas)**
- 2) Statutory mineral severance taxes**
- 3) Direct legislative appropriations**
- 4) “Tips” (amounts in excess of reserve cap)**
- 5) Also corpus benefits from net unrealized
gains increase market value**



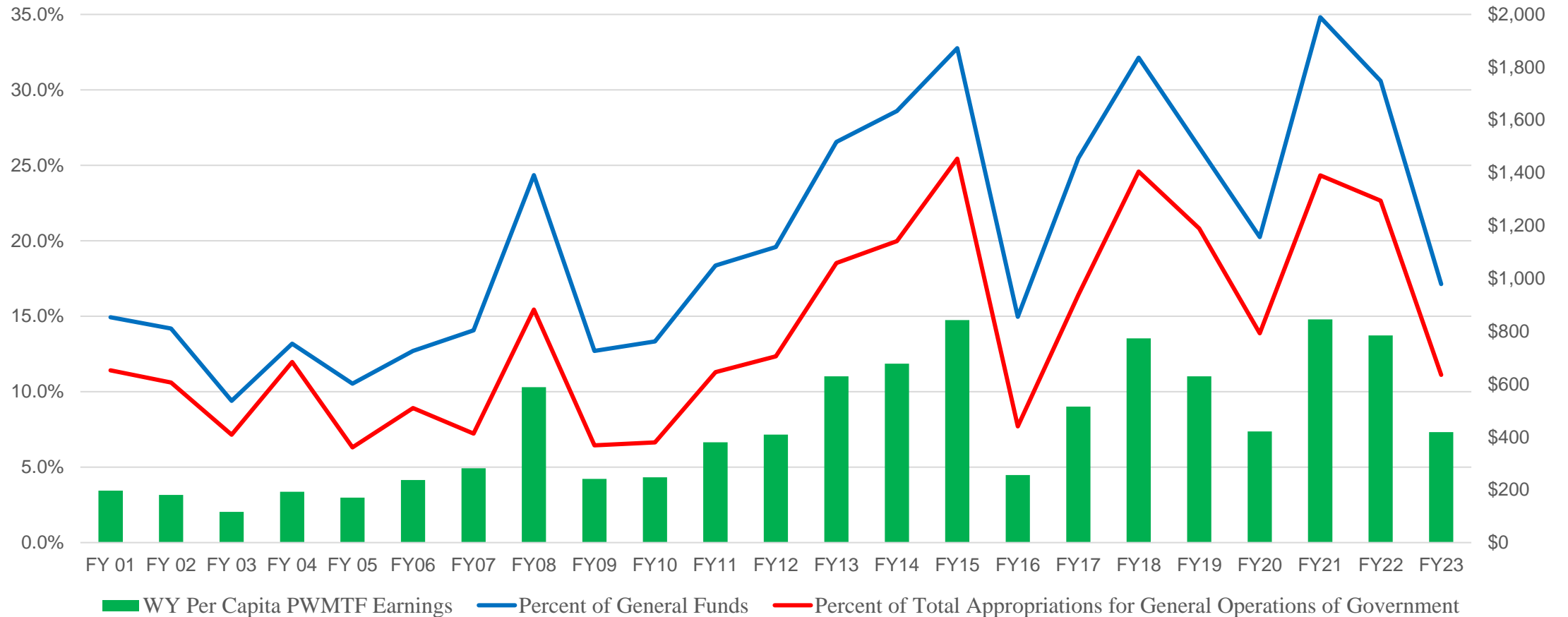
PWMTF Corpus & “Earnings” Growth



Annual PWMTF Deposits, by Source

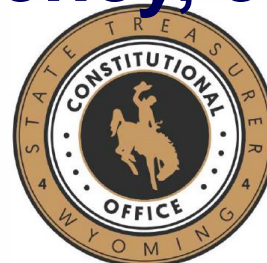
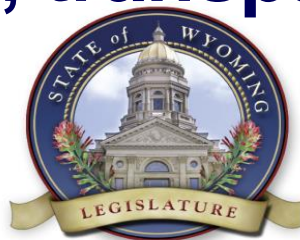


PWMTF Earnings as a % of General Fund Revenue and General Fund Budget



Broad Considerations and Observations

- 1) Choose language carefully and with an eye to the future, e.g., “income,” “earnings,” deposits, “inviolable,” inflation proofing, etc.
- 2) Staffing, funding, performance payments, and developing a competitive, high-performing investment, accounting, legal, technology, and policy team
- 3) Consider governance model and impacts on accountability, transparency, efficiency



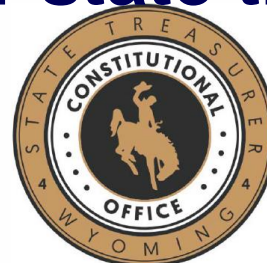
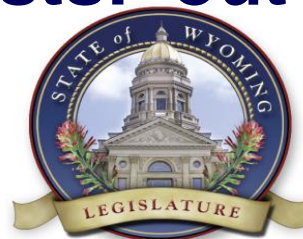
Example Decision Points: Structure

- Reporting and governance (**extremely important**)
- Total return accounting as alternatives become a larger asset class
- If using total return, inviolate structure is important, e.g., Alaska Permanent Fund
- Calculation of spending policies, use of rolling averages for prior years is important
- Procyclical/counter cyclical
- Number of funds? (one in Colorado's case?)
- How is corpus funded; challenges with annual, legislative funding
- Public purpose investments – encumbering or borrowing from the fund
- Public financial reporting (ACFR) and accounting are different for investment funds



Example Decision Points: Investment

- Defining risk and determining acceptable level
- Value at risk (VAR) or annualized anticipated volatility may be better measures than a standard 60-40 portfolio risk limit
- Active or passive investing
- Internal or external investing
- Straight salary or performance-based compensation
- Asset diversity; use of leverage
- Staffing and structure of investment team
- Understanding costs: out-of-state travel, financial systems



Example Decision Points: Staffing

- **Back/middle office: 1 to 1.5 FTE per investment professional**
- **Legal team (contracts)**
- **Compliance staff**
- **Risk assessment staff**
- **Consultant(s)**
- **Technology, trading, and accounting systems for the front, middle, and back offices**

