STATE TREASURER

Joseph B. Meyer

State Capitol
200 West 24th Street
Cheyenne, WY 82002

STATE of WYOMING

Phone: 307-777-7408

Fax: 307-777-5411
E-mail: treasurer@state.wy.us
Website: http://treasurer.state.wy.us

Prepared for the Select Committee on Capital Financing & Investments
September 10, 2009

Options for the Permanent Wyoming Mineral Trust Fund (PWMTF)
and the Common School Permanent Land Fund (CSPLF)

State Treasurer Joe Meyer

1. Do nothing and rely on statutory interpretation of State Treasurer or statutorily confirm that approach. Income will be considered to consist of interest, real estate rents and dividends. Capital gains and losses will be reconciled in corpus until capital losses are recouped.

Outcomes:

a. General fund investment income from PWMTF for FY 09 will be $135,264,226 and CSPLF investment income for FY 09 will be $56,642,431.

b. Deferred investment losses to be recouped from future capital gains will be PWMTF, $118,886,938, and CSPLF, $52,101,771.

c. Primarily due to legislative actions in placing 0.5 percent mineral severance tax into the Reserve Account, $26,648,098, is projected to be placed in corpus of PWMTF for FY 2010 as representing amount in excess of 75 percent of spending policy. Balance of Reserve Account will be $130,393,072.

d. A variation might be to statutorily state that the $26,648,098 spill over into corpus for FY 10, and future spillovers, shall diminish the amount of deferred losses by a like amount. Another variation, assuming legal concurrence is possible, is to statutorily state that spending policy amounts placed in corpus following FY 08, $171,125,137, PWMTF, and $55,146,837, CSPLF, shall be accounted for as offsets to the capital losses suffered in FY 09. These variations would allow for the FY 09 capital losses to also be recouped from spending policy spillovers in addition to future capital gains. Using FY 08 past deposits to offset FY 09 losses could be problematic given the constitutional amendment that "all monies deposited in the fund from whatever source shall remain inviolate" depending on concluding what "inviolate" means.

2. Reenact the 1986 statute that stated that income includes every source of earnings including interest, rents, dividends and capital gains and losses. This would reverse the interpretative policy of the State Treasurer for FY 09. Outcomes assuming corresponding appropriations of income disbursed pursuant to the policy were enacted:

a. Net general fund income from PWMTF for FY 09 would be $16,377,288 and CSPLF investment income for FY 09 would be $4,867,484.

b. There would be no deferred investment losses.

c. There would be no spillovers to corpus in either fund in excess of 75 percent of spending policy.

3. Increase the amount to be retained in the reserve funds by either setting a higher dollar amount before excess savings would be credited to corpus or increase the 75 percent calculation to 100 percent or more to establish a higher dollar amount. Provide that revenues in the reserve funds will be used to supplement the general fund and Foundation Program every year to ensure that 5 percent will be placed in those funds each year in addition to investment earnings and that revenues in the reserve funds will be used to replace investment losses each year if necessary.

4. Decide that for a sovereign state, policies for endowments, foundations and retirement funds do not accomplish the oversight and funding functions of the legislature. Provide that all net investment earnings from the PWMTF, interest, rents, dividends and net capital gains shall be placed in the general fund each year and provide that capital gains shall be continually appropriated from the general fund into the PWMTF corpus each year. Outcomes:

a. Income to the general fund will become more predictable.

b. Growth in the corpus of PWMTF will be due to severance taxes, capital gains from investments and valuation increases due to the various investment markets. Capital losses and valuation decreases simply become a part of the long term variations in corpus valuations considering capital losses and capital gains and valuation increases and decreases.

c. The state’s financial advisors and others currently project that the long term average growth in corpus will be just under 7 percent a year. This consists of valuation increases, non capital gain income and capital gains over capital losses. If 4 percent or so of the 7 percent consists of regular earnings, excluding capital gains and losses, the balance of the 7 percent should represent inflationary growth in corpus which has been of concern to the legislature.

5. There are several other variations and options available to the legislature as to how to account for PWMTF, CSPLF and the various other "permanent" type revenues.