Wyoming

Permanent Wyoming Mineral Trust Fund
**Synopsis**

**Market Value**

**Permanent Wyoming Mineral Trust Fund**

$6.3 billion

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**Fund Highlights**

- The Permanent Wyoming Mineral Trust Fund was established in 1975 thanks to a constitutional amendment passed in 1974.
- Only a 1.5 to 2.5 percent severance tax—essentially a royalty—is deposited into the Fund each year, mainly from oil, gas and coal. Less than half of severance taxes are distributed to the Fund.
- Five percent of the Permanent Wyoming Mineral Trust Fund’s average annual market value over the preceding five years, called the Spending Policy Amount, can be spent in any given year.

- To control risk, equity investments cannot constitute more than 55 percent of total investments.
- The Governor, State Auditor and other high ranking officials sit on the State Loan and Investment Board, which is the Fund’s ultimate authority. The State Treasurer manages day-to-day operations.
- The Fund is overseen by a volunteer multistakeholder advisory committee, as well as by an external auditor, the media, civil society and the legislature.
- While generally transparent, the Fund does not publish information on specific assets it owns.

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**Good Governance Fundamentals**

<table>
<thead>
<tr>
<th>Category</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clear Deposit Rules</td>
<td>yes</td>
</tr>
<tr>
<td>Clear Withdrawal Rules</td>
<td>yes</td>
</tr>
<tr>
<td>Clear Investment Rules</td>
<td>yes</td>
</tr>
<tr>
<td>Transparent</td>
<td>yes</td>
</tr>
<tr>
<td>Publicly Available Audits</td>
<td>yes</td>
</tr>
<tr>
<td>Effective Oversight</td>
<td>yes</td>
</tr>
</tbody>
</table>

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**Resource Governance Index Natural Resource Fund Score**

Not yet rated

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**Truman Sovereign Wealth Fund Scoreboard**

89 / 100
The Wyoming State Legislature passes a bill introducing a severance tax of one percent on mineral resources.

Voters approve an amendment to the Wyoming State Constitution creating the Permanent Wyoming Mineral Trust Fund.

After initially being limited to fixed-income investments, the Fund begins investing in equities.

Wyoming Statute 9-4-719 introduces a spending cap on the Fund’s investment earnings, limiting spending to five percent of its five year average market value. In addition, a reserve account for the Fund is created to hold any revenues in excess of the spending cap.

**Fund Inception**
- The Permanent Wyoming Mineral Trust Fund was established in 1975 under Article 15, Section 19 of the Wyoming State Constitution, an amendment that was approved at the ballot by Wyoming’s voters the previous year.¹

**Fund Objectives**
- The Permanent Wyoming Mineral Trust Fund is a savings fund created to maximize long-term investment returns.
- It also acts as a stabilization fund, smoothing volatile mineral revenues that can be used in the state budget.²
WYOMING

Each box represents a regulatory standard essential for promoting consistent use of and safeguarding resource revenues. White boxes highlight regulatory gaps in fund governance.

14/16

Good Governance Standards Met

Good Governance Standards and Gaps in Regulation

** OPERATIONS **
Objectives are Clear
Rule for How Much Can be Withdrawn in Any Given Year
Rule for Which Revenues Must be Deposited and When
Exceptions to Rules are Clarified

** INVESTMENT **
Use of Resource Revenues as Collateral*
Domestic Investment is Explicitly Prohibited**
Investment Risk Limitations
Publication of Specific Investments

** MANAGEMENT **
Penalties for Misconduct by Fund Managers & Staff
Ethical & Conflict of Interests Standards for Managers & Staff
The Detailed Responsibilities of Fund Managers & Staff
The Role of Government Agencies in Fund Management

** TRANSPARENCY AND OVERSIGHT **
Public Disclosure of Independent External Audits
Public Disclosure of Internal Audit Results
Formalized Oversight Mechanism
Public Disclosure of Regularly Compiled Fund Reports

* Wyoming Statute 9-4-715 allows a maximum of $100 million from the Fund to be used to guarantee the bonds of local governments.
** Investments in Wyoming are permitted according to the Fund’s investment policy.
Operational Laws, Rules and Policies

Fund Structure

- The Permanent Wyoming Mineral Trust Fund consists of the main Fund and the Permanent Wyoming Mineral Trust Fund's Reserve Account, which was established to channel funds back into the Permanent Wyoming Mineral Trust Fund that are in excess of what Wyoming's fiscal rule allows the state to spend, known as a Spending Policy Amount.

Fund Deposit Rules

Permanent Wyoming Mineral Trust Fund

- According to the State Constitution, a 1.5 percent severance tax levied on all oil, gas, and mineral extraction is deposited into the Permanent Wyoming Mineral Trust Fund.\(^4\)
- Wyoming Statute 39-14-801 increased the revenues allocated to the Fund by adding one percent to the severance tax on top of the 1.5 percent previously mandated.\(^5\)
- Other funds may be directly appropriated for the Permanent Wyoming Mineral Trust Fund when authorized by the Legislative Assembly.

Permanent Wyoming Mineral Trust Fund Reserve Account

- Wyoming follows a fiscal rule that sets a cap on the amount of income from the Permanent Wyoming Mineral Trust Fund that can be spent each year, called the Spending Policy Amount. The Spending Policy Amount is set at five percent of the Permanent Wyoming Mineral Trust Fund's average annual market value over the preceding five years. While all of the Fund’s interest income is transferred to the General Fund each year, the amount that is actually spent cannot exceed the Spending Policy Amount. Anything in excess is transferred to the Permanent Wyoming Mineral Trust Fund Reserve Account.\(^6\)

Fund Withdrawal Rules

Permanent Wyoming Mineral Trust Fund

- Each year, any investment income from the Fund is transferred to the State's General Fund where it can be used to finance budget expenditures.
- Under the Wyoming State Constitution, the principal of the Permanent Wyoming Mineral Trust Fund cannot be withdrawn unless authorized through a constitutional amendment.

Permanent Wyoming Mineral Trust Fund Reserve Account

- Revenues transferred from the General Fund to the Reserve Account accrue until the Reserve Account reaches 75 percent of the Spending Policy Amount. Any revenue above this is transferred back to the Permanent Wyoming Mineral Trust Fund.\(^8\)
Flow of Funds

Resource Revenues

1.5-2.5 percent severance tax on oil, gas, and mineral resources

Permanent Wyoming Mineral Trust Fund

All investment earnings each year

Excess funds are transferred back to the Permanent Wyoming Mineral Trust Fund once the Reserve Account reaches 75 percent of Wyoming’s Spending Policy Amount (SPA)*

State General Fund

Excess funds are transferred once General Fund spends what is allowed under Wyoming’s Spending Policy Amount (SPA)*

Permanent Wyoming Mineral Trust Fund Reserve Account

*5% of the Permanent Wyoming Mineral Trust Fund’s average market value for the preceding five years
Investment Authority
The Wyoming State Loan and Investment Board, consisting of the Governor and other senior government officials, has ultimate responsibility for the Fund’s management and sets investment policy. Responsibility for day-to-day operational management of the Fund lies with the Wyoming State Treasurer.9

Investment Objectives
According to its investment policy, the Wyoming State Treasurer’s objectives include preservation of the Fund’s principal against inflation, maintaining adequate liquidity and maximizing returns.10

Investment Strategy
- Equity investments cannot constitute more than 55 percent of total investments. The Fund’s current target asset allocation as of December 2012 is:11
  - 50 percent equities
  - 47 percent fixed income securities
  - 3 percent cash
- The Fund controls risk through asset class diversification and by placing a cap on equities as a share of total investments,12
- The Fund’s investment policy places the following restrictions on investments:13
  - Wyoming’s various wealth funds, including the Permanent Wyoming Mineral Trust Fund, may not combined own more than one percent of any single corporation’s outstanding shares.
  - No more than 1.5 percent of the Permanent Wyoming Mineral Trust Fund’s book value may be invested in any one corporation’s stock.
  - The Fund may invest in assets that are not otherwise authorized by law as long as the value of such assets does not exceed one percent of the Fund’s total book value.
  - Although the Fund does not invest based on any social or political objectives, the Fund does avoid making investments that could support terrorism or human rights violations.

Allocation by Asset Class14
As of June 2012

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>49%</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>44%</td>
</tr>
<tr>
<td>Cash</td>
<td>7%</td>
</tr>
</tbody>
</table>

Policy on In-State Investments
Fund assets may be invested in Wyoming.15
The State Loan and Investment Board created and periodically reviews the Fund’s investment policy. The Board consists of the Governor as its Chair, the Secretary of State, the State Auditor, the State Treasurer, and the Superintendent of Public Instruction. In addition to being a member of the Board, the State Auditor also oversees internal and external audits.

The Office of the State Treasurer oversees day-to-day management of the Fund.

An investment consultant assists in preparing the State Treasurer’s reports to the State Loan and Investment Board and monitors the performance of the Fund’s investment managers.

One percent of severance taxes can be diverted by the legislature from the Fund for other purposes. As well, significant changes to the Fund’s governance require a constitutional amendment drafted by the legislature.

The State Treasurer appoints a voluntary advisory committee consisting of members from the Wyoming legislature, the State Retirement Board, the Office of State Lands and Investment, local governments, public schools, and the banking and investment communities to periodically monitor Fund performance and comment on investment policies.

The State Auditor appoints an independent external auditor whose reports are included in the State Auditor’s annual financial reports.
Oversight and Safeguards

Oversight Mechanisms

- **Arbitrary withdrawals from the Fund’s principal are prohibited** and would require an amendment to the State Constitution.

- The State Treasurer’s **Advisory Committee periodically monitors Fund performance and holds public meetings** to consult with the State Treasurer on Fund operations and investment policy.

- A **periodic review process of investment methodology** by the State Loan and Investment Board exists to improve management of investments.

- Finances are subject to **regular and comprehensive internal audits**.

- Fund finances are subject to a **regular and independent external audit** that meets international standards.

- **The media and civil society**, like the Wyoming Taxpayers Association, regularly monitor Fund activities.
### Transparency Laws, Rules and Policies

There is public disclosure of the following:

<table>
<thead>
<tr>
<th>Disclosure</th>
<th>Available</th>
</tr>
</thead>
<tbody>
<tr>
<td>When or how often Fund reports are published and made publicly available</td>
<td>yes</td>
</tr>
<tr>
<td>Which individuals or organizations are responsible for publishing Fund reports</td>
<td>yes</td>
</tr>
<tr>
<td>Size of the Fund(s)</td>
<td>yes</td>
</tr>
<tr>
<td>Deposit and withdrawal amounts</td>
<td>yes</td>
</tr>
<tr>
<td>Returns on investments</td>
<td>yes</td>
</tr>
<tr>
<td>Detailed asset allocation – geographic location</td>
<td>no</td>
</tr>
<tr>
<td>Detailed asset allocation – asset class</td>
<td>yes</td>
</tr>
<tr>
<td>Detailed asset allocation – specific assets</td>
<td>no</td>
</tr>
<tr>
<td>Natural resource prices and other fiscal assumptions used to calculate deposit and withdrawal amounts allowed under fiscal rules</td>
<td>no</td>
</tr>
</tbody>
</table>
Annex:
List of Applicable Laws

Wyoming State Constitution: Article 15 Section 19
http://legisweb.state.wy.us/statutes/constitution.aspx

Wyoming Statute: Title 9 Chapter 4 Article 7

Wyoming Statute: Title 39 Chapter 14 Article 8
Endnotes

1. Wyoming State Constitution: Article 15 Section 19. Available at: http://legisweb.state.wy.us/statutes/constitution.aspx
7. Wyoming State Constitution: Article 15 Section 19. Available at: http://legisweb.state.wy.us/statutes/constitution.aspx