Public Purpose Investments (PPI) Scoping Paper

November 27, 2013

Management Audit Committee

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Scoping Paper Request and Public Purpose Investment (PPI) Data and Information

Management Audit Committee Scoping Paper Request

During the June 24, 2013 meeting of the Management Audit Committee, the Committee requested a scoping paper of Public Purpose Investments (PPIs), formerly known as Legislatively Designated Investments (LDIs).

Generally, the Committee was interested in the overall accountability and transparency of PPIs. In addition, the Committee voiced interest in the effectiveness of individual investments and programs, as well as consistency related to interest rates, loss reserve accounts, and review for possible repeal. The Committee also expressed interest in whether the Prudent Investor Rule (W.S. 4-10-901 through W.S. 4-10-913) should be used as criteria for deciding whether public funds should be used to fund PPIs, whether lost opportunity costs are considered and how other states handle investments.

This topic was previously audited by the Management Audit Committee in 1997. The 1997 audit analyzed 26 PPIs with total statutory authorization of $1.1 billion. The following table provides additional information on the PPIs evaluated in 1997.

Table 1
PPIs Reviewed in 1997

PPI Name	Creation	Fund Type	PPI Type
*Farm Loan Program	1921	PWMTF	Loan Programs
*Irrigation Loan Program	1955	PWMTF	Loan Programs
Home Mortgage Loan Program	1981	PWMTF	Loan Programs
*Deferred Property Tax Program	1995	PWMTF	Loan Programs
*Drainage District Bond Program	1930s	PLF-CSA	Infrastructure
*Joint Powers Act Loan Program	1974	PWMTF	Infrastructure
Local Government Bond Guarantee Program	1994	PWMTF	Infrastructure
*Cheyenne Stage II Water Project	1980	PWMTF	Water Treatment
*Shoshone Municipal Water Treatment Project	1987	PWMTF	Water Treatment
*Sheridan Area Water Treatment Project	1989	PWMTF	Water Treatment
Green River/Rock Springs Water Treatment Project	1995	PWMTF	Water Treatment
Natrona County Regional Water Treatment Project	1995	PWMTF	Water Treatment
Community College Bond Program	1967	PLF-CSA	Infrastructure
UW American Heritage Center/Art Museum	1990	UA	Infrastructure
School District Bond Guarantee Program	1994	PLF-CSA	Infrastructure
Student Loan Stand-By Program	1984	PWMTF	Education
Direct Student Loan Program	1985	PWMTF	Education
UW Advance Payment Contracts	1995	PWMTF	Education
*Time Deposit, Open Account Program	1907	Operating	Economic Development

PPI Name	Creation	Fund Type	PPI Type
*Hot Springs State Park Loan Program	1967	PWMTF	Economic Development
*Small Business Assistance Act Loan Program	1984	PWMTF	Economic Development
Link Deposit Program	1986	Operating	Economic Development
Clean Coal Investment Program	1987	PWMTF	Economic Development
Wyoming Territorial Park Project	1989	PWMTF	Economic Development
*Industrial Development Bonds	1991	PWMTF	Economic Development
*Industrial Development Bonds	1995	PWMTF	Economic Development

Source: *Legislatively Designated Investments, May 1997* report.
*Listed as PPIs in the Wyoming State Treasurer's Report (FY 2013)

The 1997 audit generally found the following: **1)** Allocated funds earned less-than what the 1997 market offered; **2)** Unobligated funds earned less than what the 1997 market offered; **3)** PPIs sometimes competed with other State programs; and **4)** PPIs lacked consistent oversight and evaluation.

The report did not contain specific recommendations, but did acknowledge that the Legislature may wish to consider more consistent oversight, management, and review of existing PPIs.

Current PPIs Categories and Potential Evaluation Questions

The term *"PPI"* is not defined specifically in statute or other criteria. This lack of a clear definition relating to such investments was also noted in the 1997 report. In addition, statutes or other criteria do not attempt to categorize PPIs by recipient entity, purpose, or by fund.

Potential methods of categorization are provided within the first section of this report. The Management Audit Committee may consider organization of PPIs based on the following categories:

1) PPI Recipient Type (see Table 2 below)
2) PPI Purpose Type (see Table 3 below)
3) PPI Fund Type (see Table 4 below).

Included at the end of the discussion are potential evaluation questions based on these three PPI categorizations.

Following the discussion of organization of PPIs, is a general discussion of PPI definition; protections in place for PPIs; discussion of PPI oversight; administration of PPIs; and historic statutory changes regarding PPIs.

Finally, pages 24 through 55 contain individual descriptions of current PPIs.

Recipient Type

Evaluators noted that there are several categorizations that can apply to a PPI. The most fundamental of these categorizations relate to whether or not recipients who receive monies from permanent funds are State political subdivisions or non-State political subdivisions. For purposes of this discussion, non-State political subdivisions are typically private individuals or corporations and State political subdivisions are public entities.

The following table provides categorization based on recipient type.

Table 2
PPI by Recipient Type

Non-State Political Subdivision (private)	State Political Subdivision (public)
Time Deposit, Open Account Program	Cheyenne Stage II GIC**
Farm Loan Program	Shoshone Municipal Water Treatment Plant
Industrial Development Revenue Bonds	Sheridan Area Water Treatment Project
Small Business Assistance Act and FmHA Ag Loan Program	Reimbursement to Counties for Deferred Taxes
Student Loan Stand-By Program	Aeronautics Loan Program
Redevelopment Area Programs	Gillette-Madison Pipeline Project
Basin Electric Power Bond	Wyoming Real Estate-State Land Purchases
Hot Springs State Park Loan Program*	Irrigation District Loan Program
	Joint Powers Act Loan Program
	Wyoming Territorial Park Project
	Drainage District Bond Program
	Hydro-Power Development Loans

Source: Legislative Service Office.
*The Hot Springs State Park Loan Program's statutory authority authorizes SLIB to make loans to individuals, corporations, or firms in order to upgrade the business enterprises and guest accommodations to the park.
**Cheyenne Stage II GIC began as Cheyenne Water Treatment Plant and then Cheyenne Stage II Water Project. Currently the project is a GIC. For further information, see page 27.

As shown above, of the 20 PPIs reviewed for this scoping paper, 12 recipients of PPIs fall into the State political subdivision or public category; examples include the Aeronautics Loan Program and the Shoshone Municipal Water Treatment Plant. Those PPI recipients that are not a

political subdivision of the State include businesses, private citizens, and other private sector entities that are not under the purview of the State. Eight (8) PPIs fall under this non-State political subdivision or private category.

It is important to note, however, that when a specific project falls under the category of a State political subdivision, that does not necessarily mean the corresponding statutory reference limits PPIs to State political subdivisions. For example, water development projects are authorized under W.S. 11-34-301 and 302 to make loans *"to court approved water districts, to agencies of state and local government, persons, corporations and associations in this state."* Therefore, water development projects are authorized to be granted to political subdivisions or non-political subdivisions of the State.

The question that naturally derives from the State political subdivisions or non-State political subdivisions of PPIs is the role of the State within the private sector. As seen in table 4 below, the majority of PPIs are authorized to come from any State permanent fund; however, the emphasis in funding most of the PPIs is on the Permanent Mineral Trust Fund (PMTF).

Article 15, Section 19 of the Wyoming Constitution establishes the PMTF; monies for the Fund are required to come from mineral excise tax, and the Fund's corpus is to remain inviolate. Also according to the Constitution, *"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."* Therefore, there is clear Constitutional authority granted to the Legislature to invest in PPIs that fall under the category of State political subdivisons; however, the authority to invest in private entities is less defined.

Further definition of the PTMF is located in W.S. 9-4-204(u)(iv), which states that the Fund is *"a permanent or perpetual trust fund which shall be invested or loaned to political subdivisions of the state, only as the legislature directs."* Under these two sets of criteria, there is authority for the PPIs that relate to political subdivisions, but a lack of clearly defined authority related to the support of private industry. The question, then, relates to the purpose of State trusts.

Introducing an economic development purpose. Discussion related to purpose of PPIs can be taken an additional step when introducing an economic development purpose, which could increase the risk of the investment. The Industrial Development Revenue Bond (IDRB) program is a good example of the Legislature envisioning that the State's investment capital be used in a manner to promote economic development. Specifically, W.S. 9-4-715(m) allows for the use of permanent funds to issue bonds for economic development purposes, as opposed to strictly maximizing the rate of return on its investment.

W.S. 9-4-715(m)(vi) controls for additional risk by requiring the use of the *"prudent investor standard."* The statute states *"any investment under this subsection shall be subject to the prudent investor standards as specified in subsection (d) of this section"* Is the additional protection afforded by this statute sufficient to counter the increased risk associated with the contemplation of economic development? According to the State Treasurer, the increased risk

from economic development investments should also be mitigated by some form of safeguard such as a loan loss reserve account or separate tracking of economic development investments *"outside of the constitutional requirements of the Permanent Funds."*

Purpose Type

PPIs can be further broken down by different purposes. To facilitate the discussion of PPIs within this scoping paper, PPIs can be broken out by purpose as follows: **1)** Infrastructure Development; **2)** Water Development; **3)** Education; and **4)** Economic Development.

The following table provides additional information.

Table 3
PPIs by Purpose Type

Infrastructure	Water Development	Education	Economic Development
Wyoming Territorial Park Project	Cheyenne Stage II GIC	Student Loan Stand-By Program	Time Deposit, Open Account Program
Aeronautics Loan Program	Shoshone Municipal Pipeline Treatment Plant		Farm Loan Program
Basin Electric Power Bond	Sheridan Area Water Treatment Project		Industrial Development Revenue Bonds
Joint Powers Act Loan Program	Gillette-Madison Pipeline Project		Reimbursement to Counties for Deferred Taxes
Redevelopment Area Programs	Drainage District Bond Program		Wyoming Real Estate-State Land Purchases
Hydro-Power Development Loans	Irrigation District Loan Program		Hot Springs State Park Loan Program
			Small Business Assistance Act and FmHA Ag Loan Program Loan Program

Source: Legislative Service Office.

Fund Type

Finally, PPIs can be broken out by fund, as well as additional information related to the mechanics of the program and the project. Table 4 below identifies PPI by name, creation date, statutory reference, interest rate, statutory allotment, outstanding balance, and amount available.

Table 4
PPI Fund Type

Fund	PPI Name	Creation	Statutory Reference	Interest rate	Statutory Allotment	Outstanding Balance	Amount Available
Permanent Mineral Trust Fund	++Time Deposit, Open Account Program	1907	W.S. 9-4-803	0.18%	None specified	$89,650,000	N/A
	Farm Loan Program	1921	W.S. 11-34-101 through 203	4%-10%	$275,000,000	$24,259,158	$250,740,842
	Cheyenne Stage II GIC	1980	W.S. 41-2-209 through 211 (renumbered 99-99-209, 2009 Session Law, Chapter 168, Section 401)	Not below 5%	$0	$1,508,310	N/A
	Shoshone Municipal Water Treatment Plant	1987	1987 Session Law, Chapter 117	4%	$16,500,000	$12,587,032	$0
	Wyoming Territorial Park Project	1989	1989 Session Law, Chapter 285 and W.S. 36-8-1001 through 1002	1.5%	$10,000,000	$10,000,000	$0
	Sheridan Area Water Treatment Project	1989	1989 Wyoming Session Laws Chapter 230	4%	$6,750,000	$0	$0
	Industrial Development Revenue Bonds	1991	W.S. 9-4-715(m)	Set by Treasurer	$300,000,000	$34,000,000	$266,000,000

Fund	PPI Name	Creation	Statutory Reference	Interest rate	Statutory Allotment	Outstanding Balance	Amount Available
Permanent Mineral Trust Fund	Reimbursement to Counties for Deferred Taxes	1997	W.S. 9-4-715(j)	None in statute	$2,000,000	$0	$2,000,000
	Aeronautics Loan Program	1998	W.S. 9-12-703	5%	$10,000,000	$4,760,659	$5,239,341
	Basin Electric Power Bond	2005	W.S. 37-5-401 through 408	4%	$35,000,000	$29,417,000	$0
	Gillette-Madison Pipeline Project	2009	W.S. 99-3-1401 2009 Session Laws, Chapter 103 2010 Session Laws, Chapter 115, and 2011 Session Laws Chapter 61	4%	$29,552,239	$29,552,239	$0
PLF	Wyoming Real Estate-State Land Purchases	1997	W.S. 9-4-715(k)	N/A	$21,587,974*	$18,335,738	$3,252,236
PLF-CSA	Drainage District Bond Program	1930s	W.S. 41-9-256 through 259.	4%	N/A	$24,000	N/A
Permanent Funds	Irrigation District Loan Program	1955	W.S. 11-34-301 to 302	4%-8%	$20,000,000	$916,786	$19,083,214
	Hot Springs State Park Loan Program	1967	W.S. 36-8-318 through 320	6%-12%	$2,000,000	$33,655	$1,966,345
	Joint Powers Act Loan Program	1974	W.S. 16-1-101 through 110	Currently 4.13%**	$60,000,000	$5,613,344	$54,386,656

Fund	PPI Name	Creation	Statutory Reference	Interest rate	Statutory Allotment	Outstanding Balance	Amount Available
Permanent Funds	Small Business Assistance Act and FmHA Ag Loan Program	1984	W.S. 9-4-701(e) (Repealed)	First 5 years determined by Treasurer then set at current rate	$0	$82,965	$0
	Student Loan Stand-By Program	1984	W.S. 21-16-113	N/A***	$175,000,000	$0	$0
	Redevelopment Area Programs	1997	W.S. 11-34-303	Set by SLIB	$300,000	$0	$300,000
	Hydro-Power Development Loans	2011	W.S. 11-34-306	4%-6%	$10,000,000	$0	Only limited per loan
	Total				***$973,690,213***	***$260,740,886***	***+$602,968,634***

Source: Legislative Service Office

*Two million ($2,000,000) from the PLF-CSA and an additional four million ($4,000,000) appropriated in the 2005 budget bill. Current Statutory Allotment and Outstanding Balance pursuant to the Treasurer's FY 2013 Investment Report.

**Range set by State Treasurer based on average rate of return for five (5) years preceding the loan year.

***Interest rates are not set by this program-loans are not the responsibility of the State

+Total will not equal the difference between statutory allotment and outstanding balances because of statutory differences and inactive programs

++Unlike other public purpose investments, the TDOA program does not have a statutory authorization or limitation. According to SAO, *"beginning in July 2013 (FY14) Treasurer Gordon changed the guidelines in which banks could apply for & receive funds from the TDOA program. For fiscal year 2014, there was $276,100,000 available for banks to apply for (5% of the state agency pool on Dec. 31, 2013). In the past, banks were allowed to apply for the available funds and if a bank chose not to take the funds allotted for them based on their percentage of Wyoming loans as of March 31, 2012, (first round), they became available to other banks to request (second round). This was changed, however. For fiscal year 2014, if banks do not take the funds they are offered; it is not available for other banks to take. Of the $276,100,000 available, there was only $89,650,000 applied and loaned out to banks. In January, the balance $186,450,000 will be offered again based their percentage of Wyoming loans as of September 30. So the amount outstanding may increase. Attached you will find a memo that was sent to all Wyoming Banks & Savings Institutions outlining the changes made."*

Potential Evaluation Questions

Based on the categorization identified in Tables 2 through 4 above, the following are potential evaluation questions that can be addressed during the full audit.

1. Should PPIs that provide funding to Non-State Political Subdivisions (private entities) be treated differently than those that provide funding to State Political Subdivisions (public entities)? Additional consideration could be considered when the purpose of the PPI is related to *"economic development."*

   More specific areas to review are as follows:

   - Use of the Prudent Investor Rule for establishment and oversight of PPIs
   - Explore the establishment and review of internal controls to identify fraud or misuse of State funds, to measure achievement of public purpose, and to ensure effective and efficient administration
   - Ensure that statutory reporting, contractual assurances, and other statutory requirements are being followed
   - Explore separate tracking outside of the State's investment portfolio
   - Explore separate funding and tracking from a percentage of permanent fund(s) allocated specifically for economic development
   - Explore the definition of a public benefit and how it factors into the State's overall investment
   - Explore the tracking and analysis of administrative costs

2. Review selected individual programs or projects to identify outmodedness and potential legislative changes related to adjustment of interest rates and ranges. Reviews could also focus on the effectiveness and efficiency of individual programs and projects, as well as their administration.

3. Review selected individual programs or projects by purpose (e.g. infrastructure, water development, education, or economic develop) to identify outmodedness and potential legislative changes related to adjustment of interest rates and ranges. Reviews could also focus on the effectiveness and efficiency of individual programs and projects with respect to various purposes, as well as their administration.

4. Review individual programs or projects to assess total value to the State with respect to SAO valuation of assets. Such evaluation could also include monetary returns on the State's investment, as well as factoring in measures of public good.

5. Review individual programs or projects by purpose to assess total value to the State with respect to SAO valuation of assets. Such evaluation could also include monetary returns on the State's investment, as well as factoring in measures of public good.

6. Should loan loss reserves or other mechanisms be established for all PPIs, similar to what exists for various loan programs?

7. What mechanisms can be established to ensure that unobligated funds are earning the maximum amount possible in the market? For example, the establishment of reductions of authorizations or capping general allocations at a certain level below the authorization level.

8. Identify other states' practices with respect to administration and oversight of PPIs.

Questions Related to PPIs

Question #1: What is a Public Purpose Investment (PPI)?

Although W.S. 9-4-715(n) grants general authority for investment in PPIs, there is no statutory definition of a PPI. Each PPI has its own set of statutes discussing purpose and reporting requirements such as interest rates and fees. See Table 3 for specific statutory citations for PPIs.

However, W.S. 9-4-715(n) discusses a dollar threshold for such investments, excluding Wyoming Infrastructure Authority and Wyoming Pipeline Authority bonds. It states, *"the state treasurer shall not invest state funds for a specific public purpose authorized or directed by the legislature in excess of a total of six hundred million dollars ($600,000,000.00), excluding investments made pursuant to W.S. 37-5-406."* This statute also states that *"prior to the convening of each general session, the state treasurer shall, after consultation with the board, recommend any adjustments to this allocated amount to the select committee on capital financing and investments."*

According to the State Treasurer's Office (STO), any investment for a public purpose outside of W.S. 37-5-406 should be included within the statutory cap. Given this criteria, the only PPI outside of the statutory cap is the Basin Electric Power Bond, which has an outstanding investment of $29,417,000.

It should be noted, however, that three programs that are technically included under the cap are dissimilar to other PPIs. For example, the Industrial Development Revenue Bond (IDRB) program (W.S. 9-4-715(m)) is primarily focused on boosting economic development; consideration is required for applicants whose project may create or preserve jobs and that may have a resulting economic impact. Another program, the Time Deposit Open Account (TDOA) banking program (W.S. 9-4-803) enables Wyoming banks to serve as a depository for State monies. Access to 5% of the State's Agency Pool assets is granted to the banks that qualify, and these monies allow the banks to meet lending needs that they would otherwise not be able to fulfill.

A third PPI that has not been reported as such by the STO is the Interfund Borrowing School Foundation Program. According to the STO, *"for several years the state issued tax and revenue anticipation notes (TRANs), as authorized by W.S. 9-4-1101 through 9-4-1105, to fund temporary cash flow shortfalls in the School Foundation Fund in order to make school foundation program payments to Wyoming school districts as required by Wyoming Statutes. However, since fiscal year 2007, the State of Wyoming has not issued any tax and revenue anticipation notes. Instead, school foundation program payments are made by temporary interfund borrowing from the corpus of the Common School Permanent Land Fund (CSPLF) at 6% interest as allowed by W.S. 21-13-316."*

STO officials further stated that interest payments from this program totaled $4,454,167 for FY13. This amount was reported as interest income to the account. They also stated that borrowing will be used again in FY14 *"to fund the cash flow for the school foundation program."* This program was not included within the individual program descriptions Table 1.3, as the STO has only recently reported this program as a PPI.

Non-Statutory Definition. The State Loan and Investment Board (SLIB), which is comprised of Wyoming's five elected officials, also provides a definition of PPI through its *Master Investment Policy and Sub-Policies*. *"Wyoming Investment"* (PPI) is defined as *"an investment either mandated or permitted by the Wyoming State Legislature for the benefit of the State of Wyoming."*

SLIB is responsible for the fiduciary oversight of invested public funds and is required by W.S. 9-4-716 to adopt investment policy statements for Wyoming State funds, with annual reviews.

The Wyoming State Treasurer is responsible for pooling and investing $17 billion in non-pension cash and investments, part of which consist of PPIs. More specifically, the investment policies and sub-policies envision that PPIs are to be factored into the cost allocation percentage of fixed assets. For the Permanent Mineral Trust Fund (PMTF), that allocation is 45% of the total investment portfolio.

PPIs are diverse, consisting of ongoing programs and one-time projects to achieve certain purposes other than for pure investment return. Such investments have been around for over 100 years.

Most PPIs take the form of loans or purchases of bonds made with monies from the PMTF, while others can be made from the following funds: Permanent Land Fund (PLF); Hathaway Scholarship Endowment Fund; Excellence in Higher Education Endowment Fund; Workers Compensation Fund (WCF); Tobacco Settlement Fund (TSF); Common School Pool (CSPLF) and the State Agency Pool (SAP).

Rates of Return. The invested monies typically receive a rate of return that is fixed by statute at either a specific rate or within a specified range. Some PPIs, such as water development projects, earn 0% interest until the projects are profitable, at which time 4% is then assessed. In some instances, the OSLI sets interest rates for various types of loans within a statutory range.

For example, farm loans, hydro-power development loans, and irrigation district loans range from 4% to 10%, and Hot Springs State Park loans range from 6% to 12%. It is interesting to note that OSLI staff stated that the Farm Loan program has relatively low rate of usage due primarily to the high interest rate, which could apply to other programs as well. See Table 1.3 for additional interest rate information by PPI.

PPIs are not, however, investments in the traditional sense, used solely as a vehicle to maximize monetary profits. In other words, they do not fit completely within the category of permissible investments pursuant to W.S. 9-4-831(a), such as treasuries, bonds or other notes, mortgage-backed securities, common stock, money markets, or cash equivalents such as certificates of deposits (CDs), all of which are typically used to maximize profits within an investment portfolio. Nor are PPIs simply like other projects or programs funded by the Legislature to serve the public good with no consideration of investment return.

PPI Programs and Projects. For purposes of this scoping paper, evaluators reviewed 20 PPIs categorized as either programs or individual projects. For example, 13 PPIs fall into the category of *"program,"* while the remaining seven (7) fall into the category of *"individual project."*

PPI programs receive a continuing Legislative appropriation in the statutory cap amount in order to provide assistance to individuals, municipalities, joint powers boards, or other entities. These programs typically have an application process and eligibility requirements set by statute. It is important to note that the administering entity of public purpose investment programs do not seek investment opportunities; rather, applicants approach the entity for potential funding. As a result, a large portion of the program's statutory allotment can remain unobligated until applicants present themselves.

PPI projects are established in statute or session law to address a single, specific goal. The Shoshone Municipal Water Treatment Project and the Sheridan Area Water Treatment Project are examples of this type of investment. Loans are provided or bonds purchased by the State in order to accomplish these goals, and the investment amount is limited to the project. These projects do not have strict application or eligibility requirements, as their advisability is already established by statute or session law.

Examples of PPI projects include water treatment projects, the Wyoming Territorial Park Project, Basin Electric Power Bond, and the Hot Springs State Park loan. Examples of PPI programs include airport loans for construction, agricultural loans, purchase of industrial development revenue bonds, and the Time Deposit Open Account (TDOA) Banking Program.

Question #2: Do mechanisms exist to protect PPI investments?

The majority of PPIs do not have provisions to safeguard against losses. For example, only a handful of PPIs such as the Farm Loan Program (W.S. 11-34-101 through W.S. 11-34-203), Joint Powers Loan Program (W.S. 16-1-101 through 110), Irrigation District Loan Program (W.S W.S. 11-34-301 through 302), and small water development loans (W.S. 11-34-301) require fees which are deposited into loan loss reserve accounts to safeguard against loan default. It should be noted that the same loan loss reserve account is shared by the Farm Loan and Irrigation District Loan programs.

In the event of a non-recoverable loss due to default of a loan, the funds within the specified loan loss account may be utilized to restore the necessary amount either to the corpus or any interest due to permanent funds of the state. In order to generate the monies for the loss account, a required fee of 1% of each loan under the specific program is statutorily required to be placed in the corresponding loan loss account. In addition to protecting the State from loss, monies from the appropriate loan loss account can be used to pay administrative and legal expenses of the administering entity

If there are not sufficient funds within the account to cover the loss of the loan, the administering entity is required to submit a report of the loss to the Legislature accompanied by an appropriation request that would restore the balance of the appropriate permanent fund. If programs not required to contribute to a loan loss account have an unrecoverable loss, then requesting an appropriation from the Legislature is the only avenue available to restore the lost funds.

At every regularly scheduled SLIB meeting, the OSLI presents a report titled "*Loan Program Overview.*" Included within this report are information related to the Farm Loan Program and the Joint Powers Act Program along with information regarding both programs' loss reserve accounts.

A recent *"Loan Program Overview"* states that the Farm Loan Loss Reserve Account has revenues from loan origination fees and application fees, revenues earned on lands acquired through foreclosures, and proceeds from the sale of acquired lands. Additionally, the Farm Loan Loss Reserve account is statutorily required to revert all monies in excess of 5% of the outstanding loan balance to the General Fund on an annual basis. According to the report, the FY 2013 balance on the account is $285,955; the FY 2012 balance was $219,550.

Also included is a description of the Joint Powers Act Loan Loss Reserve Account. The only revenue for this account is JPA loan origination fees. The balance as of June 30, 2013 is $2,036. According to the summary, "*during the 2013 General Session the legislature determined that the outstanding debt owed by Jamestown Rio Vista Water and Sewer District's (JPA077) loan was uncollectible. $127,568 of the JPA Loans Loss Reserve account was used to restore the corpus along with a General Fund appropriation of $419,071.*"

It should also be noted that some PPIs such as Reimbursement to Counties for Deferred Taxes (W.S. 9-4-715(j)) and the Airport Construction Loan Program (W.S. 9-12-703(c)) include other

safeguards such as requiring collateral or taking liens against facilities generating future user fees. Finally, some statutory provisions such as W.S. 9-4-715(m), related to Industrial Development Revenue Bonds, are quite specific with respect to determination of investor qualifications.

Wyoming Online Financial System (WOLFS) Reconciliation. Although there are limited financial safeguards related to PPIs, the STO does reconcile financial information with WOLFS every two weeks. The STO provided more specificity, stating:

> *"Every time WOLFs runs (at least twice a week) the STO downloads an account balance file (BBAL 1010) from WOLFs. The State Auditor's Office (SAO) creates this file at the end of every WOLFs run and places it in a secure file area called WinSCP. STO downloads this file and imports it into the QED system. WOLFs BBAL 1010 considers everything as cash. The upload separates the file into two categories: direct investments and leftover cash.*
>
> *The direct investments are everything that has been entered into QED by the STO staff: external and internal manager balances and LDI balances separated by fund, by investment type. Example: School Foundation Borrowing is posted only to the Common School Pool, Farm Loans are posted only to Permanent Mineral Trust Fund Pool, fixed income investments are posted to all pools and equity investments are posted only to the Permanent Land Fund Pools. After allocating the cash to the direct investments, QED considers all remaining cash "true" cash and is shown under the State Agency Pool by fund. The balancing looks at fund /pool balance, income posted but not yet distributed, receipts of revenue from all state agencies, and warrants paid. The balancing looks at a combination of QED report and InfoView reports."*

Question #3: Is there oversight of PPI investments?

There is no consistent oversight of PPIs to determine how monies are being spent, whether the public purpose was accomplished, whether fraud is occurring, or whether unobligated monies are being used in a timely manner. In addition, there is no general administrative body responsible for the sole oversight of investments for a public purpose.

There is also a lack of reporting requirements in statute related to PPIs collectively. Currently there are only two statutes that are interpreted to require reporting. W.S. 9-4-715(n) requires the State Treasurer to recommend any alterations to the statutory allotment to the Select Committee on Capital Financing and Investments prior to each General Session, and W.S. 9-4-715(m) requires a joint report by the State Treasurer and the Wyoming Business Council to issue a joint report to the Joint Minerals, Business and Economic Development Interim Committee on the effectiveness of the IDRB program.

As stated above, however, each program or project is also authorized and governed by individual statute. As a part of these statutory requirements, all PPIs have certain contractual assurances. The specificity of the required assurances varies; while some programs only require securitization of loans through liens on property, other contractual assurances are detailed and specific.

For example, with the assurances required with the Cheyenne Stage II Water Project, the following were required before the disbursal of loan monies:

- The debt must be approved by voters in the City of Cheyenne
- The City must submit financing plans for repayment of the debt
- A rate study must be conducted by a professional municipal finance and rate firm
- The City must mortgage to the State all facilities constructed with the funds provided by SLIB and assign all easements, rights-of-way, and water rights to the State as required by the Attorney General.

In addition to the above listed tasks, specific reporting requirements were mandated by statute. The City of Cheyenne was required to submit all expenses for approval as well as provide monthly progress reports to the Economic Development and Stabilization Board for the course of construction.

The Cheyenne Stage II Water Project provides an example of clearly defined statutory criteria and reporting requirements for the project. The following table lists the PPIs that contain a statutory requirement for project-specific reporting:

Table 5
PPIs with Statutory Requirements for Project-Specific Reporting

Program/Project	Wyoming Statute
Industrial Development Revenue Bonds	9-7-715(m)
Joint Powers Act Loan Program	16-1-109(d)(iv)
Farm Loan Program	11-34-103(b)
Cheyenne Stage II GIC	99-99-210(d)

Source: Legislative Service Office.

It is important to note, however, that the review of the reporting requirements for this scoping paper focused on those mandated in statute. Further reporting requirements could exist within rule, policy, or contract that fell outside of the scope of the current project; in-depth review of such information could be included within the scope of a full audit.

Internal Controls. W.S. 9-4-716 requires the SLIB to *"adopt investment policy statements for state funds and shall review these policy statements at least annually."* In response, SLIB has approved the *Master Investment Policy and Sub-Policies* (SLIB Policies) as the most appropriate manner by which to achieve its investment objectives. As stated in the SLIB policies, the investment policy of the Board is to invest public funds of the State *"in a manner that strives for*

maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity."

SLIB policies are rooted in the Uniform Prudent Investors Act (W.S. 4-10-901 through W.S. 4-10-913). This Act states *"a trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust."* More specifically, *"investments or groups of investments shall not be evaluated in isolation but in the context of the entire investment portfolio and as part of an overall investment strategy of the trust or funds from which the investment is derived, consistent with the policies for such trust or fund established under W.S. 9-4-716 by the Board."*

W.S. 9-4-715(d) also requires the application of the Act. More specifically, *"when approving, acquiring, investing, reinvesting, exchanging, retaining, selling and managing investments of the state of Wyoming…the state treasurer or the board shall exercise the judgment and care of a prudent investor."* Finally, the Prudent Investor Act (W.S. 4-10-911) states that all investments made for the State fall under the Act unless other provisions are made. In addition, no such provisions are present within any other statutes related to PPIs. It should also be noted that the IDRB program statutes (9-4-715(m)(vii)) also state that investments made under the program are to be made under the Prudent Investors Act.

SLIB policies assign *"internal control"* responsibilities to the STO. More specifically, the policies state the Treasurer *"will establish a system of internal controls."* Generally, the controls are required to prevent losses from various funds arising from fraud, errors, misrepresentation, or imprudent actions by staff. The controls, however, are not intended for a project-specific or programmatic review of individual PPIs.

According to the STO, even though PPIs are included as part of the State's total investment portfolio, the internal controls do not apply to PPIs. As stated previously in the scoping paper, PPIs are included under the definition of "*Wyoming Investment*," which is defined in the Policy as *"an investment either mandated or permitted by the Wyoming State Legislature for the benefit of the State of Wyoming."*

According to the STO, the definition has been kept intentionally broad. It should also be noted that a section for PPIs was initially established in the SLIB policies; however, it remained blank for a period of time and was eventually removed.

The exclusion of PPIs from the Master Investment Plan is concerning, since it appears that only more traditional investments in the State's portfolio pursuant to W.S. 9-4-831(a) are covered under the internal controls required by SLIB policies. In addition, SLIB policies do not envision the review of individual investments by incorporating requirements of the Prudent Investor Act; there are technically no requirements to audit areas unrelated to fraud, such as whether funds are used appropriately or whether a related public purpose was actually achieved.

With respect to PPIs, current SLIB policies related to internal controls not only exclude PPIs from coverage by internal controls, but contain no other requirements to review PPIs in areas

other than fraud. In fact, from a purely technical reading of the SLIB policies, there is actually a lack of emphasis regarding reviewing individual PPIs, given their inclusion within the State's portfolio, even though they are funded primarily to establish a public purpose.

Financial Reporting. Financial reporting of PPI investments do occur on an annual basis; this reporting is undertaken by the STO and the Wyoming State Auditor's Office (SAO). It should be noted, however, that the reporting of PPIs by the STO is based on the cost of the initial investment, while reporting the SAO in the Comprehensive Annual Financial Report (CAFR) is based on the value of each investment at a current point in time.

For FY13, the STO reported a total of PPI investments of $334,313,904, while the SAO reported $243,987,202. The SAO figure includes a reclassification of $71 million of water development PPIs as *"Loans Receivable,"* which are accounted for separately in the CAFR. The report does not $18 million worth of real estate purchases as investments. Rather, they are reported separately as fixed value assets. Adjusting for the different reporting of the water projects and real estate, the SAO figure is around $245,313,904.

The STO does report a comparison of PPI cost basis and market value. The STO 2012 Investment Report illustrates market performance for PPIs. It values the initial investment at $334,313,904 and assesses the market value at $334,344,187, a difference of $30,283. While the PPI market value is 2.1% of total market value, the PPI investment return is .009%.

A further breakdown of PPI investments by fund and projects is listed in the following table.

Table 6
Aggregate PPIs Investments from State Treasurer's Office 2012 and 2013 Investments Reports

Year	Aggregate	Fund Type			
		PMTF	CSPLF	UWPLF	SAP*
2012	$334,313,904	$108,254,166	$18,359,738	$0	$207,700,000
2013	$372,981,607	$118,321,869	$18,359,738	$0	$236,300,000

Source: Legislative Service Office from information in the 2012 and 2013 State Treasurer's Office Investments Reports.
*This fund represents the Time Deposit Open Account Banking investments found on page 42 of the 2012 Report and page 40 of the 2013 Report.

The following table identifies the individual PPI balances in the 2012 and 2013 STO Investment Reports.

Table 7
Individual PPIs Loan Balances Identified in State Treasurer's Office Investment Reports, 2012 and 2013

Public Purpose Investment	Treasurer's 2012 Investment Report	Treasurer's 2013 Investment Report
Farm Loans	$25,866,796	$22,644,851
Irrigation Loans	1,062,160	916,786
Joint Powers Loans	9,836,640	5,656,396
Hot Springs State Park	53,652	38,515
Small Business Assistance	99,501	87,227
Shoshone Municipal Pipeline Treatment Plant	13,062,146	12,829,247
Sheridan Area Water Treatment Project	1,197,334	0
Wyoming Territorial Park Loan	10,000,000	10,000,000
Reimbursement to Counties for Deferred Taxes	0	0
Industrial Development Bonds	0	0
Airport Loans – Aeronautics Commission	5,291,519	4,773,298
Gillette Madison Pipeline Project	5,527,500	29,552,239
UW Athletic Facilities Bridge Loan	0	0
Wyoming Real Estate – State Land Purchases	18,335,738	18,335,738
Redevelopment Area Programs	0	0
Subtotal	**$90,332,986**	**$104,834,297**
Other Wyoming Investments		
Basin Electric Power Bond	$32,048,000	$30,315,000
Cheyenne Stage II Guaranteed Investment Contract	4,208,918	1,508,310
Drainage District Bonds*	24,000	24,000
Time Deposit Open Account Banking Program	207,700,000	236,300,000
Subtotal	**$243,980,918**	**$268,147,310**
Total	**$334,313,904**	**$372,981,607**

Source: 2012 and 2013 State Treasurer's Office Investment Reports.
* Noted by the Treasurer's Office that this is an uncollectable loan balance and must be legislatively written off.

Unobligated Funds. A portion of the statutory allotments for PPI programs and projects can be unobligated if applicants are lacking at any given time. Given that unobligated funds should remain liquid in case projects or programs require additional monies, they are likely invested in more liquid types or shorter term investments, which may not carry higher returns. Evaluators questioned if these funds could have earned additional revenue in longer-term investments.

According to the 1997 LSO audit, *"the state earned up to 3.37% less on the unobligated portion of LDIs than on state funds invested without legislative obligations."* The report goes on to suggest that considerable opportunity costs exist if authorizations are kept at higher limits. According to STO officials, there is no analysis to determine lost opportunity of unobligated

funds, nor is analysis done to compare the realization of minimal returns against benefits of a public good.

Unobligated funds are typically invested in short-term investments within the State Agency Pool (SAP), which according to the STO has a $5.5 billion account balance of 12/31/12.

Question #4: How are PPIs administered?

PPIs are generally grouped and administered by one of several entities. The two primary bodies that administer these investments are the OSLI and STO.

SLIB was statutorily created in 1921 and consists of the five elected officials. As directed by the Wyoming State Legislature, SLIB manages the permanent land funds in accordance with the State's Investment Policy. It also administers various statutorily created grant and loan programs that provide funding and financial assistance in the form of grants and loans to cities, towns, counties, and special districts to finance capital construction and other infrastructure projects necessary for the health, safety, and general welfare of the residents of Wyoming.

SLIB is staffed by the Office of State Lands and Investments (OSLI), which provides administrative support and makes recommendations on business coming before SLIB. The State Treasurer's inclusion on SLIB is advantageous, as that office is responsible for investing the State's pooled funds.

The State Treasurer is designated by W.S. 9-4-715 as the chief investment officer of the State of Wyoming. Under that charge, the STO is responsible for the investment of permanent funds and reporting regarding outstanding investments. Although SLIB and the OSLI administer some of the investments for a public purpose, the STO also acts as an administrative body for the IDRB, TDOA programs, and Interfund Borrowing School Foundation Program.

It is important to note that the STO staff stated that they rely on OLSI to perform oversight functions for their programs. However, according to the OSLI staff, oversight activities are not considered within their responsibilities, as long as payments are timely. In addition, with the exception of the IDRB and TDOA programs, STO officials stated it relies on OSLI and other administrative entities for record keeping. STO staff stated, "*with respect to those programs administered by the Office of State Lands & Investments and the Water Development Office, the State Treasurer's Office (STO) relies on these agencies through their boards and/or commissions to evaluate and review the programs & projects they administer. These agencies also establish their own internal control polices and program performance audits.*"

Although this scoping paper primarily discusses information provided by these primary entities with respect to their responsibilities, other entities administer some elements of the programs or projects, including the Wyoming Business Council (WBC) and the Wyoming Water Development Commission (WWDC).

The WWDC was established in 1975 and promotes the planning, selection, financing, construction, acquisition, and operation of water projects. The WWDC consists of ten

Commission members and utilizes an office staff of 26. Pursuant to W.S. 41-2-121, WWDC is required to *"establish criteria for evaluation and administration of water development projects."* Criteria emphasize the development of unappropriated water and to create new storage capacity.

The WBC was created in 1998 *"to focus public and private efforts to build a strong job creation base in the new economy with manufacturing and technology as core competencies while strengthening the existing business and industry groups under alternative energy, agriculture, manufacturing, high tech, transportation and logistics."* Its role is varied, but for purposes of this scoping paper, it is discussed within the context of assessing the business worthiness of Industrial Development Revenue Bond applicants.

The following tables provide general information on the services administrative entities provide with respect to PPIs, as well as the identification of individual PPIs within their administrative purview.

Table 8
PPI Administrative Entities

*State Land and Investment Board	State Treasurer's Office	Wyoming Business Council	Water Development Office
General Oversight	Administrative Duties	Administrative Duties	Administrative Duties
Final Review of Loan Applications	Final Review of Loan and Bond Applications	Initial Review of Bond Applications	Initial Review of Loan Applications
Action on Loan Application	Recommends Action on Loan and Bond Applications	Recommends Action on Bond Application	Recommends Action on Loan Application
Sets Interest Rates within Statutory Limits	Receipt of Payments		

Source: Legislative Service Office.
*Decisions are ultimately approved by SLIB after recommendation by OSLI staff.

Table 9
PPI Administrative Entities Projects

*State Land and Investment Board	State Treasurer's Office	Wyoming Business Council	Water Development Office
Redevelopment Area Programs	Industrial Development Bonds	Industrial Development Bonds	Gillette-Madison Pipeline Project
Wyoming Real Estate-State Land Purchases	Reimbursement to Counties for Deferred Taxes		Sheridan Area Water Treatment Project
Joint Powers Act Loan Program	Small Business Assistance Act		Shoshone Municipal Pipeline Treatment Plant
Hot Springs State	FmHA Ag Loan		

*State Land and Investment Board	State Treasurer's Office	Wyoming Business Council	Water Development Office
Park Loan Program	Program		
Aeronautics Loan Program	TDOA Program		
Farm Loan Program	Basin Electric Power Bond		
Irrigation District Loan Program	Drainage District Bond		
Hydro-Power Development Loans	Student Loan Stand-By Program		
	**Cheyenne Stage II GIC		
	***Wyoming Territorial Park Loan		

Source: Legislative Service Office.
*Decisions are ultimately approved by SLIB after recommendation by OSLI staff.
**Cheyenne Stage II GIC does not fit neatly within the table. Although it is a water treatment project, the original administrative entity was the now defunct Department of Economic Planning and Development. It is currently administered by the Economic Development and Stabilization Board, but is carried by the STO within reports.
***Wyoming Territorial Park Loan does not fit neatly within the table. W.S. 36-8-1001 through W.S. 36-8-1002 directs the Department of State Parks and Cultural Resources to develop an operational plan for the Park, but is carried by the STO within reports.

Question #5: How has statutory language related to PPIs changed?

As a result of the 1997 Management Audit Committee audit of PPIs (known then as Legislatively Designated Investments or LDIs), the newly created Select Committee on Capital Financing and Investments sponsored legislation during the 2000 session to make various changes to statutes dealing with PPIs. The Legislature enacted modifications to PPIs during that same session.

During the 2008 Budget Session the Select Committee on Capital Financing and Investments sponsored additional legislation recommended by the State Treasurer's Office. More recently, during the 2013 session, additional statutory changes were made.

The following table provides additional information.

Table 10
Statutory Changes

Year	Change
2000 Budget Session	*"Reduction of the overall cap on authority to invest in LDIs from $600 million to $500 million"*
	"Stated that the overall cap applied not only to the currently authorized LDIs, but also to other LDIs subsequently enacted unless the legislation specifically exempted the LDI from the overall cap"
	"LDIs redefined as investment for a specific public purpose, other

Year	Change
	than investments in accordance with the state investment policy under W.S. 9-4-709, W.S. 9-4-711, or W.S. 9-4-831, which are authorized or directed by the legislature"
	"Exempted…investment in bonds of Wyoming, its counties, cities, school districts, special improvement districts, irrigation districts, and industrial development revenue bonds issued by cities, towns, or counties"
	"Also excluded were…permissible investment for public funds, such as treasury bills, federal guaranteed bonds, mortgage back securities insured by the federal government, guaranteed investment contracts by highly rated insurer, and bank and savings and loan certificates of deposit"
	"Required the State Treasurer to report to the Select Committee on Capital Financing and Investments prior to each general session any recommended adjustment to the limitation imposed on LDIs"
2008 Budget Session (SF0028)	*"Rather than listing or referencing listings of authorized securities or other investments, the bill provides general authority to invest: must be authorized by law or authorized or approved by the SLIB; are subject to the prudent investor rule; are to be judged by the entire portfolio and purposes underlying the fund-not by a single investment"*
	"Approval of the SLIB to invest in alternative investments"
	"Unless an LDI is specifically excluded from the cap, it counts toward the cap"
	**"The separate laundry list of LDIs is repealed and replaced with more general language capping investments for a specific public purpose at $500 million"*
2013 General Session (HB0215)	*"Lowers the amount of permanent funds which the state treasurer may invest in industrial development bonds issued by joint powers boards, counties or municipalities, from $600 million to $300 million"*
	"Provides rulemaking authority to the state treasurer in carrying out his duties in investing in those bonds"
	"Lowers the overall amount of state funds invested for a public purpose as authorized or directed by the legislature from $1 billion to $600 million"

Source: Legislative Service Office memo on Investments for a Public Purpose (LDIs), 2008 Budget Session SF0028 bill summary, and 2013 General Session HB0215 bill summary.

*Included the following investments: small business loans; student loans; deferred property taxes; industrial development bonds; farm loans; irrigation district loans; joint powers loans; Hot Springs State Park loans; Shoshone Municipal Water Treatment Project; Sheridan Area Water Treatment Project; Laramie Territorial Park; Cheyenne Water Plant Project; and airport construction loans.

PPI Program Descriptions

Aeronautics Loan Program

Purpose

The Aeronautics Loan Program is authorized under W.S. 9-12-703 to provide loans for the construction, development and improvement of airport facilities.

Oversight

During the 2013 General Session, responsibility for the general administration of this program was moved from Aeronautics Commission to the OSLI. However, the Aeronautics Commission remains the entity responsible for recommendation of approval or denial of applications for projects.

In addition, WYDOT's Internal Review Service is now responsible for auditing Aeronautics Loan Projects and has added Loan Projects to their risk evaluation within the audit process.

Contractual Assurances

Statutory provisions related to contractual assurances are limited; however, W.S. 9-12-703 requires credit worthiness of the applicant and allows SLIB to take a lien against the facilities generating user fees as a security for repayment of the loan.

Statutory Authority:

W.S. 9-12-703

Fund Type:

PMTF

Interest Rate Range:

5%

Statutory Allotment:

$10,000,000

Outstanding Investments:

$4,760,659

Eligibility

Statute requires that the Board adopt rules and regulations for loan administration; however, the only additional eligibility criterion listed within statute is the credit worthiness of the applicant and a recommendation from the Wyoming Aeronautics Commission.

Interest Rate:

The interest rate for this program is statutorily set at 5%.

Special Notes

The Aeronautics Loan Program was audited as part of the 2012 LSO audit of the Aeronautics Commission. Additionally, recommendations related to the Loan Program were included in the November 2013 Aeronautics Program Follow-Up Audit.

Basin Power Electric Bond

Statutory Authority:

W.S. 37-5-401 through 408

Fund Type:

PMTF

Interest Rate Range:

4%

Authorized Amount:

Not to exceed $35 million

Outstanding Investments:

$29,417,000

Purpose

The Basin Power Electric Bond is a municipal bond purchased from the Wyoming Infrastructure Authority (WIA); this purchase was authorized by W.S. 37-5-406. According to the STO, "*in August 2005, the WIA issued $34.5 million of collateralized revenue bonds for Basin Electric Power Cooperative Project which the STO purchased through a private placement.*" The proceeds from the bond issue were used to finance the cost of construction of certain electric transmission facilities in Campbell and Sheridan Counties consisting of capital improvements and equipment.

Contractual Assurances

W.S. 37-5-404(a) specifies that the principal and interest on any bonds issued by the WIA shall be secured by: 1) A pledge of revenues from the operation of the project financed; 2) A first mortgage on the facilities; 3) Guarantees and pledges of the entity owning the pipeline or parent corporation; or 4) Any combination of these guarantees or other security as may be determined by the WIA to be reasonable and prudent.

Eligibility

There are limited eligibility requirements for this project, as it was a one-time project rather than a revolving program, and qualified under the bond authority granted to the WIA to issue bonds to finance projects electric transmission facilities, other facilities, and related infrastructure projects.

Oversight

SLIB authorized the purchase in 2005. Prior to purchase, the Treasurer's Office worked with bond underwriters, bond council and bank trustees during this review and evaluation process. Review of the financials was conducted to ensure repayment capabilities, that collateral was offered, that insurance was being provided, and for review of the various bond documents, such as mortgage and structure. Once the bond was purchased no continued review was performed unless a bond payment is delinquent.

Interest Rate:

Pursuant to W.S. 37-5-406, interest payable on the bonds invested in by the Treasurer shall average over the lifetime of the bonds to be at least four percent (4%). According

to the STO, "*Principal and interest at 4.69% on the bonds are payable solely from the amounts received by the Authority from Basin under the loan agreement and first mortgage note and are not a general obligation of or a pledge of or a charge against the general credit of the WIA. The loan agreement between WIA and Basin Electric and the Basin Electric mortgage note shows the interest rate that Basin is paying is 4.84% with payments going to WIA.*"

Special Notes

It is noteworthy that WIA bonds are not required to comply with statutes related to the Prudent Investor Rule.

Cheyenne Stage II Water Project

Purpose

The Cheyenne Water Treatment Project's Stage II Water Project was authorized by 1980 Session Law, Chapter 72 and codified in W.S. 41-2-209 through 211. This project was for the construction of Stage II of the Cheyenne Little Snake Diversion Facilities and included water treatment facilities. The end result of the project was to hold and collect additional waters from the Little Snake River and Douglas Creek drainages, and transport it to the existing Cheyenne System.

Oversight

Originally, the Department of Economic Planning and Development (now defunct) was statutorily appointed to administer this project. The Department was required to enter into an agreement with the City of Cheyenne for construction, operation and maintenance of the project. Ultimately, administration of the project was transferred to the Economic Development and Stabilization Board in 1985.

Specifically, the Board is required to approve all project expenditures from the beginning to the end of the project, and receive monthly progress reports from the city of Cheyenne to determine compliance with the construction, design and specifications for the project.

Statutory Authority:

W.S. 41-2-209 through 211 (renumbered 99-99-209, 2009 Session Law, Chapter 168, Section 401)

Fund Type:

PMTF
and
Water Development Account I

Interest Rate Range:

Not below 5%

Statutory Allotment:

$35,360,965

Outstanding Investments:

$1,508,310 (guaranteed investment contract)

Contractual Assurances

The funds were not to be released unless the voters of Cheyenne approved the debt and approved revenue generated from the project to be used to repay the debt by issuing general obligation bonds to the State. Additionally, the excess water or effluent produced as a result of this project may be marketed for sale by the Wyoming Water Development Commission. Of the proceeds, one-third goes to the City of Cheyenne for repayment of the loan, and two-thirds reverts back to the State.

Requirements are specified in statute that must be completed prior to funds being disbursed:

- The debt must be approved by voters in the City of Cheyenne
- The City must submit financing plans for repayment of the debt
- A rate study must be conducted by a professional municipal finance and rate firm
- The City must mortgage to the State all facilities constructed with the funds provided by SLIB and assign all easements, rights-of-way, and water rights to the State as required by the Attorney General.

Eligibility

As this project was a one-time project rather than a revolving fund program, there are limited eligibility requirements. The program is established in statute. However, general authority is found in the State of Wyoming's Constitution, Article 15, Section 19, which authorizes loans from the PMTF to political subdivisions of the State as approved by the Legislature.

Interest Rate:

Statute required that the interest rate be at a rate which will be no more than one-half percent (.5%) below the rate for which the city of Cheyenne could sell the general obligation bonds on the open market, and shall not be less than five percent (5%) per annum as determined by SLIB.

Special Notes

The loan was sold by SLIB through bonds on the private market in 1988. Those proceeds were used to purchase guaranteed investment contracts (GIC) with the same terms as the original loan.

Drainage District Bond Program

Purpose

The purpose of an investment in a Drainage District Bond is to construct, repair, reconstruct, enlarge, extend, or improve drainage systems for Drainage Districts. The program was established in the 1930s; W.S. 41-9-256 allows the Drainage Districts to borrow money or issue bonds. These bonds were purchased using the Common School Account from the Permanent Land Fund.

No new investments have been made under this program in over fifty (50) years. Currently, there is only one outstanding bond that according to the State Treasurer's Office is considered uncollectable. The uncollectable principal amount is $24,000 as of FY 2013.

Oversight

There is limited information regarding the oversight of these bonds; according to the State Treasurer's Office, the information is not available because the program has been out of use for a considerable amount of time. Statute for the program does not provide for administrative oversight.

Contractual Assurances

W.S. 41-9-256(a) states that bonds must bear interest and not run beyond one year after the last installment of the assessment; statute further requires that bonds shall not be sold at less than 90% of face value

Statutory Authority:

W.S. 41-9-256 through 41-9-259

Fund Type:

Common School Account,

Permanent Land Fund

Interest Rate Range:

4%

Statutory Allotment:

N/A

Outstanding Investments:

$24,000

Eligibility

As stated above, bonds issued under the program are required to be for construction, repair, reconstruction, enlargement, extension, or improvement of drainage systems for Drainage Districts.

Interest Rate:

W.S. 41-9-256 states that bonds shall bear interest; however, a specific rate range is not specified within statute. According to the Treasurer's Investment Report for FY 2013, only one investment is currently outstanding, with an interest rate of 4%,

Special Notes

Wyoming statutes do not specifically authorize the Treasurer to invest in Drainage District Bonds. Authority for investment in

Drainage District Bonds appears to come from the Treasurer's constitutional or general statutory authority.

Farm Loan Program

Purpose

The Farm Loan Program is authorized under W.S. 11-34-101 through 203 to provide loans to private entities and is statutorily limited to the purchase of farm lands, equipment, farm buildings, and liquidation of indebtedness. The total cap for the program is statutorily limited to $275,000,000, which can be made with any State permanent funds. Of that total, individual loans are statutorily required to range between $10,000 and $800,000. SLIB approves loan applications and the OSLI provides for the administration of the program. Rules and policies regarding the administration of the program have been developed by OSLI.

Within the Farm Loan Program, there are three sub-programs: Farm Loans, Beginning Agricultural Producer Loans, and Livestock Loans. Each of the sub-programs has a different level of application activity and outstanding loan amount.

Oversight

Generally, the focus of OSLI is in the vetting process prior to loan approval. Prior to disbursement of the loan, OSLI staff reviews HUD statement for all land purchases and invoices reviewed for all non-land purchases (equipment, livestock, seed, etc.). After loan disbursal, OSLI provides an annual loan payment notice to the borrower, but does not have further contact or oversight over the recipient unless the loan goes into default.

Statutory Authority:

W.S. 11-34-101 through 203

Fund Type:

Any State permanent fund

(primarily PMTF)

Interest Rate Range:

4%-10%

Statutory Allotment:

$275,000,000

Outstanding Investments:

$24,259,158

Contractual Assurances

Contractual assurances within the statute are limited; however, W.S. 11-34-116(a) states that if the loan recipient expends loan monies for any reason other than those outlined in the original application, SLIB may have the loan become due and payable forthwith. Furthermore, the same statute states that the following conditions would allow SLIB to cancel the loan and require immediate payment:

- Borrower is in default in respect to any condition of the mortgage;
- Heirs or assigns abandon the land for one (1) year;
- If the Board believes that the loan is not adequately secured by reason of any mismanagement, waste, or neglect of the land.

Eligibility

Statute has specific eligibility requirements under W.S. 11-34-110, including:

- May not be engaged in the cultivation and development of the farm land mortgaged;
- Individuals must be able to demonstrate that they are qualified Wyoming Electors as determined by Election Code Statutes of Title 22;
- Legal entities must be able to demonstrate that a majority of the ownership is by individuals who meet the qualifications as an individual;
- If the applicant for a "beginning agricultural producer" loan is a legal entity all owners must be eligible beginning agricultural producers.

Interest Rate:

The return rate range is from 4%-10% as per W.S. 11-34-117. Each sub-program also has individual return rate requirements established in rules.

Current Rates:

Farm loans:

- 8% per annum for loans up to 50% of appraised value;
- 9% per annum for loans up to 60% of appraised value.

Beginning Agricultural Producer loans:

- For the first ten (10) years of the loan, the rate shall be the lesser of 8%, or the average yield on a ten (10) year U.S. Treasury Bond for the previous year, rounded to two (2) decimals, as of the date of loan closing.

- At the end of ten (10) years, the interest rate shall be 8%. Loans to beginning agricultural producers shall not exceed 70% of value.

Livestock Loans:

- The interest rate shall be equal to seventy-five percent (75%) of the lowest current rate set by the Board for farm loans, this calculates to six percent (6%).
- Sales contracts-sale of lands acquired through farm loan foreclosure require the following rates:
- 8% per annum for contracts up to 50% of sale price;
- 9% per annum for contracts up to 60% of sale price;
- 10% per annum for contracts up to 70% of sale price.

Special Notes

Aside from qualified appraisers, OSLI does not have the specific agricultural lending knowledge required for the analytical review of the Farm Loan Program application. Both OSLI and the State Treasurer's Office have voiced the concern that staff do not have the necessary expertise and have suggested that contracting with an outside vendor would be useful for this program.

Gillette Madison Pipeline Project

Purpose

The Gillette Madison Pipeline Project is a one-time project originally authorized by 2009 Session Laws, Chapter 103. The project is intended to fund design, groundwater exploration and drilling, permit procurement, project land procurement, construction engineering and construction of municipal wells, transmission pipelines, pump stations and appurtenances to the municipal and domestic water supply.

The project consists of both grant and loan monies, but for this project only loan monies were considered. The overall project consists of three loans in the amounts of: $5,527,500 (2009); $8,085,000 (2010); and $15,939,739 (2011) for a total of $29,552,239.

Oversight

The Wyoming Water Development Commission administers the project; although there is interaction between the Commission and the Treasurer's Office regarding copies of promissory notes or questions about the project. This interaction, however, is limited. Most of the project administration is handled by the Commission, as terms and interest rates are set by law.

Statutory Authority:

W.S. 99-3-1401
2009 Session Laws, Chapter 103
2010 Session Laws, Chapter 115;
and
2011 Session Laws Chapter 61,

Fund Type:

PMTF

Interest Rate Range:

4%

Statutory Allotment:

$29,552,239

Outstanding Investments:

$29,552,239

Contractual Assurances

Certain restrictions are designated in 2009 Session Laws that prohibit the sale lease, assignment or transfer of ownership of the water resulting from the project for purposes other than for the project purpose without prior written approval of the Commission and the State Engineer or Board of Control. If approval is given, revenues resulting from the lease, sale, assignment or transfer are to be used against the principal on the project loan.

Once the loan is paid in full, the sponsors and the State will receive proportionate shares of the revenues generated by the transaction.

Certain project requirements were noted on the WWDC website for this project, including:

- Approximately 50 miles of transmission pipeline ranging in size from 36-inch to 42-inch diameter
- New power transmission upgrades and booster pump station near Rozet
- New electrical system, disinfection facility and storage tanks at the Pine Ridge well field site
- Transmission system will be capable of:
    - Serving the design year 2040 population of 57,562 for the Gillette Regional Area
    - Providing an additional 16,000 gpm (23 MGD) to the Gillette Regional Area.
- New Madison Formation Well Field
    - Initially five (5) new wells capable of producing 1,400 gpm per well
    - Ultimately, 12 to 13 new wells to be developed over the next thirty years
- Treated water storage tanks in Campbell County and transmission pipeline stub-outs to accommodate future regional extensions to serve existing and future demands from over 40 recognized water districts and subdivisions not currently receiving city water

Eligibility

The Gillette Madison Pipeline is a one-time project rather than a revolving fund program therefore there are limited eligibility requirements. The project is set by statute. However, general authority to loan these monies can also be found in the State of Wyoming's Constitution, Article 15, Section 19, which authorizes loans from the PMTF to political subdivisions of the State as approved by the Legislature.

Interest Rate

Wyoming Session Law sets the interest rate at an annual rate of four percent (4%) with a term of 30 years.

Hot Springs State Park Loan Program

Purpose

Loans issued under the Hot Springs State Park Loan Program are administered by the State Loan and Investment Board and the Department of State Parks and Cultural Resources in order to improve and upgrade the business enterprises and guest accommodations at the Hot Springs State Park in Thermopolis, Wyoming. The statutory allotment for the program is $2,000,000; individual loans are required to be less than $1,000,000.

Oversight

According to the OSLI, there is not a formal application process for this program; however, one is currently being developed. Current OSLI practice is that borrowers submit a loan draft request form for reimbursement of incurred expenses with accompanying documentation.

No further oversight is apparent, as the OSLI does not have further contact regarding progress or status reports on the loan.

Contractual Assurances

The term of the loan is statutorily limited to 30 years, and the loan amount is prohibited from exceeding 75% of the total cost of any construction project. All loans are also required to be secured by a mortgage or a lien.

Statutory Authority:

W.S. 36-8-318 through 320

Fund Type:

State Permanent Funds

Interest Rate Range:

6%-12%

Statutory Allotment:

$2,000,000

Outstanding Investments:

$33,655

Eligibility

As stated above, loan projects are required to be for the improvement and upgrade of guest accommodations at the Hot Springs State Park.

Interest Rate

The interest rate range is set statutorily between 6% and 12%.

Special Notes

According to the OSLI, there has not been a loan issued under this program since the late 1980s. There are two outstanding Hot Springs State Loans that were approved by the Board in the late 1980's. These loans are scheduled to be repaid in December 2014 and August 2015.

Hydro-Power Development Loan Program

Purpose

The Hydro-Power Development Loan program allows the SLIB to loan money to municipalities, irrigation districts and other special districts for the purpose of hydro-power development pursuant to W.S.11-34-306.

Contractual Assurances

W.S. 11-34-306(b) states that loan applications must be accompanied by a feasibility study completed by the Wyoming Water Development Commission. Additionally, the SLIB must require a security that is deemed adequate to secure the loan.

Eligibility

Applicants for Hydro-Power Development loans must be in compliance with all applicable reporting requirements with SLIB, the Wyoming Department of Audit and the Department of Revenue

Oversight

SLIB is authorized to oversee these loans. In addition, the SLIB has promulgated chapter 34 Rules and Regulation regarding oversight of this loan; however, it should be noted that the OSLI has not received any applications for loan to date.

Statutory Authority:

W.S. 11-34-306

Fund Type:

State Permanent Funds

Interest Rate Range:

4% to 6%

Authorized Amount:

$10,000,000

Outstanding Investments:

$0

Interest Rate:

Pursuant to W.S. 34-11-306 provides and interest rate range between 4 and 6 percent.

Special Notes

Because this is a new program, the OSLI has not received any loan applications. Additionally, effectiveness of the program cannot yet be analyzed.

Another issue of note is with the statutory allotment for the program. W.S. 11-34-306 (a) states that *"any loan granted under this section shall not exceed the aggregate sum of ten million dollars ($10,000,000.00),"* which OSLI interprets as allowing each individual loan a cap amount of $10,000,000 instead of capping the total program amount at $10,000,000. Further clarification could be undertaken in an additional audit if requested.

Industrial Development Revenue Bond Program

Statutory Authority:

W.S. 9-4-715(m)

Fund Type:

Any State permanent funds (primarily PMTF)

Interest Rate Range:

Varies according to the ten (10) year Treasury bill rate as determined by the State Treasurer

Statutory Allotment:

$300,000,000

Outstanding Investments:

$34,000,000

Purpose

The Industrial Development Revenue Bond (IDRB) Program is authorized W.S. 9-4-715(m), which allows the State Treasurer to purchase bonds issued by a local entity for specific development projects. The Wyoming Business Council (WBC) and the State Treasurer's Office share the processes and administrative duties of the program.

During the 2013 Legislative Session, the IDRB Program cap was decreased from $600,000,000 to $300,000,000 (2013 Session Law, Chapter 95, Section 1). Additionally, no single project may be authorized in the excess of $100,000,000 without legislative approval. The funds for the program are specified to come from any state permanent funds.

Oversight

The application process provides the first layer of oversight for projects. Each application must be approved by the WBC for business feasibility; then approved by the Governor's Office for benefit to Wyoming; then approved by the State Treasurer's Office for adequate securitization and other investment concerns such as interest rate.

The State Treasurer and the WBC are statutorily required to provide an annual report to the Joint Minerals, Business, and Economic Development Interim Committee on:

- The effectiveness of the IDB program;
- The costs incurred to the Permanent Mineral Trust Fund;
- Expenditures made to the account; and
- Revenue gathered from fees and businesses that utilized the program.

Contractual Assurances

Several contractual assurances are required by statute. W.S. 9-4-715(m)(ii)(B) states that when considering applicants, the WBC is required to consider the number of jobs created or preserved and the economic impact that may result from the project.

Additionally, of the total project cost, 25% is required to be paid by the owner of the property or business.

Eligibility

The IDRB program has statutory specific requirements for eligibility. Projects funded under this program must be used for the following:

- Purchase of land or rights-of way
- Purchase, construction, or installation of a building or goods

Additionally, the buildings, property, and equipment must be used to add economic value to goods, services, or resources within or outside of the state. Further, they are required to be used:

- As a part of the construction of a facility or infrastructure for manufacturing, processing, or generating:
    - Power
    - Oil
    - Gas
    - Electricity
    - Telecommunications
    - Utility services
- For commercial or business enterprises or their infrastructure
- For reconstructing, remodeling, modernizing, or expanding existing facilities or related infrastructure

Interest Rate:

W.S. 9-4-715(m)(ii)(C) states that the bonds issued under the IDRB Program *"bear interest at a fixed or adjustable rate indexed to the prime or ten (10) year treasury bill rate as determined by the State Treasurer, which is reasonable commensurate with the risk, as recommended by the Wyoming Business Council."*

Special Notes

Of note with the IDRB Program is the requirement of the WBC to consider jobs that may be created or sustained as a result of funded projects. This requirement is one of the few seen in statute attempting to quantify the investment's impact on the public.

Additionally, one project has been approved through the IDRB program recently, called the Lost Creek In-Situ Uranium Recovery Project. This project is the only currently outstanding investment at $34,000,000.

The State Treasurer's Office has voiced concerns over the IDRB process, particularly regarding confidentiality of the approval process until all three steps have been completed.

Irrigation Loan Program

Purpose

The Irrigation Loan Program is administered by Office of State Lands and Investments (OSLI) and State Loan and Investment Board (SLIB). SLIB is authorized through W.S. 11-34-302(a) and (b) to make loans and issue bonds for water development projects.

The statutory cap for this program is $20,000,000, and no single loan may exceed $150,000. OSLI is generally responsible for oversight of this program, while SLIB approves loans and grants funds through nonnegotiable debenture bonds for the projects.

The Wyoming Water Development Commission is also authorized to provide technical assistance to the SLIB and OSLI to review applications and water development projects.

Oversight

According to the OSLI, oversight for the program occurs prior to loan disbursal; further monitoring of the loan does not occur as long as loan payments are received in a timely manner.

The review of applications prior to disbursement of funds OSLI reviews a Housing and Urban Development (HUD) statement for all land and non-land purchases and copies of invoices are required to be reviewed by OSLI before funds are disbursed.

Statutory Authority:

W.S. 11-34-301 through 302

Fund Type:

State Permanent Funds

Interest Rate Range:

4% (loans)

4%-8% (bonds)

Statutory Allotment:

$20,000,000

Outstanding Investments:

$916,786

Additionally, applicants are required to provide a written loan application and proposed water development plan with design and cost estimates, legal description of the area to be developed, current financial statements, income and expense records in addition to other information required by the SLIB.

Although statute does not provide specifically for oversight, Section 7 of Chapter 5 OSLI rules requires security for loans and identifies acceptable securities.

Contractual Assurances

Although provisions for contractual assurances are not apparent in statute, SLIB Chapter 5 rules Section 9 identifies certain assumptions to be met. Specifically, "*When a borrower conveys legal or equitable title to property securing a loan, the purchaser may assume the repayment obligation to the Board if qualified under W.S. 11-34-301 and Sections 4 and 5 of this chapter. If the loan is not assumed by the purchaser, the loan shall be paid off in full at the time of the conveyance.*"

Eligibility

Irrigation Loans are available to water districts, state and local government, individuals, corporations, and associations. Statute also states that applicants must be qualified Wyoming electors as determined by Title 22 Election Code Statutes.

Interest Rate:

The interest rate range designated by statute is 4%-8% at the discretion of SLIB.

Special Notes

N/A

Joint Powers Act Loan Program

Purpose

The Joint Powers Act Loan Program is authorized through W.S. 16-1-101 through 110 to provide loans to joint powers boards of municipalities, counties, and other government entities. These loans are to be used for water facilities, public health facilities, electrical systems, or rights-of-way.

The statutory allotment for the program is $60,000,000, and the program is administered by SLIB, and OSLI. SLIB has the power to review and grant loan applications and OSLI serves to administer loans and provide staffing for the SLIB.

Oversight

No statutory information was identified related to provisions for effectiveness, efficiency or fraud, although state does require that SLIB receives annual financial statements from the loan recipient.

According to the OSLI, most oversight relating to these areas occurs prior to loan disbursal; further, monitoring of the loan does not occur as long as loan payments are received in a timely manner. However, Section 11 of Chapter 2 of the Joint Powers Board Rules and Regulation provides for audits and inspections.

Additionally, in order to insure against misuse of funds, borrowers must submit requests for reimbursement with supporting documentation to OSLI; staff then reviews the documentation.

Statutory Authority:

W.S. 16-1-101 through 110

Fund Type:

PMTF and other permanent funds

Interest Rate Range:

Range set by State Treasurer based on average rate of return for five (5) years preceding the loan year

Currently 4.13%

Statutory Allotment:

$60,000,000

Outstanding Investments:

$5,613,344

Upon approval, notice is sent to the appropriate bank which then releases the approved dollar amount to the borrower. This process allows for unused remaining funds to be refunded to the State and applied against the loan balance.

Contractual Assurances

Loans are required to not exceed a term of forty years and may only be made for facilities generating user fees. The title of the facility is to be transferred to SLIB upon the approval of the loan, unless waived by the Board; further securities are required by statute as deemed necessary by SLIB.

Eligibility

W.S. 16-1-104(c) further defines the type of facilities that qualify for loans under this program. They include:

- Water including surface water drainage, sewerage, water and soil conservation or solid waste facilities;
- Recreational facilities;
- Police protection agency facilities;
- Fire protection agency facilities;
- Transportation systems facilities, including airports;
- Public school facilities;
- Community college facilities;
- Hospital and related medical facilities;
- Courthouse and jail or administrative office facilities;
- Public health facilities;
- Electrical systems owned by municipalities prior to March 1, 1975;
- Rights-of-way for electric transmission systems, oil and natural gas pipelines, telecommunications and utilities.

Interest Rate

W.S. 16-1-109(a) states that the interest rate will be set by the Board not less than the average rate on all PMTF investments as determined by the State Treasurer for the five (5) calendar years preceding the loan year. According to OSLI the current rate is 4.13%.

Special Notes

There was a payment out of the program's loss reserve account of $127,568 in May 2013 for non-recoverable funds related to the Jamestown Rio Vista loan.

Currently, the balance of the loss reserve account is $2,036.

Redevelopment Program

Purpose

The Redevelopment Program allows SLIB to loan money to departments, local and state agencies, persons, corporations and associations for any project within a redevelopment area for industrial or commercial usage under the Area Redevelopment Program under Chapter 28 of Title 42 of the Federal Public Health and Welfare Act. The projects are not to exceed the aggregate amount of $300,000.

Contractual Assurances

W.S. 11-34-303 states that SLIB must promulgate rules and regulations concerning loans under this section as it deems advisable, but at a minimum, SLIB must require a mortgage or other lien upon all of the property of the project.

Eligibility

Under 42 U.S.C. 3161 and 3162, eligibility is determined based on low per capita income; if the unemployment rate is above the national average; or if the area has a special need that has arisen from actual or sever unemployment or economic adjustment problems due to the changes in economic conditions.

Additionally, the loan may not be in excess of 10% of the total project.

Statutory Authority:

W.S. 11-34-303

Fund Type:

State Permanent Funds

Interest Rate Range:

Reasonable rate as determined by SLIB

Authorized Amount:

$300,000

Outstanding Investments:

$0

Oversight

SLIB is authorized to oversee these loans, but not further specific oversight is provided in statute.

Interest Rate:

Pursuant to W.S. 34-11-303, SLIB must charge interest at a reasonable rate, and the loan term is not to exceed 40 years.

Special Notes

According to the State Treasurer's Office, this program was formerly the responsibility of the Natural Resource Board.

Reimbursement to Counties for Deferred Taxes Program

Purpose

Under W.S. 9-4-715(j), the State Treasurer is permitted to invest up to two million dollars from the PMTF in counties for deferred taxes.

Under this program, County Commissioners may apply to the state treasurer for disbursement of those funds if the request is made by December 1st of the year in which the first installment of deferred taxes is to be paid. However, no request has been made in 15 years.

Oversight

The program is administered and serviced by the State Treasurer's Office; however, there have been no requests by counties to use this program since 1998.

Contractual Assurances

When taxes are deferred, a lien is applied to the property in question. W.S. 9-4-715(j) stipulates that the assessments invested in by the State includes the rights to any such property lien.

Statutory Authority:

W.S. 9-4-715(j)

Fund Type:

PMTF

Interest Rate Range:

None in statute

Statutory Allotment:

$2,000,000

Outstanding Investments:

$0

Eligibility

As stated above, county commissioners may apply to the state treasurer for disbursement of those funds if the request is made by December 1st of the year in which the first installment of deferred taxes is to be paid.

Interest Rate

The interest rate for this program is not set in statute.

Special Notes

According to the State Treasurer's Office, there have been no requests by counties to use this program since 1998.

Sheridan Area Water Treatment Project

Purpose

The Sheridan Area Water Treatment Project was a one-time funding project to construct two water treatment plants and to perform improvements to the existing Sheridan Water Treatment Plan. One plant is to have a capacity of approximately 4.6 million gallons per day and the other is to have a capacity of approximately .5 million gallons per day. Additionally, the project is required to include necessary appurtenances.

This project was authorized in 1989 through Wyoming Session Laws Chapter 230 (as amended). According to the State Treasurer's Office, the project will be paid off in 2013, and will no longer be carried as a public purpose investment.

Oversight

The project was administered by the Water Development Commission; oversight related to the construction of the project and the submittal of requests for payment was statutorily assigned to the Sheridan Area Water Joint Powers Board.

Contractual Assurances

Statute required that the project either be completed by 1990 or that the monies revert to the PMTF at that time. Additionally, until the investment is paid off and the Commission provides written authorization, the project may not be leased, sold, assigned, or transferred ownership.

Prior to the Board leasing, selling, assigning or transferring the project, the State of Wyoming shall have a one year right of refusal option to purchase the Board's interest in the project.

Statutory Authority:

1989 Wyoming Session Laws Chapter 230 (as amended)

Fund Type:

PMTF

Interest Rate Range:

4%

Statutory Allotment:

$6,750,000

Outstanding Investments:

$0

Eligibility

As this project was a one-time project rather than a revolving fund program, there are limited eligibility requirements. The program is established in statute.

Interest Rate:

The interest rate for this project was set at 4% with a term of 50 years.

Shoshone Municipal Water Treatment Project

Purpose
This project was authorized by 1987 Session Law, Chapter 117 to construct a water treatment plant connected to a pipeline from the Shoshone River or facilities associated with the Buffalo Bill Damn project to the proposed Shoshone municipal pipeline project. The project was also authorized to include the necessary appurtenances.

The project was originally authorized $15,000,000 from the PMTF, but that amount was increased in 1990 Session Law, Chapter 123 (the Omnibus Water Bill) to $16,500,000. The terms of the loan were for 50 years at 4% interest rate.

Oversight

Administration of this project was through the Wyoming Water Development Commission and the Shoshone Municipal Water Supply Joint Powers Board. The Board is statutorily required to supervise the construction of the project and submit all payment to the Commission

Contractual Assurances

Statute allows that funds may be used pre-construction for environmental impact statements; final designs; plans and specifications; to obtain lands and easements; and to procure licenses and permits. Additionally, statute requires that the design shall be reviewed by an experienced consulting engineer and approved by the Wyoming Water Development Commission.

Statutory Authority:

1987 Session Law, Chapter 117

Fund Type:

PMTF

Interest Rate Range:

4%

Statutory Allotment:

$16,500,000

Outstanding Investments:

$12,587,032

The following assurances were also required:

- The Board is required to offer adequate security;
- The Board is required to establish a sinking fund for repair and maintenance of project;
- The Board is responsible for the operation and maintenance of the project
- The lease, sale, assignment, or transfer of ownership of water treated through the project is prohibited without prior written permission of the Commission; if approved, proceeds are required to first retire the principal amount.
- If the sale of ownership of water occurs, the State is required to be given a one year first right of refusal

to purchase the Board's interest in the project for an amount equal to the cost of principal, interest, maintenance, and replacement costs incurred by the Board.

Eligibility

As this project was a one-time project rather than a revolving fund program, there are limited eligibility requirements. The program is established in statute. However, general eligibility and authority is found in the State of Wyoming's Constitution, Article 15, Section 19, which authorizes loans from the PMTF to political subdivisions of the State as approved by the Legislature.

Interest Rate

The interest rate for this project is 4%, which began accruing in 1993; however, in 1994 the Legislature granted an additional two year deferment of payment of interest and principal, as well as interest accrual. Payments resumed in September 1996 and the loan has been amortized over the remaining 46 years of the term. Payments are to be completed in 2042.

Small Business Assistance Act Loan Program

Purpose

The Small Business Assistance Act Loan Program was repealed through 2008 Wyo. Sess. Laws Ch. 113 Section 4, but the program still carries and outstanding loan balance in the amount of $87,227. Due to the outstanding amount, the State Treasurer's Office still carries this program as an investment for a public purpose. The program's original purpose was to assist Wyoming's small businesses.

The cap for this program was set in statute as $55,000,000 of any State permanent funds.

Oversight

Statute does not provide oversight for this program.

Contractual Assurances

W.S. 9-4-701(e)(ii) and (iii) (repealed) stated that the proceeds of loans must be used for the creation or retention of Wyoming jobs, and that proceeds from the loan are to be used for the construction of a new plant and equipment within the state.

Determination of terms for payment, interest and rates were assigned statutorily to the State Treasurer, with the requirement that payments are to be made at least semi-annually

Statutory Authority:

W.S. 9-4-701(e) (Repealed)

Fund Type:

Any State Permanent Funds

Interest Rate Range:

First 5 years established by State Treasurer; subsequent years as determined by then-current rate

Statutory Allotment:

$0

Outstanding Investments:

$82,965

Eligibility

The opportunity for funding must have been made available in each county

Interest Rate:

In the first five (5) years of the loan, the interest rate was to be established by the State Treasurer; the subsequent interest rate was then required to be adjusted to the then-current rate required in the note and loan agreements.

Student Loan Stand-By Program

Purpose

W.S. 21-16-113 provides authority for the Student Loan Stand-By Program. This program is intended to authorize the state to purchase student loans held by nonprofit corporations if those corporations are unable to pay the interest or principal on any outstanding bonds on any regularly scheduled interest or principal payment date or at maturity. The State Treasurer is statutorily authorized to enter into such agreements with the approval of the governor and the advice of the Attorney General.

The total statutory allotment for the program is $175,000,000, and funds for investment are to be made from the Permanent Mineral Trust Fund.

Oversight

Oversight is not provided for this program in statute. According to the State Treasurer's Office, this program is essentially defunct.

Contractual Assurances

As this program is only intended to function as a stand-by or guarantor program, statute states that all loans will be the sole administrative responsibility of the nonprofit entity.

Statutory Authority:

W.S. 21-16-113

Fund Type:

PMTF or Permanent Land Fund

Interest Rate Range:

N/A

Statutory Allotment:

$175,000,000

Outstanding Investments:

$0

Eligibility

In order to be considered for the program, the loans in question must be administered by a nonprofit entity and must be designed for statewide participation and benefits.

Interest Rate:

Interest rates are not set by this program, as the loans are not the responsibility of the State. Instead, a commercially reasonable fee is charged if the State enters into an agreement with a nonprofit entity.

Special Notes

The State Treasurer's Office opinion that stand-by programs such as this are not truly investments for a public purpose, as funds are not truly invested and instead the State acts as a guarantor.

Time Deposit Open Account Banking Program

Purpose

W.S. 9-4-803 authorizes the State Treasurer to deposit any portion of public monies in banks located within Wyoming. This program makes five percent (5%) of the State Agency Pool assets available to banks. In return the Treasurer's Office earns the interest from the deposits used by banks that may not be otherwise financially solvent.

Oversight

The Time Deposit Open Account Banking Program is the State Treasurer's Office.

According to the State Treasurer, as this program is the largest PPI, there has been increased attention and oversight on the part of the State Treasurer's Office to ensure that monies from this program are spent in Wyoming.

Contractual Assurances

There must be collateral offered at the time of application. All state depositories must deposit securities as specified in statute. These securities can be surety bonds, provided that they comply with specific statutory requirements.

Statutory Authority:

W.S. 9-4-803

Fund Type:

Any portion of public monies

Interest Rate Range:

0.18%

Statutory Allotment:

Not specified

Outstanding Investments:

$89,650,000

Eligibility

W.S. 9-4-802 provides criteria for eligibility, including an application and sworn statement of financial condition of the bank at the time the application is made.

Interest Rate

Interest rate set by the Board of Deposits pursuant to W.S. 9-4-810. According to the State Treasurer's Report, as of June 30, 2013, that rate is 0.18%.

Wyoming Real Estate-State Land Purchases

Purpose

The State Treasurer is authorized by W.S. 9-4-715(k) to invest funds received from sales of state trust lands and statutory allotment upon request of SLIB. The investment is required by statute to be a purchase of lands and improvements within Wyoming, including lands and improvements from the federal government. The statutory allotment provided in addition to the revenues from sales of state trust lands is two million dollars ($2,000,000) from the Common School Account within the Permanent Land Fund. Furthermore, an additional four million ($4,000,000) was appropriated in the 2005 budget bill (2005 Session Law, Chapter 191, Section 060, Footnote 4).

Oversight

Although there are no requirement for oversight of the program itself, reporting as to the individual transactions occurs in several documents.

At every regularly scheduled State Board of Land Commissioners (SBLC) meeting, two reports are published. The Trust Land Sales report shows inception revenue, appropriations and revenue, and land purchase expenditures. In addition, a Trust Land Sales, Exchanges and Acquisitions report shows activity by county.

Statutory Authority:

W.S. 9-4-715(k)

Fund Type:

Permanent Land Fund

Interest Rate Range:

N/A

Statutory Allotment:

$2,000,000 plus revenues from state trust land sales ($21,587,974)

Outstanding Investments:

$18,335,738

Annually after the close of each fiscal year, the OSLI is required to report State Trust Land Activity to the State Auditor's Office for the Comprehensive Annual Financial Report, including but not limited to trust land classification, surface acres, mineral acres, sale or exchange, fair market value, and legal description.

Contractual Assurances

Acquisitions are to be purchased at no more than the appraised fair market value. Furthermore, the transactions are evaluated with the State Trust Land Management Objectives established in 2005.

The following are the ranked objectives for transactions; any proposed land transaction should better meet the beneficiaries' short and/or long-term objectives as follows:

Revenue:

- Improve income generating potential
  - Alone or in combination with other state trust lands
  - Single or Multiple uses

- Investment
  - Improve returns
  - Improve portfolio diversification
  - Improve appreciation potential
  - Improve intrinsic natural resource values (I.e. habitat, water)

Any proposed land transaction should improve the manageability of the land asset:

- Consolidate ownership patterns
- Leverage management resources of other agencies/entities

Any proposed land transaction should meet a specific school and/or community need:

- Improve stability
- Provide growth opportunity
- Improve access/recreational opportunity

Eligibility

Beyond meeting the above listed objectives, statute also requires the Board to determine if the transaction would be consistent with the duties and obligations owed to the beneficiaries of State Trust Land sales.

Interest Rate

N/A

Wyoming Territorial Park Project

Purpose

The Wyoming Territorial Park is authorized under W.S. 36-8-1001 through 1002 and directs the Department of State Parks and Cultural Resources to develop a plan for operating the Wyoming Territorial Park as part of the Department's comprehensive plan authorized under W.S. 36-4-106. In 1989, the Legislature approved the loan from the Permanent Mineral Trust Fund to loan to the City of Laramie or the county of Albany for the development of the Wyoming Territorial Park. According to the STO, "*the initial investment in zero coupon bonds was $1,302,000 and these bonds will mature on December 31, 2014, with a value of $10,000,000, payable to the State Treasurer.*"

Oversight

In 1989, the Investment Fund Committee was authorized approve the loan upon its recommendation. In 1994 the Legislature further charged the Economic and Community Development Division or the Investment Loan Committee to review Territorial Park to assess compliance with various statutes, assess feasibility of revenue and expenditure projections, assessment of the volunteer and financial commitment of the community, and impact on the community should the Park cease to exist. Further, the Investment Fund Committee was charged with future recommendations of the interest rate modifications based on the viability of the project and borrower's ability to pay.

Originally, under a lease arrangement with the Wyoming Department of Commerce, the non-profit Wyoming Territorial Park Corporation was responsible for the management of the park.

Statutory Authority:

1989 Session Law, Chapter 285

and

W.S. 36-8-1001 through 1002

Fund Type:

PMTF

Interest Rate Range:

1.5%

Statutory Allotment:

$10,000,000

Outstanding Investments:

$10,000,000

As of July 2010, management was statutorily transferred to the Department of State Parks and Cultural Resources.

Contractual Assurances

Certain conditions for the loan were required according to 1989 Session Law, Chapter 285:

- City or county was required to purchase sufficient zero coupon United States securities to guarantee repayment of the loan at maturity.
- The proceeds of the zero coupons bonds were to be used to pay the principal of the unamortized loan.

- Interest was to be paid annually for a full 12 month period.
- Certain restrictions applied regarding activities the funds could be used for.
- Up to $1,000,000 of the loan could be used for operating capital.
- After the eighth year of the loan, a 2% royalty per year on the outstanding balance of the loan was to be negotiated.
- Prior to release of funds, voters of Albany County had to approve a capital facility optional one-cent sales tax in the amount of $5,000,000.

Contractual Assurances are not specified in W.S. 36-8-1001 and 1002; however, the Department is required to develop a plan for the park's operation and include it as part of its comprehensive plan.

Eligibility

The loan of the $10,000,000 was to the City of Laramie. Pursuant to the Wyoming Constitution Article 15, Section 19, funds may be loaned to political subdivisions of the State.

Interest Rate:

The term of the loan was originally set at 25 years with 6% interest. Due to lower than expected attendance and revenues, an interest rate reduction to 1.5% was approved by the Legislature in 1994. The loan was expected to be paid off in 2014.

Special Notes

According to the Treasurer's annual report, as of FY13, the full loan amount remains outstanding, although the loan is scheduled to be repaid in 2014. The City of Laramie did put up $10,000,000 collateral through WYOSTAR, which is a program that allows counties, municipalities, school districts or other local governments to pool their funds for investment purposes, including using funds for public purpose projects.

STATE of WYOMING

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