FISCAL NOTE

This bill contains an appropriation of $100,000,000, or as much thereof as becomes available from any monies received by the state of Wyoming from the sale of state school trust lands before December 31, 2025, to the proposed School Generational Account (SGA) under W.S. 9-4-227 and 9-4-310(a)(xiii), as created in section 1 of this bill.

This bill creates the SGA within the permanent land fund to increase revenues through compounding and the use of long-term investment strategies that have historically provided higher returns. The overall risk profile of the SGA shall not materially exceed the risk profile of a reference portfolio consisting of eighty-five percent (85%) private equity and fifteen percent (15%) private credit investments. Earnings from the SGA shall not be expended from the SGA Income Account less than twenty-two (22) years after the first date monies are credited to the SGA. No earnings from the SGA shall be expended from the SGA Income Account except upon legislative appropriation and then only for purposes authorized under the public school foundation program.

The diversion of $100,000,000 from the sale of state lands to the SGA rather than the Common School Account within the Permanent Land Fund (CSPLF) may reduce the annual investment yield that supports public schools, potentially resulting in more reliance on the CSPLF Reserve Account to meet the annual spending policy amount during the twenty-two (22) years of no expenditures from the SGA. (The annual spending policy amount is five percent (5%) of the five-year average annual market value of the CSPLF.) The opportunity cost to public school funding from diverting $100,000,000 to the SGA is estimated as the projected annual yield for permanent funds times one-fifth of the $100,000,000 annually, estimated at approximately $600,000 per year for FY 2026 through FY 2028.

After the twenty-two (22) years of no expenditures from the SGA, investment earnings from the SGA could potentially be more than if the $100,000,000 had been invested in the CSPLF. However, the State Treasurer’s Office did not provide an estimate for the yield, nor the total return for this investment strategy, therefore this potential revenue increase is indeterminable.

The State Treasurer’s Office projects yields in FY26 through FY28 to be 2.98%, 3.07%, and 3.02%, respectively for permanent funds and 4.28%, 4.12%, and 4.02%, respectively for State Agency Pool funds. Yield is defined as the interest and dividend income from the investment. Over the long term, total returns for permanent funds are expected to be 6.75%, while total returns for State Agency Pool funds are expected to be 4.05%. This is in accordance with the State’s Investment Policy. Total return is defined as growth in the value of the investment, including both yield and realized & unrealized gains.

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