

**DRAFT ONLY
NOT APPROVED FOR
INTRODUCTION**

HOUSE BILL NO.

Local government funds-direct investment in equities.

Sponsored by: Select Committee on Capital Financing & Investments

A BILL

for

1 AN ACT relating to public funds; authorizing local
2 governments to invest directly in equities as specified;
3 specifying requirements for the investment of local
4 government funds in equities; requiring reports; providing
5 definitions; and providing for an effective date.

6

7 *Be It Enacted by the Legislature of the State of Wyoming:*

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STAFF COMMENT

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13 Under Article 16, Section 6(a)(ii)(C) of the Wyoming
14 Constitution, this bill draft would require a 2/3 vote of
15 each house voting separately to be enacted. The text of the
16 provision follows:

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Article 16, Section 6 Loan of credit; donations prohibited; investment of funds; works of internal improvement.

(a) Neither the state nor any county, city, township, town, school district, or any other political subdivision, shall:

(ii) Subscribe to or become the owner of the capital stock of any association or corporation, except that:

(C) The legislature may provide by law for the investment of county, city, township, town, school district, or any other political subdivision's funds in the capital stock of any association or corporation and may designate which of these funds may be invested. The legislature may prescribe different investment conditions for each type and class of political subdivision and for each type of fund. Any legislation establishing or increasing the percentage of any fund that may be invested under this subparagraph shall be passed only by a two-thirds (2/3) vote of all the members of each of the two (2) houses voting separately.

Section 1. W.S. 9-4-1401 and 9-4-1402 are created to read:

ARTICLE 14

INVESTMENT OF LOCAL FUNDS

9-4-1401. Investment of local funds in equities; definitions.

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(a) As used in this article:

(i) "Local government" means a county, city, township, town, school district and any other political subdivision;

(ii) "Political subdivision" means a special district and any other local government entity of the state.

STAFF COMMENT
The government entities listed in the definition of "local government" are those listed in Article 16, Section 6(a)(ii)(C) of the Wyoming Constitution. The definition of "political subdivision" (which is not defined in the Constitution) is based on Wyoming law. The Select Committee may wish to consider: (1) the scope of local governments that may participate in the equity investments; and (2) whether a definition of "political subdivision" is needed.

9-4-1402. Investment of local government funds in equities; requirements; reporting; earnings; limitations.

1 (a) A local government may invest any funds specified
2 in subsection (b) of this section in equities, including
3 stocks of corporations, in accordance with all of the
4 following:

5

6 (i) Before investing any funds under this
7 section, the local government shall create and maintain an
8 investment advisory committee in accordance with subsection
9 (c) of this section;

10

11 (ii) Any investments made under this section
12 shall be made with a person who:

13

14 (A) Is registered under the Investment
15 Advisor's Act of 1940, as amended, if the person is
16 required to be registered by the terms of that act;

17

18 (B) Has and maintains at least one (1)
19 physical office in Wyoming.

20

21 (iii) Fees incurred by a local government for
22 investing funds under this section shall not exceed XXX;

23

1 *****
 2 *****
 3 STAFF COMMENT
 4
 5 For the paragraph above, the Select Committee may wish to
 6 determine if there should be a maximum amount of fees that
 7 a local government may incur in investing funds in
 8 equities.
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13 (iv) Each investment made under this section
 14 shall be for a duration of not less than five (5) years;

15

16 (v) Funds invested under this section by each
 17 local government shall not exceed the amount specified in
 18 subsection (b) of this section;

19

20 (vi) The local government shall specify by
 21 ordinance, resolution or order, as appropriate for the
 22 local government, the disposition of earnings from
 23 investments made under this section, subject to subsection
 24 (e) of this section;

25

26 (vii) For each school district investing funds
 27 under this section, the school district shall not be
 28 engaged in any litigation against the state or any state

1 agency regarding school finance before investing under this
2 section.

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6 STAFF COMMENT

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8 The Select Committee may wish to consider whether further
9 clarity is needed for the paragraph above to be applied
10 (for example, whether the limitation should apply only if
11 the school district is currently engaged in litigation at
12 the time of investing in equities; or whether a school
13 district investing in equities may initiate or participate
14 in an action after making the initial investments).

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19 (b) The amount and type of monies invested by any
20 local government under this section shall be in accordance
21 with all of the following:

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25 STAFF COMMENT

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27 This subsection specifies what local-government funds may
28 be invested in stocks and equities, the amount of the local
29 government's portfolio that may be invested in stocks and
30 equities, and the total amount of funds that may be
31 invested in stocks and equities. The Select Committee will
32 have to select amounts for this subsection and may wish to
33 consider whether a different structure should be used to
34 express these limits (the language below is based on
35 Kentucky law).

36

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4 (i) Monies invested under this section shall be
5 from funds that:

6
7 (A) Are in excess of XXX dollars more than
8 the local government's operating budget for the immediately
9 preceding fiscal year; or

10
11 (B) Have been held in reserves by the local
12 government for not less than XX years before being invested
13 under this section.

14
15 (ii) The amount of monies invested at any one (1)
16 time by a local government under this section shall not
17 exceed XX percent of the total amount of money invested by
18 the local government in all other investments;

19
20 (iii) For purposes of this subsection, earnings
21 earned by a local government from funds invested under this
22 section shall not count toward the limits specified in this
23 subsection and may be reinvested in stocks and equities in
24 accordance with this section.

1

2 (c) Any local government investing funds under this
3 section shall establish an investment advisory committee to
4 advise the local government on the investments made under
5 this section. The investment advisory committee shall be
6 created and shall operate in accordance with all of the
7 following:

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STAFF COMMENT

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13 The provisions for creating an advisory committee are
14 loosely taken from current law regarding the Investment
15 Funds Committee. In certain places, blank spaces are used
16 as placeholders (for example, the level of investment
17 experience). The Select Committee may also wish to
18 consider:

19

- 20 • Whether local governments should be required to use a
- 21 selection panel for the appointment of advisory-
- 22 committee members.
- 23 • The number of members (whether a set number, a
- 24 minimum, a maximum, or both) on the advisory
- 25 committee.
- 26 • The length of terms for advisory-committee members
- 27 (i.e., whether that should be set in statute or left
- 28 for each local government to decide).
- 29 • Whether an appointed or elected official (i.e., the
- 30 local government's treasurer) should be a member of
- 31 the investment advisory committee.
- 32 • Whether a chairman for the advisory committee should
- 33 be specified in this subsection.
- 34 • Whether the duties of the advisory committee should be
- 35 specified in this section.

- 1 • Whether procedures need to be specified here (i.e.,
- 2 minimum number of meetings; special meetings; how
- 3 matters are decided).

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8 (i) The governing body of the local government
 9 shall appoint members to the investment advisory committee;

10
 11 (ii) Each investment advisory committee shall
 12 have not less than XX members;

13
 14 (iii) Each member of an investment advisory
 15 committee shall have all of the following qualifications:

16
 17 (A) Not less than XX years of institutional
 18 investment experience involved in the management of a
 19 portfolio in excess of XXX dollars;

20
 21 (B) A broad understanding of financial
 22 markets;

23
 24 (C) Not been convicted of or has not pleaded
 25 guilty or nolo contendere to a felony violation or been the

1 subject of any disciplinary action involving moral
2 turpitude;

3

4 (D) No conflicts of interest that would lead
5 to a violation of W.S. 6-5-106, 6-5-118, 16-6-118 or other
6 comparable provision of law.

7

8 (iv) Terms for each member of an investment
9 advisory committee shall be for XXX years;

10

11 (v) Members shall be eligible for reappointment
12 to an investment advisory committee;

13

14 (vi) Each investment advisory committee shall:

15

16 (A) Establish and review the local
17 government's investment policies and procedures for
18 investments made under this section and recommend
19 modifications as the committee deems appropriate to
20 maximize total net returns while protecting principal in a
21 manner that strives for the highest possible risk adjusted
22 total return consistent with an appropriate level of
23 safety, liquidity and consideration of the unique

1 circumstances of the funds invested under this section by
2 the local government;

3

4 (B) Consult with the treasurer of the local
5 government regarding the establishment and execution of
6 investment policies for the funds invested under this
7 section;

8

9 (C) Report to the governing body of the
10 local government regarding the investment policies,
11 procedures, authority and execution of the same upon
12 request by the governing body.

13

14 (e) Not later than October 1, 2025 and each October 1
15 thereafter, each local government investing funds under
16 this section shall prepare a report that shall be submitted
17 to XXX and that shall include, at a minimum, the following
18 information from the immediately preceding fiscal year:

19

20 (i) The amount of funds invested by the local
21 government under this section, including any new amounts
22 invested in the immediately preceding fiscal year;

23

1 (ii) The type of investments made or held by the
2 local government under this section, including the duration
3 of each investment and the mix of the local government's
4 investments under this section;

5
6 (iii) The amount of earnings or losses for the
7 local government in the investments made under this section
8 for the immediately preceding fiscal year;

9
10 (iv) The costs incurred by the local government
11 in making or managing the investments made under this
12 section during the immediately preceding fiscal year.

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16 **STAFF COMMENT**

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18 **As discussed at the June meeting, the Select Committee may**
19 **wish to consider whether an audit requirement should be**
20 **included, and, if so, what the parameters of that required**
21 **audit should be (i.e., who performs it, how often, etc.).**

22
23 **Below are provisions specifying how each local government**
24 **must credit earnings and losses; this is similar to W.S. 9-**
25 **4-108 (which codified the Meyer rule and specifies how**
26 **earnings on state funds are to be credited).**

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1 (f) Earnings on funds invested by the local government
2 under this section shall be credited to the appropriate
3 account or fund of the local government in accordance with
4 the following:

5

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

9

10 (ii) Subject to paragraph (iii) of this
11 subsection, other realized earnings shall be credited as
12 soon as practicable after the end of the fiscal year but
13 not later than ninety (90) days after the end of the fiscal
14 year in which the earnings were realized;

15

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

21

22 (iv) Subject to the requirements of paragraph
23 (iii) of this subsection, the local government, in

1 consultation with the local government's investment
2 advisory committee, may credit any earnings at earlier
3 times than provided in this subsection and in such amounts
4 as may be advantageous for the local government's
5 investment program and cash management.

6

7 **Section 2.** This act is effective July 1, 2025.

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(END)