

HOUSE BILL NO. _____

Spending policy for higher education endowments.

Sponsored by: Hdraft

A BILL

for

1 AN ACT relating to public funds; creating spending policies
 2 for designated higher education accounts; creating reserve
 3 accounts for earnings from distributions from the
 4 excellence in higher education endowment account; providing
 5 authority for use of earnings and of reserve account funds;
 6 and providing for an effective date.

7

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

9

10 **Section 1.** W.S. 21-16-1202(a), (b)(intro), (ii), (iii)
 11 and by creating new subsections (d) and (e), 21-16-1203(a),
 12 (b)(intro), (ii), (iii) and by creating new subsections (d)
 13 and (e) and 21-16-1204(a) by creating new paragraphs (iv)
 14 through (vi) and (b) are amended to read:

15

16 **21-16-1202. Excellence in higher education endowment**
 17 **account distributions to University of Wyoming.**

1

2 (a) The University of Wyoming shall upon receipt of
3 distributions from the excellence in higher education
4 endowment account under W.S. 21-16-1201(c)(i), immediately
5 transfer this amount to the university foundation to be
6 permanently invested on behalf of the university. The
7 university shall enter into a new agreement or modify its
8 existing agreement with the University of Wyoming
9 foundation under which the foundation shall manage the
10 funds it receives under this subsection in the same manner
11 as other permanent endowment funds managed by the
12 University of Wyoming foundation. The agreement shall be a
13 contract which shall provide that the principal shall not
14 be withdrawn from the endowment. Only the earnings from
15 the investment of these funds which are within the spending
16 policy amount may be expended in accordance with this
17 section. Earnings which are in excess of the spending
18 policy amount shall be deposited to the reserve account in
19 accordance with subsection (d) of this section.

20

21 (b) The university shall use the earnings from the
22 investment of funds made available for expenditure through
23 distributions from the excellence in higher education
24 endowment account under this section to establish endowed

1 faculty positions and to acquire instructional and resource
2 materials, classroom equipment and other resources
3 necessary to support the work of endowed faculty. The
4 following shall govern the university in the use of these
5 funds:

6
7 (ii) Not less than two-thirds (2/3) of the
8 amounts made available for expenditure through the
9 investment of distributions from the excellence in higher
10 education endowment account shall be used for the
11 recruitment and retention of faculty possessing abilities
12 necessary to expand university instruction and research in
13 disciplines related to economic and social challenges
14 facing Wyoming, including but not limited to energy,
15 natural resources, wildlife, science, earth sciences,
16 health sciences, agriculture, education and engineering.
17 The purpose of this paragraph is to provide university
18 assistance to the state of Wyoming and its residents to the
19 broadest extent possible, through the diversification of
20 its economy, preservation of its natural and human
21 resources and the enhancement of its quality of life. Not
22 less than four (4) faculty recruited and retained under
23 this paragraph shall be in the college of education;

24

1 (iii) The remaining amounts made available for
2 expenditure through the investment of distributions from
3 the endowment account shall be used for the recruitment and
4 retention of faculty with established reputations in
5 teaching and research excellence in other areas of
6 distinction as identified in the university academic plan,
7 including disciplines important to the state and region and
8 its history and culture such as business, arts and
9 humanities, mathematics, cultural studies, economics and
10 law. The purpose of this paragraph is to enhance
11 undergraduate and graduate instruction, to prepare students
12 to become productive and contributing members of society
13 and to promote an appreciation of arts, humanities and
14 other cultures and interests affecting quality of life;

15

16 (d) The agreement for management of funds under this
17 section shall require the creation of a reserve account to
18 be managed by the university's foundation and to be used as
19 follows:

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21 (i) Each fiscal year beginning July 1, 2007,
22 earnings from funds distributed for investment under W.S.
23 21-16-1201(c) (i) and this section in excess of the spending
24 policy amount shall be transferred to the reserve account.

1 After each distribution is made to the reserve account, the
2 university and the university's foundation shall transfer
3 revenues in the reserve account then in excess of
4 seventy-five percent (75%) of the spending policy amount to
5 the principal created by distributions under W.S.
6 21-16-1201(c)(i) to become principal and to be invested as
7 provided in subsection (a) of this section;

8
9 (ii) The university's foundation may withdraw
10 from the reserve account an amount equal to the amount the
11 spending policy exceeds earnings from the investment of
12 funds under subsection (a) of this section for the prior
13 fiscal year. Any funds withdrawn pursuant to this
14 paragraph shall be used as provided in subsection (b) of
15 this section for investment earnings;

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17 (iii) All transfers and distributions under this
18 subsection shall be made as soon as practicable after the
19 end of the prior fiscal year but no later than ninety (90)
20 days after the end of the prior fiscal year.

21
22 (e) As used in this section "spending policy amount"
23 means an amount equal to five percent (5%) of the previous
24 five (5) year average market value of all distributions

1 from the excellence in higher education endowment account
2 made to the university under W.S. 21-16-1201(c)(i),
3 including unexpended earnings under this section, all as
4 calculated from the first day of the fiscal year.

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6 **21-16-1203. Excellence in higher education endowment**
7 **account distributions to Wyoming community colleges.**

8
9 (a) Upon receipt of amounts distributed from the
10 excellence in higher education endowment account under W.S.
11 21-16-1201(c)(ii), each Wyoming community college shall
12 immediately transfer the distributed amount to its
13 foundation to be permanently invested on behalf of the
14 community college. Each community college shall enter into
15 an agreement with its foundation under which the foundation
16 shall manage the funds it receives under this subsection in
17 the same manner as other permanent endowment funds it
18 manages on behalf of the community college. Only the
19 earnings from the investment of these funds which are
20 within the applicable spending policy amount may be
21 expended. Earnings which are in excess of the applicable
22 spending policy amount shall be deposited to the applicable
23 reserve account in accordance with subsection (d) of this
24 section.

1

2 (b) Each community college shall use the earnings
3 made available for expenditure through the investment of
4 distributions from the endowment account as provided by
5 this section to establish endowed faculty positions and to
6 acquire instructional and resource materials, classroom
7 equipment and other resources necessary to support the work
8 of the endowed faculty. The following shall govern each
9 community college in the use of these funds:

10

11 (ii) The amounts made available for expenditure
12 through the investment of distributions from the endowment
13 account shall be used for the recruitment and retention of
14 faculty with abilities necessary to establish or expand
15 vocational programs and program quality benefiting
16 communities, businesses and industries within respective
17 service areas. The purpose of this paragraph is to enhance
18 the ability of community colleges to prepare students for a
19 lifetime of higher wages and expanded job opportunities, to
20 provide local and regional businesses and industries with
21 an improved, better trained and better educated workforce
22 and to increase the economic stability of proximate
23 communities and the entire state;

24

1 (iii) Amounts not expended pursuant to paragraph
2 (ii) of this subsection which are made available for
3 expenditure through the investment of distributions from
4 the endowment account shall be used for the recruitment and
5 retention of faculty with established reputations in
6 academic areas offered by each individual community
7 college. The purpose of this paragraph is to improve the
8 ability of colleges to better prepare students to pursue
9 bachelor and graduate degrees at the University of Wyoming
10 or other four (4) year institutions and offer additional
11 courses of outreach instruction to high school and adult
12 populations within their service areas.

13

14 (d) Each agreement for management of funds under this
15 section shall require the creation of a reserve account to
16 be managed by the college's foundation and to be used as
17 follows:

18

19 (i) Each fiscal year beginning July 1, 2007,
20 earnings from funds distributed for investment to each
21 college under W.S. 21-16-1201(c)(ii) and this section in
22 excess of the applicable spending policy amount shall be
23 transferred to the applicable reserve account. After each
24 distribution is made to the applicable reserve account, the

1 college and the college's foundation shall transfer
2 revenues in that reserve account then in excess of seventy-
3 five percent (75%) of the applicable spending policy amount
4 to the principal created for that college by distributions
5 under W.S. 21-16-1201(c)(ii) to become part of that
6 principal and to be invested as provided in subsection (a)
7 of this section;

8
9 (ii) Each college's foundation may withdraw from
10 the applicable reserve account an amount equal to the
11 amount the applicable spending policy exceeds earnings from
12 the investment of funds for that college under subsection
13 (a) of this section for the prior fiscal year. Any funds
14 withdrawn pursuant to this paragraph shall be used as
15 provided in subsection (b) of this section for investment
16 earnings;

17
18 (iii) All transfers and distributions under this
19 subsection shall be made as soon as practicable after the
20 end of the prior fiscal year but no later than ninety (90)
21 days after the end of the prior fiscal year.

22
23 (e) As used in this section "spending policy amount"
24 means an amount equal to five percent (5%) of the previous

1 five (5) year average market value of all distributions
2 from the excellence in higher education endowment account
3 made to each college under W.S. 21-16-1201(c)(ii), under
4 this section, including unexpended earnings under this
5 section for that college, all as calculated from the first
6 day of the fiscal year.

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8 **21-16-1204. Annual reports; review by committees.**

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10 (a) Not later than October 1, 2006, and October 1 of
11 each year thereafter, the University of Wyoming and each
12 Wyoming community college shall report to the joint
13 appropriations and joint education interim committees of
14 the legislature and to the governor on the use and
15 expenditure of earnings on the investment of distributions
16 from the excellence in higher education endowment account
17 pursuant to this article, including the following:

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19 (iv) The annual earnings on funds distributed to
20 each institution under W.S. 21-16-1202 and 21-16-1203;

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22 (v) The amount of funds transferred each fiscal
23 year to and from the reserve accounts created under W.S.
24 21-16-1202 and 21-16-1203;

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(vi) The balance of each endowment account and each reserve account created under W.S. 21-16-1202 and 21-16-1203.

(b) Upon receipt of reports by the University of Wyoming and each Wyoming community college ~~on the use and expenditure of earnings~~ as required under subsection (a) of this section, the joint appropriations and joint education interim committees shall report to members of the Wyoming legislature and the governor on the progress made by the university and community colleges in achieving the purposes stated under this article for distributions from the excellence in higher education endowment account and shall recommend any necessary changes to the higher education endowment program to accomplish these purposes. The reports required under this subsection shall be made in sufficient time to enable consideration by the legislature at the general or budget session immediately following the receipt of reports submitted pursuant to subsection (a) of this section.

1 **Section 2.** This act is effective immediately upon
2 completion of all acts necessary for a bill to become law
3 as provided by Article 4, Section 8 of the Wyoming
4 Constitution.

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(END)