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California Journal of Politics and Policy

Title

Wyoming's Budget: More Good, Bad, and Ugly Than a Clint Eastwood Movie

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Journal

California Journal of Politics and Policy, 7(3)

Authors

Schuhmann, Robert A.
Skopek, Tracy A.

Publication Date

2015

DOI

10.5070/P2cjpp7327921

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“More Good, Bad, and Ugly Than a Clint Eastwood Movie”¹
FY 2013–14

Robert A. Schuhmann and Tracy A. Skopek
University of Wyoming

Introduction

Wyoming’s 40-day general session convened on January 8 and passed 206 regular bills and a supplemental budget bill, while still adjourning three days early. The session was marked by a preoccupation with several seemingly off-beat items such as the repeal of the official duties of one of the state’s five elected officials as well as passage of a bill to keep the list of candidates for the University of Wyoming’s presidential search a secret or “closed” event, beyond the eyes of the public. After significant legislative and executive wrangling, the former, known as the “Hill Bill,” passed the legislature and was signed by Governor Mead.

This bill essentially stripped the powers of elected Superintendent of Public Instruction Cindy Hill (Staff 2013). The legislature also passed a bill in response to a lawsuit filed by various Wyoming news agencies to release the names of candidates for the UW presidential search. The district court sided with the news agencies in the lawsuit, prompting the legislature to subsequently pass a bill to keep the search secret. The names were ultimately released to the public days before a candidate was selected.

In spite of the preoccupation, the legislature addressed some of the key fiscal issues facing the state in recent years. During last year’s budget session, Governor Mead asked state agencies to prepare budget requests that included a two, five and eight percent budget cut. Ultimately the supplemental budget reflects a 6% budget cut to state agencies for fiscal year 2014 and the 2015–2016 biennium (Barron 2/28/13). The supplemental budget bill adds an additional \$78 million to the \$3.2 billion budget approved during the regular 2012 budget session. In his state of the state address Mead said Wyoming’s economic outlook is strong and revenue projections were higher than expected in last October’s prediction (Editorial Board 1/14/13). The 6% budget cut reflects this better than expected revenue forecast (rather than a previously proposed 8% cut), which is based primarily on capital gains and other investment income (Editorial Board 1/14/13). He did, however, call for an overall conservative budget that reflects budget cuts still to come.

¹ Anne Alexander comment during the Wyoming Business Report’s annual Central Wyoming Economic Forecast Lunch.

State of the Economy

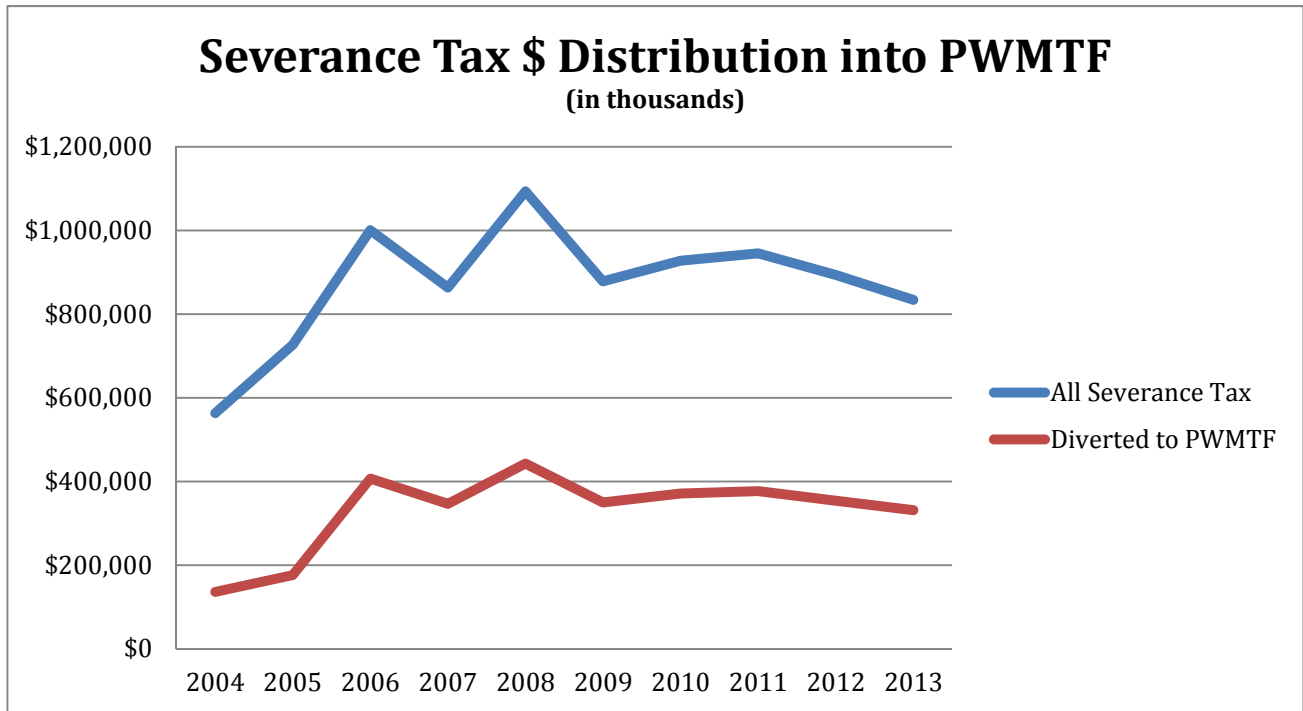
Wyoming's economy tends to run counter to the economic trends experienced by the national economy. As the nation booms, Wyoming's economy lags behind. As the nation's economy cools, Wyoming's fiscal situation often improves. Currently, Wyoming's economy is supported by three primary industries: extractive industries such as minerals/oil/gas, agriculture, and tourism. Revenues from the extractive industries buttress what stability there is in Wyoming's economy. Projections indicate the mining sector will continue to be an important contributor to the Wyoming economy as coal, natural gas, oil, and trona (a mineral later processed into soda ash) production expands to meet growing demand even though prices have cooled.

Luckily, much of Wyoming was spared from the subprime mortgage woes that impacted many other parts of the country. Wyoming never experienced the housing "boom," and therefore never experienced the full force of the housing "bust." Unfortunately, the decline in natural gas prices is the Achilles heel of this year's biennial budget. While production of natural gas itself remained very high due to increased technological efficiencies and more players in statewide natural gas production, lower demand from across the country due to warmer than usual winters, slowed industrial production (which would normally utilize natural gas in the manufacturing process), has caused natural gas prices in Wyoming to fall even lower than initial estimates. These lower natural gas prices are wreaking havoc on state revenue predictions for the next five years.

One of the most important sources of income for the Wyoming budget is the Permanent Wyoming Mineral Trust Fund (PWMTF). In 1974, when the Trust Fund was first established, the intent was to provide a much-needed stabilizing force during the creation of the biennial budget. Interest from the fund was to be utilized as a relatively consistent and predictable revenue source for the General Fund, the state's main operating account. Legislators viewed this as something vitally necessary for the boom and bust cycles inherent in an economy built largely on mineral extraction (WyoFile 2012). As of July 1, 2012, the fund sits at \$5.6 billion (Databook 2013). Significant revenue in the recent years of the boom cycle, when natural gas prices reached an all-time high, was diverted to the fund in an effort to increase its corpus and hedge off the effects of the bust cycle. Article 15, Sec. 19 of the Wyoming Constitution guarantees that a tax of 1.5% be imposed on the value of all minerals extracted and that this tax flow automatically into the account, but an additional 1% tax is currently deposited there at lawmakers' discretion (Wyoming Constitution). In terms of the value of all severance tax dollars collected each year, of those, roughly 40% are deposited into the PWMTF, the remainder are directly allocated to the general fund budget (see, for example, Graph 1) (Databook 2013).

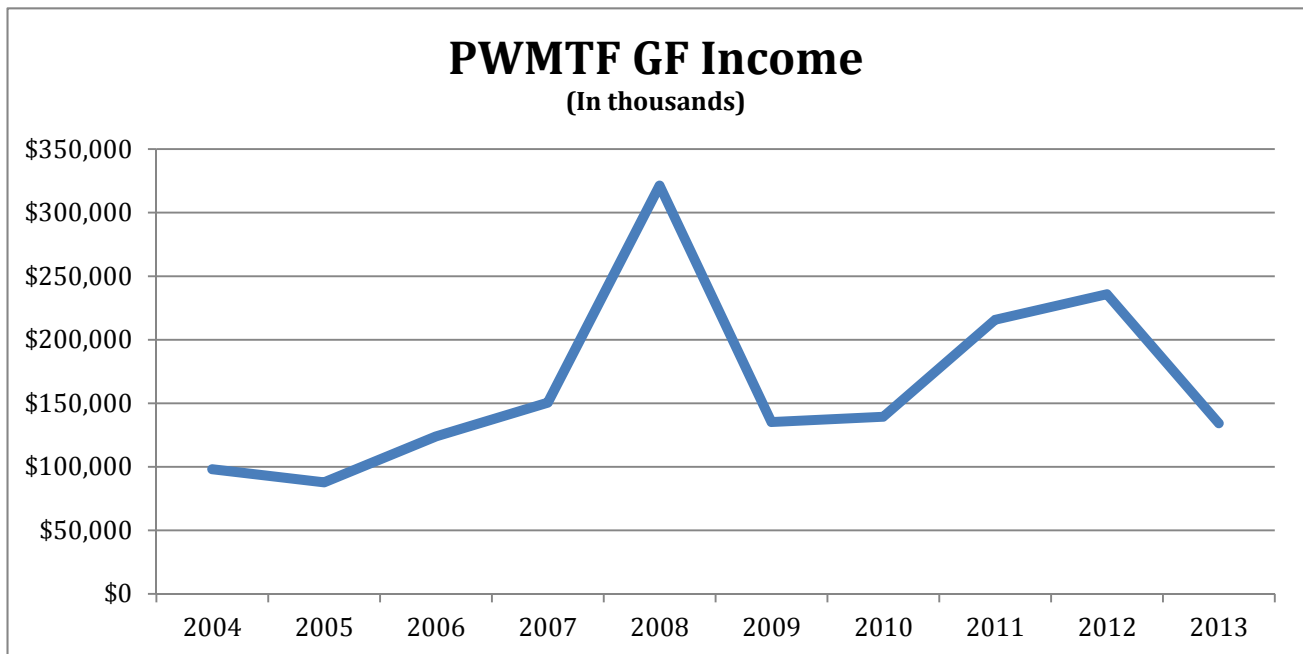
A number of economists indicate that the percentage of revenues earned from the PWMTF, going to the General Fund, is relatively high. Here, according to Boettner, Kriesky, McIlmoil, and Paulhus (2012), only Wyoming and North Dakota deposit all fund earnings into their general fund (11). Current sentiment is that Wyoming simply has no other stable revenue stream available at this time. WyoFile's analysis "shows that from 1987–2011, interest from the WPMTF has supplied an average of 18.6% of the general fund revenue" (WyoFile 2012), while direct severance tax collections poured into the general fund over the last six biennia have accounted for an additional 20%. Some argue this has created an attitude of complacency within the state in terms of economic diversification and tax diversification. There seems little incentive to diversify the economy more with the relatively high percentage of interest from the WPMTF used for the General Fund. Indeed, when measuring economic diversity using the Hachman Index (HI), com

Graph 1.



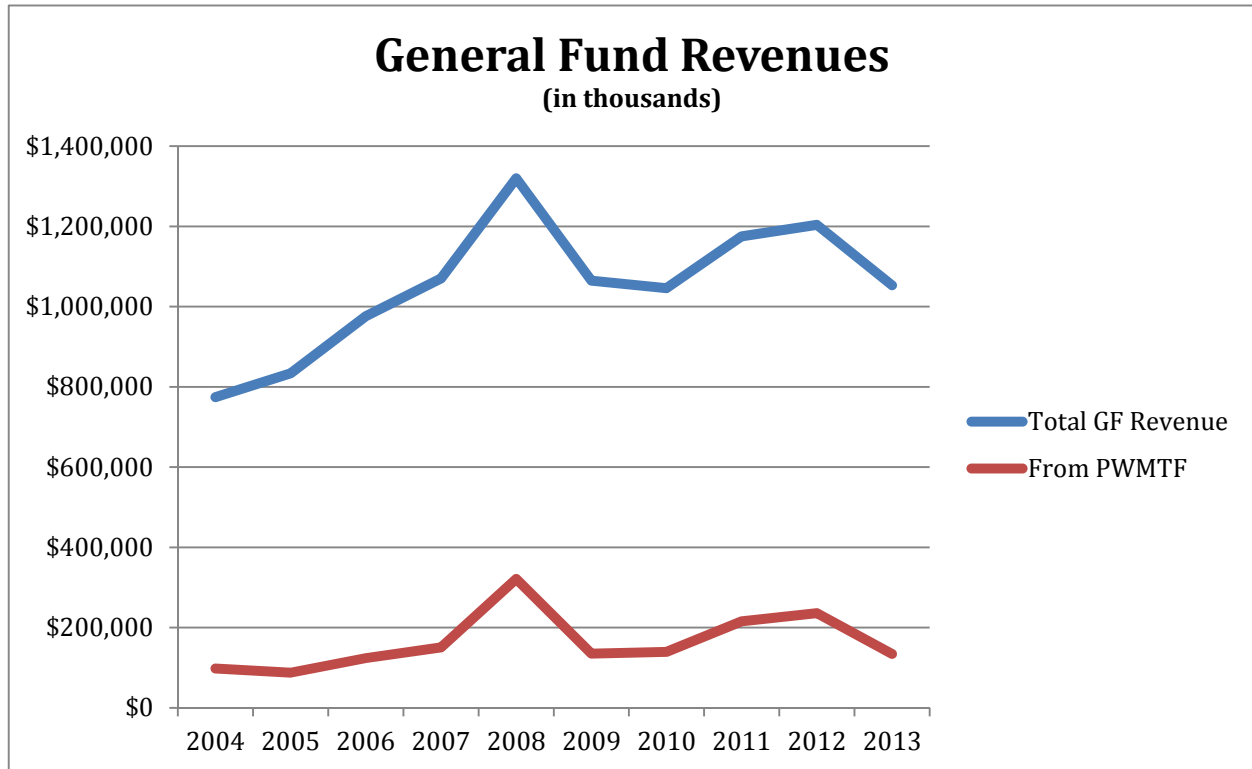
Source: Databook, 2013, 48.

Graph 2.



Source: Databook, 2013, 9–11.

Graph 3.



Source: Databook, 2013, 7.

pared to the United States as a whole, Wyoming has the least economically diverse economy in the nation (with Alaska – energy, Nevada – tourism) finishing the top three (Boettner, et al. 2012, 4).

In addition to the PWMTF, the state has a Legislative Stabilization and Reserve Account (LSRA). The so-called “rainy-day” account, as of June 30, 2012, has \$1.6 billion, with a projected balance in June 2014 of \$1.7 billion. One concern over this fund is just “how big the rainy-day fund should be” (Brown 2013). Mary Throne, the House Minority Floor Leader, worried about the growing size of the savings account when “there are pressing needs that could be addressed with that money” (ibid.). The hope is that over the next year or so the state will take a look at how much this savings account should hold and what is needed to stabilize short-term revenue requirements.

In terms of the Wyoming tax structure, much of the state appears to be “business-friendly” and continues to have a supportive business environment. According to the Tax Foundation, the State Business Tax Climate Index (2013) ranks Wyoming #1 overall for its State Business Tax Climate (ranking South Dakota 2nd, Nevada 3rd, and Alaska 4th, Montana 8th, and Utah 10th). The Small Business and Entrepreneurship Council’s latest (2012) Business Tax Index shows Wyoming ranks 4th, behind South Dakota (1st), Texas (2nd), and Nevada (3rd) (SBE Council, 2012).

Currently, Wyoming collects no tax on intangible assets (bank accounts, stocks, or bonds), no tax on retirement income earned and received from other states, and no personal income tax, corporate income tax, or business inventory tax. According to the Business Tax Index, Wyoming has the second lowest state gas tax of \$0.14, just behind Alaska (\$0.08), and is tied for second lowest diesel tax per gallon (\$0.14) with Oklahoma and behind Alaska (although, as noted earlier, this year the Wyoming legislature will add another 10 cents on top of the 14, placing it “mid-pack” among all 50 states if other states do not change their rates). In addition, Wyoming is tied for 16th for lowest wireless tax rate, 48th for property taxes as a share of personal income, and 49th for sales and excise taxes as share of personal income (ibid.). According to the Beacon Hill Institute, Wyoming has the lowest electrical prices per million btu and according to Dun and Bradstreet, the 2nd lowest business failure rate (WY Sheridan Works 2013). Furthermore, the state only began taxing the mineral industry in 1969. With no personal or corporate income tax and low fuel taxes, Wyoming is more reliant on the few taxes it does have and is more susceptible to price fluctuations for those commodities that it does tax. In addition, the state becomes more reliant on property and sales taxes to fund the costs of state and local government (and these taxes tend, therefore, to be higher as noted above).

Because Wyoming’s economy is only loosely tethered to the rest of the country’s economic condition, the state missed most of the recent recession. Historically, Wyoming lags behind the nation in entering recession, as well as in pulling out of it, and our economy has not been as negatively affected here as it has been elsewhere. The past decade has been a period of incredible growth in Wyoming, with job growth close to 30% since 2001 and state government revenue doubling. Indicative of some continued economic growth, in 2013 the Goss Institute for Economic Research published the state’s “business conditions index.” Wyoming registered a 59.4, up from January’s 53.8 (but down from the January 2012 number of 61.3). According to the publishers, a number greater than 50 still points to an expanding economy over the next three to six months. By way of comparison, Utah’s February 2013 number was 54.7 and Colorado’s number for February was 58.9 (Goss Institute 2013).

Energy

According to Consensus Revenue Estimation Group (CREG), “natural gas continues to be the most significant component to Wyoming’s mineral revenue stream, accounting for 44.4% of the state’s most recent assessed minerals valuations in 2011” (Databook 2013, 3) The price for natural gas in 2012 increased slightly to \$3.35 per mcf (from \$2.75 in 2011). Each \$1 change in the price per mcf of natural gas equals approximately \$120 million (up or down) in the state general fund. In the January 2013 Report, natural gas production estimates were revised downward to 2.32 billion mcf for CY 2014 through the remainder of the forecast period (ibid., 4). This revised level leaves the forecast with a flat production estimate compared to the modestly increasing levels assumed last year. The natural gas price for CY 2013 were increased, slightly, from the prior assumption of \$3.60/mcf to \$3.75/mcf. According to one analysis, natural gas prices are the manic-depressive of the commodities (WyoFile 2012). Unfortunately for Wyoming, 2012 brought with it some of the lowest natural-gas futures prices seen in the previous 10 years (Fleming 2013).[

After seeing its production decline in 2009 for the first time in a decade, Wyoming’s coal industry bounced back in 2010 and 2011 as prices and demand regained strength along with the national economy. CREG recognizes that “coal is the foundation of Wyoming’s revenue portfo

Table 1. Price and Production Level Assumptions for Major Mineral Commodities

Year	Crude Oil		Natural Gas		Coal		Trona	
	Price	Production	Price	Production	Price	Production	Price	Production
2010	\$65.00	51,500,000	\$3.90	2,540,000,000	\$12.04	426,500,000	\$59.50	19,600,000
2011	\$65.00	51,000,000	\$3.90	2,590,800,000	\$12.04	433,500,000	\$62.00	20,000,000
2012	\$80.00	57,000,000	\$3.35	2,270,000,000	\$13.44	404,700,000	\$80.00	19,000,000
2013	\$85.00	57,500,000	\$3.65	2,270,000,000	\$13.46	413,200,000	\$80.00	19,100,000
2014	\$85.00	58,000,000	\$4.10	2,315,400,000	\$13.45	421,100,000	\$80.00	19,200,000
2015	\$85.00	58,500,000	\$4.10	2,361,700,000	\$13.44	428,900,000	\$80.00	19,300,000
2016	\$85.00	58,500,000	\$4.10	2,361,700,000	\$13.43	437,800,000	\$80.00	19,400,000

Source: Databook, 2013, 47.

lio” (Databook 2013, 4). Regardless of its position in Wyoming’s portfolio, 2012 saw another decline in overall production but a small increase in price (ibid., 5). Given the year-over-year production decline recently experienced, coal production estimates are reduced again by 9.1 % (40 million tons) for 2012 but are expected to rebound in subsequent years as natural gas prices climb and power generation plants switch back to coal from natural gas.

Trona production levels, however, have bounced back quicker than expected with production levels expected to be relatively stable for at least two more years. Prices are expected to increase to \$80.00 per ton generating much needed tax revenue (Revenue Forecast January 2013) (see also Table 1 for mineral production estimates).

As noted in CREG’s October 2012 Report, although today’s oil production levels are far below those of the 1980s, as prices have risen over the last few years so has production. Instead of projecting further declines in Wyoming oil production, there is evidence that production has stabilized and is in fact growing. And, according to CREG, the growth in oil production is the “singular positive revision” in production among all the extractive industries other than trona. The number of new oilrigs operating in the state has grown more than 50% (from the high teens to the low 30s) during 2012 (Databook 2013).

Related, 2012 sales and use tax estimates have increased significantly from FY 2010 with an increase of 7.1% during this period. This increase is reflective of the improving economic picture including oil and gas related jobs as well an increase in personal income levels. Only small increases are forecast for sales and use taxes through FY 2013 with an expected increase of 1.03% (Revenue Forecast October 2013, 8).

Finally, uranium production levels along with prices are on a slight incline. Production levels were set at 1.5 million pounds for 2012 and raised slightly to 2 million pounds for 2013 and then 2.5 million pounds for 2014. Prices per pound are on a similar path with 2012 prices at \$44/lb and increased forecasts to \$55/lb for 2014 (all revenue from uranium sales goes into state public school funds) (Barron 2/22/12).

Employment

According to the US Census Bureau of Labor Statistics unemployment in Wyoming in Dec. 2012 was 4.9%, considerably lower than the national rate of 7.8% (US Bureau of Labor, 2013).

Table 2. December 2012 Wyoming Nonfarm Employment

Category	Number of Jobs	12-month % change
Statewide	286,500	-.02%
Mining and Logging	27,100	-2.9%
Construction	20100	-2.9%
Leisure and Hospitality	32,100	-1.3%
Professional/Business Services	16800	-4.5%
Government	74,100	1.1%
Trade, Transportation and Utilities	53700	0.4%
Manufacturing	8,900	-2.2%
Information	3,800	2.8%
Financial Activities	10,900	-0.9%
Education and Health	27,600	3.4%
Other	11,400	-5.8%

Source: Bureau of Labor Statistics, bls.gov/eag/eag.wy.htm.

As the US economy has slowly been improving, unemployment in Wyoming continues to fall. However, a recent report from Wyoming Workforce Services shows that despite recent growth, overall employment remains approximately 2.4% below its 2nd quarter 2008 level. This means that while growth has occurred in Wyoming, the state has yet to recoup the total job loss that occurred as a result of the recession in 2009 and 2010 (Wyoming Workforce Services 2/7/13).

Overall, employment in the 2nd quarter of 2012 increased in 18 counties and fell in five others. Natrona County and Teton County showed the most job growth with a 4.3% and 4.5% increase in jobs respectively (Wyoming Workforce Services 2/7/13). In Natrona County, job growth stems primarily from increases in construction and mining, namely oil and gas. Teton County also saw construction growth and increases in industries associated with tourism (Wyoming Workforce Services 2/7/13). Growth in other counties is also attributed mostly to construction and mining increases. Preliminary data indicate that this modest growth is slowing in the third quarter of the year with an employment increase of only 0.6% (Wyoming Workforce Services 2/7/13). Job losses for the third quarter are tentatively attributed to mining, administrative, and waste services.

Demographics

Wyoming, while still the least populated state in the nation, had the 14th fastest population growth from 2000 to 2010, surpassing the national level (US Census Bureau 2012). That trend continues showing an increase in the state's population from 2010 to 2011 of 0.6%, along with a greater increase of 1.45% from 2011 to 2012, with a total population of 576,412 in 2012 (Wyoming 2013—Just the Facts). Much of the state's population increase can be attributed to the recent job growth.

The median age in Wyoming is 36.8 in 2010, according to the US Census Bureau. The “graying of Wyoming” has slowed but this trend is not expected to last. The population of person's over the age of 65 continues to increase slowly but steadily, showing a slight uptick from 12.4%

in 2010 to 12.7% in 2011 (US Census Bureau 2013). The drop in over median age was brought about by increased employment in the oil and gas industry. As this employment sector slows (and overall employment growth slows), Wyoming is expected to return to previous trends where younger populations out-migrate, leaving behind older workers.

Interestingly, Wyoming has recently seen a dramatic increase in the number of homeless persons in the state despite an unemployment rate well below the national average. According to the *New York Times*, federal data shows Wyoming's homeless rate grew by 67%, a fairly sharp rise from 1,083 to 1,813 people over the last 12 months (*New York Times* 1/13/2013). Homeless advocates and social services workers say the number of homeless in the state has increased due to economic migration from areas of the country hit hard by the recent recession. The promise of high paying jobs in the oil and gas industry lures families here, and they find either fewer and lower paying jobs than expected or simply can't afford available housing (*New York Times* 1/13/2013). In Casper, WY for example, where unemployment is around 4.3% due in large part to the booming oil and gas industry, affordable housing is very difficult to come by. Vacancy rates are reported to be close 1% with rental costs too high for many workers to afford (*New York Times* 1/13/2013).

Political Composition of State Government

Wyoming has a strong conservative history. Eight of the 10 territorial governors were Republican and of the 31 governors the state has seen, 18 are. For the last two decades Republican state legislators have outnumbered Democrats by at least six to one. Today, there are 52 Republicans and eight Democrats in the state House and 26 Republicans and four Democrats in the Senate. This partisan distribution is not surprising. According to the Secretary of State's Office, in December of 2012, of the state's 279,038 registered voters, 179,609 (64.3%) were Republican, and 58,618 (21%) were Democrat, with the remainder libertarian or unaffiliated.

The governor is a Republican, replacing a Democrat who was term limited. In the last general election in 2012, Republicans held all five top state elected positions (governor, secretary of state, treasurer, auditor, and superintendent of public instruction) and controlled both legislative houses with an overwhelming majority. Democrats lost two more seats in the House and their numbers remained steady in the Senate. Republicans hold every statewide office.

In the spirit of Wyoming's part-time "citizen legislature," Wyoming legislators may meet for *not more than* 60 days in odd numbered years, although the governor may convene additional days for special sessions. Every other year, in even numbered years, 20 days are reserved for a budget session. Wyoming legislators do not maintain offices in the Capitol and rarely do so in their home districts. Instead, they have a desk on the chamber floor and possibly a file cabinet in a committee meeting room. Legislators lack a personal staff.

The Legislative Services Office (LSO)—a nonpartisan central office—and temporary session staff are used in lieu of individual professional support personnel. The LSO staff evaluates executive branch programs, provides technical support, and audits school finances. The Legal Services Division of the LSO provides general and legal research in addition to drafting bills for committees and individual legislators. The LSO's Budget and Fiscal Section provides support to the Joint Appropriations Committee (JAC) and to the rest of the legislature on budget matters and general state expenditures. The manager of this section serves as co-chair of the state's Consensus Revenue Estimating Group (CREG). CREG is responsible for projecting state revenues

Table 3. Political Composition of State Government

	Session 62 nd 2013–2014		Session 61 st 2010–2012		Session 60 th 2008–2010	
	Dem	Rep	Dem	Rep	Dem	Rep
Governor		*	*		*	
House	8	52	10	50	19	41
Senate	4	26	4	26	7	23

from the general fund, mineral severance tax, federal mineral royalties, and the Common School Land Income Account, and for the state’s assessed property valuations.

The Budget and Major Current Issues

During last year’s budget session, legislators were considering 5–8% across-the-board cuts to the state’s base or “standard” operating budget and agencies were told to begin preparing supplemental budget requests for 2012 based on up to 8% cuts. While revenues came in better than expected, a 6% budget cut was made to most state agencies and the state passed a meager \$78 million supplemental budget bill.

Like most states, the Wyoming legislature faces a variety of economic and social issues during its short, 40 day general session. Following an election year that returned more Republicans to the state legislature and divisive issues such as health care, tax hikes, and gun control looming, the state’s legislative session was marked by some interesting bills that reflected many of these issues. With tight forecasts and 6% budget cuts to many state agencies, there was not much money to spread around in the supplemental budget bill.

Governor Mead argued for increased stringency in preparing future budgets citing the volatility of the extraction industry as well as some uncertain future expenses such as the state’s loss of \$700 million in Abandoned Mine Land funds that the federal government previously committed to Wyoming (Editorial Board 1/14/2013). In addition, uncertainty about future expenses associated with implementation of the Affordable Care Act and expenses incurred from last year’s worse than average fire season led to a more conservative approach on state expenditures.

The legislature focused on several bills to enhance revenue streams in the state. In particular, the legislature passed a 10 cent increase in the fuel tax. The new 10 cent fuel tax increase is targeted at creating a steady stream of revenue for much needed highway and road repairs and construction (Barron 2/15/13). Overall, the increase raises Wyoming’s fuel tax (on both gas and diesel) from 14 to 24 cents effective July 1, 2013. The increase is estimated to raise about \$71 million in FY 2014 (Barron 2/15/13).

After almost 20 years of lottery bills failing to pass the legislature, Wyoming finally approved a state lottery. The bill, signed by Governor Mead on March 14, 2013 allows Wyoming to join a multistate lottery (such as Powerball) and/or create its own state lottery. The bill allows for the distribution of lottery proceeds to cities, towns, and counties (up to the first \$6 million) and any additional profits to flow to the Common School Permanent Land Fund for education (Barron 3/14/2013).

While much of the state's focus was on budget cuts, the legislature did manage to appropriate money for various projects. The University of Wyoming received \$70 million for construction projects, mostly centering on expanding the College of Engineering and updating the basketball arena (this money is not part of the supplemental budget bill) (Roberts 3/6/13). UW employees are set to receive a one-time bonus (instead of a raise) of about \$1.8 million. In addition, the legislature appropriated \$32 million for the upcoming fire season and gave Governor Mead authority to pull another \$5 million from a landfill fund should it become necessary (Associate Press 2/22/13). Last year's fire season cost the state roughly \$45 million and is considered one of the worst in recent decades. The upcoming year is predicted to be a severe fire season as well.

Like other states, Wyoming tackled the issue of gun control. The legislature put forth several bills concerning gun issues. One of the bills would allow weapons on school grounds. The bill provided for anyone 21 or older with a valid concealed carry permit to bring a firearm to schools or college campuses and sporting events (Conner 3/4/13). This bill's sponsorship was prompted in large part by the killing of a Casper College professor in his classroom last November as well as the events in Newtown, PA. The bill failed to pass with many school officials speaking out against it (Connor 3/04/13).

Two other gun-related pieces of legislation did pass. A bill to allow silencers in hunting made Wyoming the 28th state to allow hunters to use sound suppressors and even takes it one step further by making it legal to possess a silencer anywhere in the state that game hunting *may* occur (*The Outdoor Wire* 2/20/13). The second bill on gun issues began as a hunting bill to reduce the bison population. In response to fears that the Obama administration would put controls on the sale of high caliber firearms, the bill was amended. The new bill sought to prevent the federal government from regulating high powered rifles in Wyoming and set aside funds to sue the federal government should legislation pass limiting gun caliber size (Roerink 2/28/13). The governor signed the bill on March 14, 2013.

The final piece of notable legislation is the "Hill Bill", which effectively removed elected official Cindy Hill from her post as superintendent of public instruction (Staff 1/29/13). The legislature passed a bill to strip her of her powers and allowed the governor to appoint a new director to take over those duties. Hill, who is two years into her term, is accused of mismanaging her department and her \$1.9 billion budget. She is accused of redirecting state money to programs not approved by the legislature and hindering college preparation efforts approved by the state (Staff 1/29/13). Hill is suing the state and Governor Mead citing a lack of constitutional authority to remove an elected official's powers.

Although not directly related to the most recent legislative session, Wyoming won an important tax-related case before the Wyoming State Board of Equalization this year. The Wyoming Department of Revenue took on the on-line reservation companies over how they compute their taxes. In a victory over Travelocity, Priceline, Hotels.com, Hotwire, Expedia, Orbitz, and Trip Network the Board ruled that:

the Department correctly determined pursuant to Wyoming law and its rules that Petitioners were vendors, engaging in taxable transactions, and liable to collect and remit sales taxes on the full amount paid by transient guests to Petitioners for lodging in Wyoming hotels.

In brief, it seems these online reservation companies were paying tax to the state, county, and city on the amount they paid (Priceline, for example) for the discounted reservations and not on the amount that the traveler ultimately paid for the room. Wyoming wanted the amount of tax the traveler paid NOT the lower tax paid by the reservation company. The vendor, as an additional

profit, kept any tax paid by the traveler on the final cost of the room over and above what the vendor initially paid to the state. The issue is emblematic of the increasing complexity of tax collection in the Internet-vendor era.

The Budgeting Process

Appropriating public funds is one of the greatest challenges the legislature faces. Agencies prepare budget requests in conjunction with the Budget Division of the Department of Administration and Information. Each summer prior to a budget session, the Budget Division prepares a standard request for each agency to submit to the governor. This template contains budget figures that are roughly equivalent to the amount the agency received in the prior biennium with adjustments for fund transfers and changing revenue streams. After the agency reviews this standard outline they may make “exception” or “expanded” requests if changes in funding are necessary to: (1) maintain current levels of service, (2) transfer funds from intraagency programs, or (3) expand services.

Once the requests are completed, agency budget requests are returned to the Budget Division in the fall (September or October). A package of agency requests is then presented to the governor. The governor compares the agency request with revenue forecasts developed by CREG. Next, the governor, in conjunction with the Budget Division, prepares his budget recommendations to give to the legislature. This can take place no later than the first of December, prior to the beginning of the budgeting session. It is interesting to note that the budget requests for the legislative and judicial branches are not included in this package – they are submitted separately.

The governor’s budget request is analyzed by the LSO. The LSO’s “detailed reports” help the Joint Appropriations Committee (JAC) review agency requests while its “summary reports” provide the committee with an overview of the administration’s total request, taking into account forecasted revenues. The JAC—a bipartisan committee made up of members of both chambers—meets prior to the budget session to hold agency budget hearings. During these hearings, agency heads present their department’s achievements, goals, and action plans, along with detailed explanations of their budgets. The JAC asks questions, but take no formal action.

After hearings with all agencies, the JAC examines each budget, program-by-program, resulting in a recommendation to approve, deny, or adjust the request. Although this hearing/recommendation process takes four or five weeks, the procedure expedites the short legislative budget session. After the JAC finishes its preliminary budget work, the LSO’s budget staff writes two identical general appropriations bills for concurrent introduction into both the Senate and the House. Sections of each bill are then assigned to JAC members for explanation on the floor of each chamber.

The budgeting process in Wyoming makes it difficult for citizens to learn how the state handles its finances. Like other states, it must balance its budget every year. Yet the money available to the legislature in a given year is difficult to determine in advance, and can be manipulated by the legislature. Having billions of dollars in a trust fund is a boon to the state budget each year, but it also means that the amount of money the fund earns varies based on national market forces. Wyoming legislatures can have increased revenue to spend, while cutting taxes, if the trust fund’s returns are high. Conversely, lawmakers can find themselves pinched, despite their efforts to raise revenue, if the markets cause a drop in the trust fund’s return.

The complexity of these budgeting factors is illustrated nearly every year when the legislature seems to “find” money in a multitude of state accounts. This state of affairs is exacerbated

by Wyoming's tradition of having citizen legislatures that are unable to devote the time or resources to investigating the budget in as much detail as they would like.

Summary and Conclusion

This year's 40-day legislative session was marked mostly with nonbudget items other than a relatively small supplemental budget. The greatest financial impact of the session was the mandatory 6% across-the-board cuts for state agencies and the University of Wyoming. Although it could have been worse (one possibility was an 8% cut), impacts of this cut will be felt everywhere. As long as natural gas prices remain low, Wyoming's budget will remain pinched.

In addition to the supplemental budget bill, the state passed a lottery bill and a higher fuel tax (10 cents) that will raise an additional \$70 million for road improvements each year. Bringing the fuel-tax to mid-pack among all states in the nation will allow cities, counties, and the state to more effectively place the burden of road improvements on the back of road users, rather than the general fund—more tightly meeting the rational relationship test. This money will be shared with cities and counties for their road improvements. The additional \$70 million equals an approximate increase of 25% devoted to state highway improvements (in 2013 the state budgeted \$292,707,946 for highway improvements). A one-penny increase in Wyoming's fuel tax costs a resident 52 cents a month and provides \$70 million annually to WYDOT, cities, counties, and state parks (Barron 7/01/2013).

The most frequently asked question, rhetorical or otherwise, is “what about the rainy day fund?” Are we putting in too much? Too little? Is it finally time to make a withdrawal? These questions plague citizens, editorial writers, legislators, and governor (and academics). No answer appears imminent. The state now has somewhere in the neighborhood of four rainy day accounts: Permanent Wyoming Mineral Trust Fund, Legislative Stabilization and Reserve Account, Budget Reserve Account, and a new account (apparently nameless), into which \$150 million was deposited last year should the governor run out of money to pay bills while the legislature is out of session. This does not include countless other state savings accounts into which the state deposits all sorts of severance taxes, many of which can only be spent on certain line items, such as K-12 education.

The promise of well-paying employment in the oil patch has had a number of unintended consequences, including a sharp rise (by Wyoming standards) in homelessness. Many of the promised jobs are drying up as natural gas prices stagnate and housing costs rise. In the end, job seekers and their families are finding low wage employment (or no employment), high housing costs, and no support system.

Clearly Anne Alexander had it right when she said, “the economy in Wyoming and the United States has more good, bad, and ugly than a Clint Eastwood movie.” State legislators and area economists see a mixed bag over the near term with no serious improvements for the state budget in the foreseeable future.

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Appendix

General Fund Revenues

Fiscal Year Collections by Source (in thousands)

Year	Severance	Sales/Use	PWMTF	Pooled	Charges	Franchise	Other	Penalties	Federal	Other*	Total
1998	\$69,557	\$234,725	\$101,277	\$23,368	\$18,171	\$13,320	\$5,979	\$6,766	\$10,557	\$16,563	\$500,288
1999	\$58,924	\$234,725	\$106,845	\$25,322	\$20,333	\$11,438	\$7,009	\$5,873	\$10,293	\$19,488	\$500,252
2000	\$83,616	\$262,338	\$117,485	\$26,191	\$18,799	\$13,628	\$14,829	\$5,809	\$8,189	\$64,712	\$615,599
2001	\$139,104	\$296,341	\$97,378	\$34,849	\$20,569	\$15,029	\$10,085	\$6,612	\$10,946	\$21,301	\$652,220
2002	\$117,185	\$313,077	\$90,510	\$29,114	\$20,858	\$17,099	\$7,532	\$6,359	\$8,878	\$27,328	\$637,946
2003	\$149,549	\$300,953	\$58,647	\$19,214	\$20,467	\$19,598	\$8,199	\$10,131	\$10,590	\$27,332	\$624,684
2004	\$184,408	\$326,625	\$98,110	\$28,716	\$24,260	\$21,745	\$5,315	\$9,031	\$11,651	\$34,686	\$744,553
2005	\$225,275	\$363,846	\$87,789	\$39,340	\$26,460	\$23,962	\$5,674	\$11,571	\$8,313	\$41,702	\$833,937
2006	\$240,254	\$421,438	\$123,952	\$65,049	\$24,734	\$24,889	\$5,842	\$17,153	\$10,264	\$42,493	\$976,071
2007	\$213,964	\$479,072	\$150,487	\$90,590	\$29,478	\$28,164	\$6,301	\$15,248	\$10,830	\$46,156	\$1,070,294
2008	\$257,859	\$504,711	\$321,357	\$105,567	\$30,458	\$26,251	\$10,704	\$6,443	\$9,819	\$46,743	\$1,319,914
2009	\$217,581	\$492,443	\$135,264	\$89,970	\$33,780	\$23,979	\$6,277	\$11,878	\$9,160	\$44,485	\$1,064,818
2010	\$226,995	\$412,845	\$139,450	\$117,296	\$33,255	\$23,806	\$21,432	\$13,963	\$10,686	\$47,769	\$1,047,497
2011	\$230,313	\$470,906	\$215,756	\$90,719	\$35,503	\$23,211	\$29,554	\$12,000	\$11,388	\$55,716	\$1,175,066
2012	\$221,153	\$497,684	\$235,847	\$112,353	\$38,219	\$24,446	\$7,602	\$11,230	\$10,066	\$45,244	\$1,203,844

* Includes inheritance tax, license and permit fees, and other small fees.

Source: Wyoming State Government Revenue Forecast, 2011. <<http://legisweb.state.wy.us/budget/2011databook.pdf>>.

Table

Mineral Severance Taxes to All Accounts

Fiscal Year Distribution by Mineral (in thousands)

Fiscal Year	Oil	Nat'l Gas	Coal	Trona	Other	Total
2010	\$174,006	\$471,484	\$265,939	\$13,833	\$2,699	\$927,961
2011	\$204,985	\$430,412	\$290,683	\$15,257	\$3,961	\$945,298
2012	\$236,831	\$346,218	\$289,416	\$16,831	\$4,413	\$893,709
2013	\$229,500	\$300,500	\$288,600	\$17,100	\$4,300	\$840,000

Source: Revenue Forecast January 2013.