

“Timid and Fearful? Wise and Safe?”¹

Robert A. Schuhmann
University of Wyoming

Tracy A. Skopek
University of Wyoming

Introduction

Wyoming’s 20-day budget session (the Wyoming Constitution allows for 20 days, but it took only 19) concluded with a \$3.3 billion state biennial budget that some lawmakers called “timid and fearful” while others called it “strategic” (Barron 3/8/14). Convened on February 10 and adjourned on March 6, lawmakers passed 132 bills, including the biennial budget where the consensus is that this year’s budget is “not much different from the current budget” (*ibid.*). Indeed, the 2014 session seemed to be dominated more by nonbudget items, including attempts to remove Cindy Hill from office and setting an 80 mph speed limit on certain state roads, than profound budgetary matters concerning the state. A continuing theme of how much to save and how much to spend reverberated throughout the session. “The new budget authorizes savings of more than one-third of the revenue from the mineral revenue severance tax and spending of two-thirds” (*ibid.*). At this pace, the Permanent Mineral Trust Fund (PMTF) will grow to \$8 billion by 2018 (*ibid.*). Additional highlights include a 4.7 percent salary increase for executive branch and University of Wyoming employees (spread over two years), a 2.6 percent pay increase for community college employees, and 2.2 percent for teachers and other employees of K-12 public schools.

State of the Economy

Economic Health of the State and Raises

According to the January 2014 Consensus Revenue Estimating Group (CREG), Wyoming maintained a relatively stable revenue stream over the last year. Although there were shortfalls from expected totals in 2013 for sales and use tax of \$16.3 million (or a 3.3 percent decrease from 2012), there were several revenue sources that exceeded 2013 forecasts. These included severance taxes (up \$0.5M from forecast) and Mineral Trust Fund & Pooled Income (up \$339.6M), which assisted in the overall record revenue streams. Unfortunately, the CREG has said the state must not rely on these revenue surpluses; rather it must rely on the relatively flat trends that are expected (Consensus Revenue Estimating Group 2014). With a flat revenue

¹ Joan Barron, *Casper Star Tribune*, Headline 3/8/14.

forecast suggested by CREG, many legislators utilized this report to buttress their conservative position on multiple matters within the budget. Among the hot topic issues at hand this session were employee compensation adjustments, retirement contribution adjustments, overall economic health of the state, and the future stability of the state economy.

Wyoming's economy tends to run counter to economic trends experienced by the national economy. As the nation booms, Wyoming economy lags behind. As the nation's economy cools, Wyoming's fiscal situation often improves. Currently, Wyoming's economy remains supported by three primary industries: extractive industries such as minerals/oil/gas, agriculture, and tourism. Revenues from the extractive industries are buttressing what stability there is in Wyoming's current economy. Projections indicate that 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 over the previous decade. Wyoming never experienced the housing boom and, therefore, never experienced the full force of the housing bust. Unfortunately, the instability of natural gas prices is the Achilles heel of the biennial budget. This year's colder winter has helped Wyoming's financial picture with higher current demand pushing prices up to just below multi-year highs (on January 8, 2014 \$4.44/MMBtu). However, production of natural gas itself remains high due to increased technological efficiencies and more players in statewide natural gas production.

One of the most important sources of income for Wyoming is the Permanent Wyoming Mineral Trust Fund (PWMTF). In 1974, when the trust fund was 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 vitally necessary for the boom and bust cycles inherent in an economy built largely on mineral extraction (WyoFile 2012). At the end of FY13 the fund sits at \$6.1 billion (State of Wyoming, Wyoming State Treasurer's Investment Report, Fiscal Year 2013).

Significant revenue in 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 the effects of the bust cycle. Article 15, Sec. 19 of the Wyoming Constitution guarantees that a tax of 1.5 percent be imposed on the value of all minerals extracted and that this tax flow automatically into the account, but an additional 1 percent is currently deposited there at lawmakers' discretion (Wyoming Constitution). In terms of the value of all severance tax dollars collected each year, roughly 40 percent (\$686 million) are deposited directly into the PWMTF; the remainder are directly allocated to the general fund budget (see Figure 1) (Consensus Revenue Estimating Group 2014).

A number of economists indicate that the percentage of revenues earned from the PWMTF going to the general fund is relatively high. Only Wyoming and North Dakota deposit all fund earnings into their general fund.² 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 percent of the general fund revenue, while direct severance tax collections poured into the general fund over the last six biennia have accounted for an additional 20 percent (WyoFile 2012). In 2013–14, investment income contribut-

² www.downstreamstrategies.com/documents/reports_publication/ds_economic_diversification_trust_fund.pdf

Figure 1.

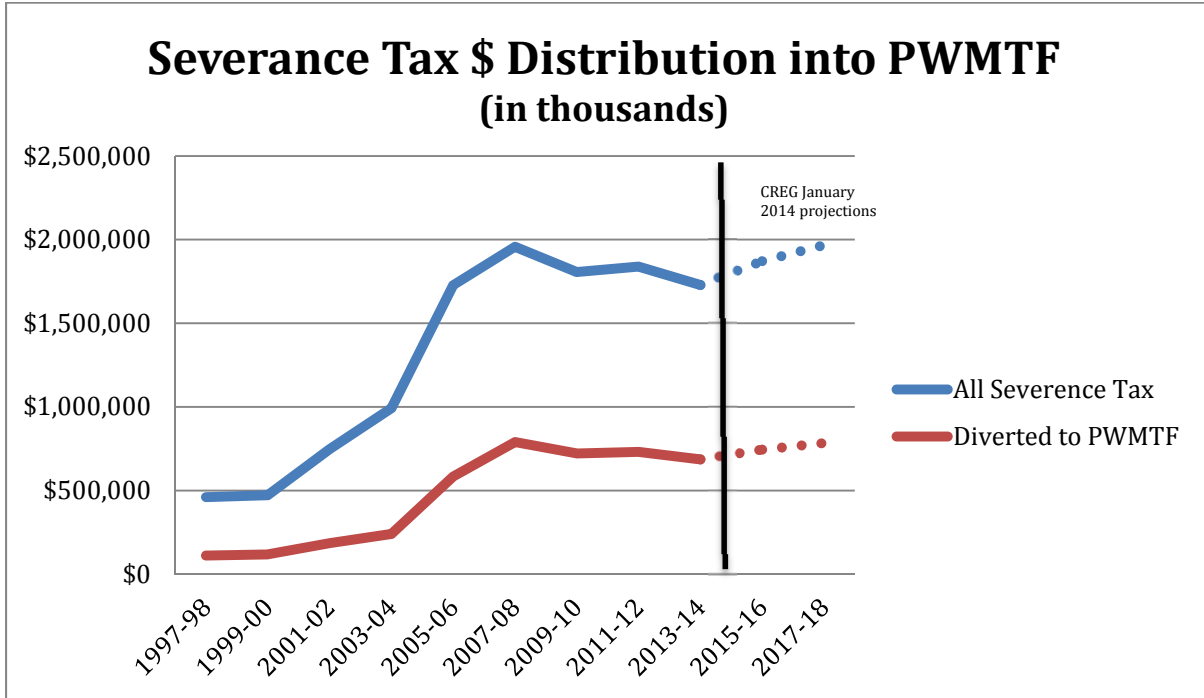


Figure 2.

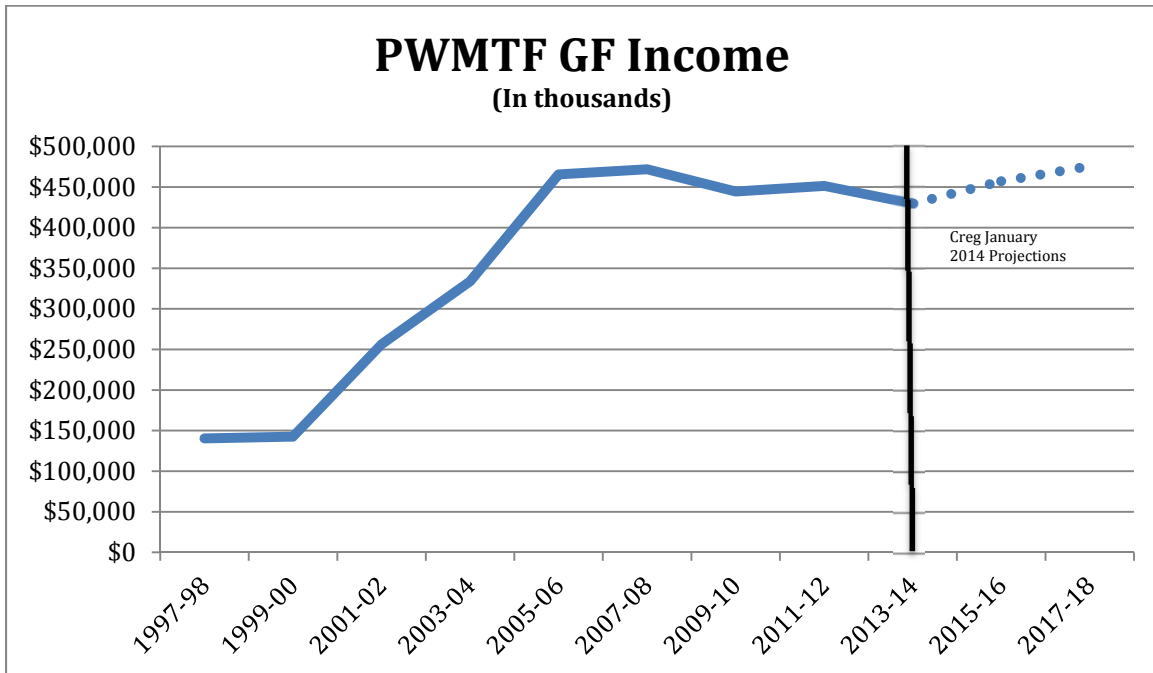
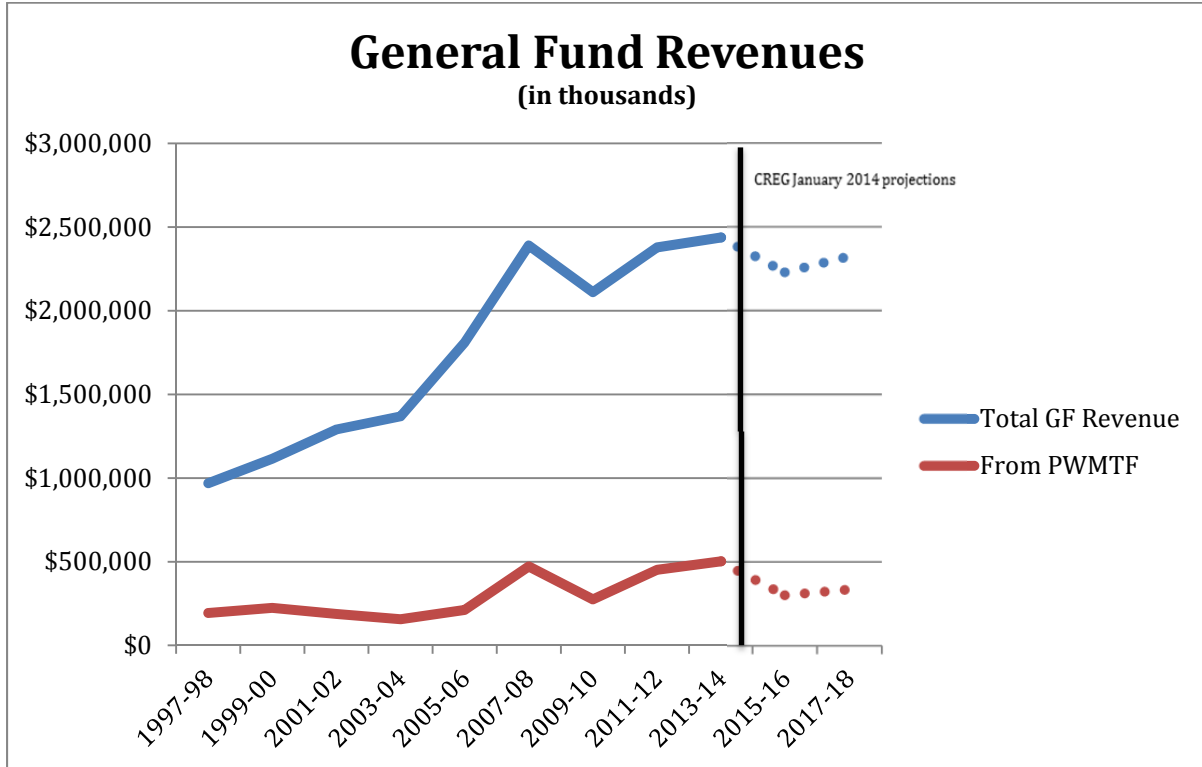


Figure 3.



ed 21 percent of the state’s general fund. Some argue this has created an attitude of complacency in the state in terms of economic and tax diversification. There seems little incentive to further diversify the economy with the relatively high percentage of interest from the PWMTF used for the general fund. When measuring economic diversity using the Hachman Index (HI), compared to the United States as a whole, Wyoming has the least economically diverse economy in the nation (with Alaska—energy, Nevada—tourism, West Virginia and Oklahoma, both energy, rounding out the top five).³

In addition to the PWMTF, the state has a Legislative Stabilization and Reserve Account (LSRA). As of June 30, 2012, this rainy-day account held \$1.6 billion, with a projected balance in June 2014 of \$2.1 billion (from Governor’s Request 2014–15 Biennium Budget). 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 Wyoming’s tax structure, much of the state appears to be “business-friendly” and continues to have a supportive business environment. The State Business Tax Climate Index

³ *Ibid.*

(2014) continues to rank Wyoming #1 overall for its state business tax climate (ranking South Dakota 2nd, Nevada 3rd, Alaska 4th, Montana 7th, and Utah 9th).⁴ The Small Business and Entrepreneurship Council's 2013 Business Tax Index shows Wyoming ranks 4th, behind Texas (1st), South Dakota (2nd), and Nevada (3rd).⁵

Currently, Wyoming collects no tax on intangible assets (bank accounts, stocks, or bonds) and no tax on retirement income earned and received from other states. Nor does the state collect personal income tax, corporate income tax, or business inventory tax. According to the Business Tax Index, Wyoming used to have the second lowest state gas tax of \$0.14, just behind Alaska (\$0.08), but is now mid-pack at \$0.24. Wyoming is tied for 16th for lowest wireless tax rate, 48th for property taxes as a share of personal income, and 41st for sales and excise taxes as share of personal income.⁶ 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.⁷ Wyoming only began taxing the mineral industry in 1969. With no personal or corporate income tax and relatively low fuel taxes, Wyoming is more reliant on the few taxes it does have and becomes more susceptible to price fluctuations on the commodities it does tax. The state is 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 its 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 a recession as well as pulling out of one. Wyoming has not been as negatively affected by the Great Recession as most of the nation, and the past decade has been a period of incredible growth in Wyoming with job growth close to 30 percent since 2001 and state government revenue doubling. Indicative of continued economic growth, in 2013 the Goss Institute for Economic Research published the state's "business conditions index." Wyoming registered a 55.8 (down from last year's 59.4). 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 October 2013 number was 50.9 and Colorado's number for the same month was 44.9).⁸

Energy

According to the Consensus Revenue Estimation Group (CREG), natural gas continues to be the most significant component of Wyoming's mineral revenue stream accounting for 33.1 percent of the state's most recent assessed mineral valuation in 2012.⁹ The price for natural gas in 2013 increased slightly to \$3.85/MMBtu (from \$3.65 in January 2013) and in early 2014 has increased again to \$4.40/MMBtu. However, production declined 9.6 percent in 2013. This change is consistent with the CREG estimate of 2012 in which it stated price levels should stabilize around the \$4.00/MMBtu level and overall production values would decline. 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 October 2013 report, natural gas production estimates were revised downward to

⁴<http://taxfoundation.org/article/2014-state-business-tax-climate-index>

⁵<http://www.sbecouncil.org/resources/publications/business-tax-index-2013/>

⁶<http://www.sbecouncil.org/uploads/BTI2012FINAL.pdf>

⁷<http://www.wyomingbusiness.org/DocumentLibrary>

⁸ <<http://www.ernestgoss.com/?q=node/127>>.

⁹ <http://eadiv.state.wy.us/creg/GreenCREG_Jan14.pdf>.

2.025 billion MMBtu for CY 2014 through the remainder of the forecast period. This revised level accounts for a 4 percent decline in CY 2014; 3 percent in CY 2015; 2 percent in CY 2016; and .05 percent in CY 2018. The natural gas price for CY 2014 remained consistent from the January 2013 report at \$4.10/MMBtu. According to one analysis, natural gas prices are the man-ic-depressive of commodities.¹⁰ Unfortunately for Wyoming, solid prices coupled with variable demand keeps the legislature on pins and needles.

After seeing its production decline in 2009 for the first time in a decade, Wyoming's coal industry bounced back slightly in 2010 and 2011 as prices and demand regained strength along with the national economy. Unfortunately, Wyoming coal production fell by 3.3 percent in 2013, the fourth consecutive year of declining output. CREG notes, "Coal is the foundation of Wyoming's revenue portfolio."¹¹ Given the year-over-year production decline recently experienced, coal production estimates are reduced again for 2014 but are expected to rebound in subsequent years as natural gas prices climb and power generation plants switch back to coal from natural gas (see Table 1).

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).

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. 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 oil rigs operating in the state has grown more than 50 percent (from the high teens to the low 30s) during 2012.¹²

Sales and use taxes were lower in 2013 than 2012 (a decrease of 3.3 percent). However, estimates suggest they will rebound 4.9 percent in 2014 and continue to rise reflecting an improving economic picture including oil and gas related jobs as well as an increase in personal incomes.

Finally, uranium production levels and prices are on a slight decline. Production levels were set at 1.5 million pounds for 2012 and 883,544 lbs for 2013 (81 percent of all U.S. production).¹³ Yellowcake uranium, the chief ingredient for fueling nuclear power plants, is selling for \$35.50 per pound, down from 2012 prices of \$44 per pound and a high of \$130 per pound the previous decade. All revenue from uranium sales goes into state public school funds. (Barron 2/22/12).

Employment

According to the U.S. Bureau of Labor Statistics, unemployment in Wyoming in February 2014 was 4.2 percent, considerably lower than the national rate of 6.7 percent. As the U.S. economy has slowly been improving, unemployment in Wyoming continues to fall, although a recent report from Wyoming Workforce Services shows that despite recent growth, overall employment

¹⁰ <<http://wyofile.com/2012/02/wyomings-permanent-mineral-trust-fund-cant-entirely-protect-the-budget-from-volatile-commodity-prices/>>.

¹¹ *Ibid.*

¹² <http://legisweb.state.wy.us/budget/2013databook.pdf>

¹³ <http://www.eia.gov/uranium/production/quarterly/>

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
2013	\$85.00	62,200,000	\$3.85	2,110,000,000	\$13.50	385,000,000	\$75.00	20,000,000
2014	\$85.00	66,000,000	\$4.10	2,025,000,000	\$13.50	400,000,000	\$80.00	20,000,000
2015	\$87.00	68,600,000	\$4.30	1,965,000,000	\$13.50	400,000,000	\$80.00	20,000,000
2016	\$87.00	70,600,000	\$4.50	1,925,000,000	\$13.75	400,000,000	\$80.00	20,500,000
2017	\$87.00	72,100,000	\$4.70	1,906,000,000	\$13.75	400,000,000	\$80.00	20,500,000
2018	\$87.00	73,500,000	\$4.95	1,897,000,000	\$13.75	400,000,000	\$80.00	21,000,000

Source: Revenue Forecast January 2014.

Table 2. February 2014 Wyoming Nonfarm Employment

Category	Number of Jobs	12-month % change
Statewide	293,100	1.1%
Mining and Logging	26300	(1.9%)
Construction	21,600	(1.8%)
Leisure and Hospitality	36,000	5.0%
Professional/Business Services	18,600	3.3%
Government	72,300	0.0%
Trade, Transportation and Utilities	55,000	2.4%
Manufacturing	9,600	1.1%
Information	3,800	0%
Financial Activities	11,500	4.5%
Education and Health	26,800	0.8%
Other	11,600	(1.7%)

Source: Bureau of Labor Statistics, <http://www.bls.gov/eag/eag.wy.htm>.

remains approximately 2.4 percent below its 2nd quarter 2008 level. So, while growth has occurred, Wyoming has yet to recoup the total job loss that was a result of the recession in 2009 and 2010 (Wyoming Workforce Services, 2/7/13).

In a typical year, almost all Wyoming county unemployment rates peak in January and decline through the spring and summer, reaching their lowest point in August or September. Compared to a year earlier, unemployment rates fell in every county, perhaps indicating continued

economic recovery. The largest declines were reported in Sheridan (down from 7.1 to 5.7 percent), Teton (down from 5.5 to 4.4 percent) and Sublette (down from 4.5 to 3.4 percent).¹⁴

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 (U.S. Census Bureau 2013). That trend continues with 2013 numbers showing an increase in the state's population from April 1, 2010 to July 1, 2013 of 3.4 percent and a total population of 582,658.¹⁵ Much of the state's population increase can be attributed to recent job growth, the bulk of which has taken place in the oil and natural gas industry.

The median age in Wyoming was 36.8 in 2010 according to the U.S. Census Bureau. The "graying of Wyoming" has slowed, but is not expected to last. The population of persons over the age of 65 continues to increase slowly but steadily, rising from 12.7 percent in 2011 to 13.1 percent in 2012 (U.S. Census 2013). The drop in 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 older workers behind.

Wyoming has recently seen a dramatic increase in the number of homeless persons despite an unemployment rate well below the national average. According to the *New York Times*, Wyoming's homeless rate grew by 67 percent, a fairly sharp rise from 1,083 to 1,813 people over the last 12 months (Healey 1/12/2013). 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 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, for example, where unemployment is around 4.5 percent 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 to 1 percent 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 have represented the GOP. For the last two decades Republican state legislators have outnumbered Democrats by at least six to one. As of today (the 62nd legislature) there are 52 Republicans and eight Democrats in the state House and 26 Republicans and four Democrats in the Senate. The Secretary of State's Office (2013) reports that as of December 2012, the state had 279,038 registered voters, 179,609 (64.3 percent) of which were Republican and 58,618 (21 percent) were Democrat, with the remainder classified as Libertarian or unaffiliated.¹⁶ In addition, the state has a Republican governor, replacing a Democrat who was term limited. In the last general election in 2012, Republicans maintained all five of the top state elected positions and control both Houses with an overwhelming majority. Dem-

¹⁴ <http://doe.state.wy.us/lmi/news.htm>.

¹⁵ <http://quickfacts.census.gov/qfd/states/56000.html>, 2014.

¹⁶ http://soswy.state.wy.us/Elections/Docs/VRStats/2012VR_stats.pdf

Table 3. Political Composition of State Government

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

ocrats lost two more seats in the House and their numbers remained steady in the Senate. Indeed, Republicans hold every statewide office.

In the spirit of a 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, 20 days are reserved for the budget session (occurring in even numbered years). Wyoming legislators do not maintain offices in the Capitol, and rarely do so in their home districts. They have a desk on the chamber floor and possibly a file cabinet in a committee meeting room and no personal staff. The Legislative Services Office (LSO)—a non-partisan central office—and temporary session staff are used in lieu of individual professional support personnel. LSO staff evaluate executive branch programs, provide technical support, and audit school finances. The Legal Services Division of the LSO provides general and legal research and drafts bills for committees and individual legislators. The LSO’s Budget and Fiscal Section provides support to the Joint Appropriations Committee (JAC) and the rest of the legislature on budget matters and general state expenditures. The manager of this section serves as co-chair of the state Consensus Revenue Estimating Group (CREG). CREG is responsible for projecting state revenues from the general fund, mineral severance tax, federal mineral royalties, Common School Land Income Account, and the state’s assessed property valuations.

The Budget and Major Current Issues

During this year’s budget session, legislators passed a \$3.3 billion budget bill that many Democrats called a “disappointment” and Governor Matt Mead and other Republicans hailed as conservative and forward thinking.¹⁷ Much of the criticism centered around the decision to put millions into various savings accounts rather than focus on more immediate state needs. As Minority Leader Sen. Chris Rothfuss noted, “I would’ve liked to see more aggressive investment in the state of Wyoming, in our infrastructure and our people.”¹⁸

The most remarkable characteristic of this budget was how unremarkable it was. The 2015–16 budget has roughly the same level of spending as the current biennium but includes new money for state employee raises, a few construction projects, and several other initiatives. Instead of significant budget items, the state legislature seemed distracted by Medicaid expansion, the con-

¹⁷ Trevor Brown, “Dems Are “Disappointed” with New Spending Plan.” *Wyoming Tribune Eagle*, 3/18/2014.

¹⁸ *Ibid.*

tinued legal issues associated with Superintendent of Public Instruction Cindy Hill, how much money to save, and the size of public employee raises—the first in five years.

Most state employees have not seen any type of salary increase since 2009, when employees received a cost of living increase (COLA) (Nickerson 2014). Since then, all employees who contribute to the state retirement program have seen a decline in their take-home pay because of the increases legislators approved to the employee contribution to the retirement system, as well as the end of a payroll tax holiday for social security. Although many employees have lost more money than they have been given in raises over the past four years, in 2013 many employees received a one-time, one percent incentive bonus designed to retain talented and experienced employees.

Republican legislators called for \$80 million in salary increases this session. As the proposals made their way through the budget process other issues were raised regarding employee contributions to the retirement system as well as the ability to retain talent and experience the state has been losing. According to Gregory Nickerson, in 2012 nearly 1,300 employees changed positions within the state or were no longer employed by the state. This cost the state roughly \$23.7 million per year due to loss of time spent hiring and training new employees (Nickerson 2014). In the end, House Bill 1 will give most executive branch and University of Wyoming employees a take-home pay increase of about two percent in both 2015 and 2016. The legislation boosts salaries 2.35 percent, but paychecks will reflect less than that because lawmakers are requiring workers to pay more into their pension plans.¹⁹ The cost to the state is approximately \$40 million.

Though the Republican-led legislature is calling for increases in salary to show their commitment to retaining employees, it may be too little too late. With the number of employees changing positions and moving out of state government, others leaving the state entirely, as well as increases in retirements by aging baby boomers, the state could be in a position soon from which it may not recover. According to the Management Audit Committee in August 2007, there is going to be a major influx of baby boomers to the state retirement system that will adversely affect it unless actions are taken to offset the difference in active employees and retired employees (Management Audit Committee 2007).

With a major portion of state employees becoming eligible for retirement, the economic forecast looking flat over the next four years, and increasing employee responsibility for their retirement, the legislature believes the state outlook is generally positive. It does, however, bring to light the possibility of an economic downturn. As recently as March 16, 2014, Republican lawmakers in the legislature have encouraged increasing the rainy day account from its current \$1.66 billion to a staggering \$3.3 billion. Republican lawmakers see this as a move to secure an entire biennium budget in the rainy day account in the absence of mineral royalties and other revenue streams. Democrat lawmakers see this as an opportunity to take the funding that is being considered and move it to a higher interest bearing account. The parties are at odds over economic outlook, but no matter how it is viewed, both see themselves as looking out for the future of Wyoming.

For the second year in a row, Medicaid expansion was a major issue in the legislature. In the midst of discussing the biennium budget this year, democratic supporters sought Medicaid expansion. Senate Minority Leader Chris Rothfuss (D-Laramie) said Wyoming was bypassing \$750 million in funding over seven years by not accepting Medicaid expansion. The contentious

¹⁹ “New bills will impact you if....” Wyoming Tribune Eagle, 3/9/14.

battle over expansion comes from fears of the Republican-led state legislature about whether the federal government will hold to its promises of covering 90 percent of costs after the first few years (Wilson 2013).

Although Governor Mead has expressed his discontent with Medicaid expansion, it has become an issue for many Republicans who see a gain of \$750 million in funding from the federal government to assisting the state's 17,600 residents who make too little money to purchase insurance through the Affordable Care Act (Chilton 2014). With 2014 being the governor's last year in his first term, Mead understands the need to compromise with state lawmakers, especially those who consider Medicaid expansion a benefit to the state. The legislature's adding a final amendment to the HB001 allowed Governor Mead to look into the possibility of expanding Medicaid through a waiver program and show his willingness to explore the opportunity should he decide to do so. The waiver specifies that whatever the governor might agree to, it may not negatively impact the state's general fund or Wyoming's small business owners, employers, and insurance providers (Chilton 2/28/14).

Expansion of the Medicaid program was estimated to cost \$151.2 million over the next seven years, while the federal government would cover \$864.4 million (Forsland 2012), thus, although it would cost the state a considerable amount to cover the uninsured, the majority of the costs are supported by the federal government. The battle at hand is whether or not the state will support this initiative and risk the possibility of fronting more of the costs than estimates provide.

The waiver program is a progressive step toward the possibility of Medicaid expansion, but it does not require the governor to seek that option. It is important to note the language of the waiver program denies the opportunity to expand Medicaid if there is any adverse impact to the state general fund. With this amendment, the Republican-led legislature has given the opportunity of expanding Medicaid a chance but left the responsibility to the governor who has publicly denounced the expansion.

Smaller bills of note include:

- Hathaway Scholarships increased five percent and will allow students to use their scholarships to take summer classes.
- Out-of-state veterans can attend UW for in-state tuition rates.
- Higher allowable speed limits on Wyoming roads (80 mph in certain areas).
- \$37.5 million to renovate the state Capitol.

The final piece of notable legislation is the "Hill Bill" that 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 allow 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 Gov. Mead citing a lack of constitutional authority to remove an elected official's powers. Hill has also said she will run against Mead in the next gubernatorial election (Conner, Hancock, and Roerink 2/1/2013). Since the Hill Bill passed, the state Supreme Court has ruled the law unconstitutional. Now, during the budget session, legislators are dealing with the passage of a constitutional amendment that attempts to accomplish the same goal. For now, Cindy Hill is can return to her office, but legislative and legal wrangling has kept her away from taking back her elected position.

The Budgeting Process

Appropriating public funds is one of the greatest challenges faced by the Wyoming State Legislature. Budget requests are prepared by agencies 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 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 intra-agency programs, or (3) expand services.

Once completed, agency budget requests are returned to the Budget Division in September or October and a package of agency requests is presented to the governor. The governor compares the agency request with revenue forecasts developed by CREG. In conjunction with the Budget Division, the governor then 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. Budget requests for the legislative and judicial branches are not included in this package and are submitted separately.

The governor’s budget request is analyzed by the LSO, whose 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 in December or January prior to the budget session to hold agency budget hearings, where agency heads present their department’s achievements, goals, and action plans, along with a detailed explanation of their budget. Although the JAC will ask questions during this time, no formal action is taken.

After hearings with all the agencies, the JAC examines each budget, program-by-program, resulting in a recommendation to approve, deny, or adjust the agency’s funding request. Although the 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 in the Senate and House. Sections of each bill are then assigned to JAC members for explanation on the floor of each chamber.

The budgeting process 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 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 trust fund returns are high. Conversely, lawmakers can find themselves pinched, despite their efforts to raise revenue, if the markets cause a drop in trust fund returns.

The complexity of these budgeting factors is illustrated almost every year when the legislature seems to find money in the multitude of state accounts. This state of affairs may be exacerbated by Wyoming’s tradition of citizen legislators, who are perhaps unable to devote the time or resources to investigate the budget in as much detail as they would like.

Summary and Conclusion

This year's 20-day legislative session was completed in 19 days and marked mostly with less-than-controversial items. Medicaid expansion and raises for state employees were the most significant financial items. During a news conference Governor Mead said, "The legislature spent more than he recommended but most of the money was tucked away in savings. Nevertheless, the budget remains fairly flat" (Barron 3/6/14). Natural gas production and pricing remained critical, but unstable. Coal production, normally an important revenue staple, is declining because of increased federal regulations on emissions from coal-fired power plants, but the legislature continues to push for coal production. It remains to be seen whether coal will remain a natural resource staple of Wyoming's revenue stream.

The debate over spending and saving continues. One line of thought is that the Legislative Stabilization and Reserve Account (LSRA or the rainy day account) should equal the amount the state spends on its two-year general fund budget—\$3.3 billion, suggesting that it should be a rainy season rather than a rainy day account. Others agree with House Minority Floor Leader Rep. Mary Throne, who argues, "what do we need to have in the 'rainy day' account? What projections justify that?" (Nickerson 4/1/2014). In part, the reason for the concern is that the LSRA earns lower interest than the PMTF, which earns approximately 5 percent.

The single most frequently asked question, rhetorical or otherwise, is "What about the rainy day fund?" Are we putting in too much? Too little? Or is it finally time to make a withdrawal? These questions plague citizens, editorial writers, legislators, the governor, and academics. No answers appear 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 in 2013 should the governor run out of money to pay bills while the legislature is out of session. This does not include almost countless other savings accounts into which the state deposits all sorts of severance taxes, many of which legislatively can only be spent on certain line items such as K-12 education.

Wyoming's fiscal environment is stable this year with a little leftover for savings. Natural resource volatility remains a key question while Wyoming officials try to support state employees and state and community programs. Democrats and Republicans disagree on how much to save and how much to spend all the while trying to build a stable financial platform for its future and the people of the state.

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Appendix. General Fund Revenues, Fiscal Year Collections by Source (in Thousands)

Fiscal Year	Severance Tax	Sales and Use Tax	PWMTF Income	Pooled Income	Charges -Sales and Services	Franchise Tax	Revenue from Others	Penalties and Interest	Federal Aid and Grants	All Other	Total
Historical:											
1999	\$58,924	\$234,725	\$106,845	\$25,322	\$20,333	\$11,438	\$7,009	\$5,873	\$10,293	\$19,488	\$500,250
2000	\$83,616	\$262,338	\$117,485	\$26,191	\$18,799	\$13,628	\$14,829	\$5,809	\$8,189	\$64,712	\$615,596
2001	\$139,104	\$296,341	\$97,378	\$34,849	\$20,569	\$15,029	\$10,085	\$6,612	\$10,946	\$21,301	\$652,214
2002	\$117,185	\$313,077	\$90,510	\$29,114	\$20,858	\$17,099	\$7,532	\$6,359	\$8,878	\$27,328	\$637,940
2003	\$149,549	\$300,953	\$58,647	\$19,214	\$20,467	\$19,598	\$8,199	\$10,131	\$10,590	\$27,332	\$624,680
2004	\$184,408	\$326,625	\$98,110	\$28,716	\$24,260	\$21,745	\$5,315	\$9,031	\$11,651	\$34,686	\$744,547
2005	\$225,275	\$363,846	\$87,789	\$39,340	\$26,460	\$23,962	\$5,674	\$11,571	\$8,313	\$41,702	\$833,932
2006	\$240,254	\$421,438	\$123,952	\$65,048	\$24,733	\$24,889	\$5,842	\$17,153	\$10,264	\$42,493	\$976,066
2007	\$213,964	\$479,072	\$150,487	\$90,590	\$29,478	\$28,164	\$6,301	\$15,248	\$10,830	\$46,156	\$1,070,290
2008	\$257,859	\$504,711	\$321,357	\$105,567	\$30,458	\$26,251	\$10,704	\$6,443	\$9,819	\$46,743	\$1,319,912
2009	\$217,580	\$492,443	\$135,264	\$89,969	\$33,780	\$23,978	\$6,276	\$11,878	\$9,159	\$44,485	\$1,064,812
2010	\$226,994	\$412,845	\$139,450	\$117,295	\$33,254	\$23,805	\$21,431	\$13,962	\$10,686	\$46,344	\$1,046,066
2011	\$230,313	\$470,905	\$215,755	\$90,718	\$35,503	\$23,210	\$29,554	\$12,000	\$11,388	\$55,715	\$1,175,061
2012	\$221,153	\$497,683	\$235,847	\$112,352	\$38,218	\$24,446	\$7,602	\$11,229	\$10,065	\$45,243	\$1,203,838
2013	\$210,280	\$481,431	\$366,635	\$189,833	\$38,867	\$26,889	\$6,345	\$9,304	\$0	\$51,616	\$1,381,200
Projected											
2014	\$219,900	\$497,900	\$135,500	\$69,100	\$40,200	\$24,500	\$6,300	\$9,300	\$0	\$48,200	\$1,050,900
2015	\$227,100	\$506,600	\$146,300	\$77,900	\$40,200	\$24,500	\$6,300	\$9,300	\$0	\$48,200	\$1,086,400
2016	\$231,700	\$515,100	\$155,200	\$80,300	\$40,200	\$24,500	\$6,300	\$9,300	\$0	\$48,200	\$1,110,800
2017	\$235,700	\$521,800	\$163,700	\$82,800	\$40,200	\$24,500	\$6,300	\$9,300	\$0	\$48,200	\$1,132,500
2018	\$240,000	\$528,700	\$172,200	\$85,200	\$40,200	\$24,500	\$6,300	\$9,300	\$0	\$48,200	\$1,154,600

Fiscal Year	Severence Tax	Sales and Use Tax	PWMTF Income	Pooled Income	Charges -Sales and Services	Franchise Tax	Revenue from Others	Penalties and Interest	Federal Aid and Grants	All Other	Total
Historical:											
1999	\$58,924,423	\$234,725,590	\$106,845,392	\$25,322,337	\$20,333,143	\$11,438,251	\$7,009,009	\$5,873,055	\$10,293,095	\$19,488,056	\$500,252,351
2000	\$83,616,343	\$262,338,523	\$117,485,136	\$26,191,754	\$18,799,203	\$13,628,848	\$14,829,611	\$5,809,027	\$8,189,111	\$64,712,342	\$615,599,898
2001	\$139,104,484	\$296,341,913	\$97,378,092	\$34,849,907	\$20,569,692	\$15,029,401	\$10,085,700	\$6,612,961	\$10,946,298	\$21,301,693	\$652,220,141
2002	\$117,185,445	\$313,077,987	\$90,510,496	\$29,114,751	\$20,858,833	\$17,099,710	\$7,532,683	\$6,359,976	\$8,878,403	\$27,328,449	\$637,946,733
2003	\$149,549,109	\$300,953,910	\$58,647,855	\$19,214,275	\$20,467,084	\$19,598,042	\$8,199,193	\$10,131,822	\$10,590,119	\$27,332,601	\$624,684,010
2004	\$184,408,599	\$326,625,269	\$98,110,315	\$28,716,923	\$24,260,907	\$21,745,077	\$5,315,629	\$9,031,984	\$11,651,917	\$34,686,832	\$744,553,452
2005	\$225,275,895	\$363,846,232	\$87,789,396	\$39,340,611	\$26,460,644	\$23,962,541	\$5,674,323	\$11,571,551	\$8,313,378	\$41,702,561	\$833,937,132
2006	\$240,254,868	\$421,438,545	\$123,952,616	\$65,048,984	\$24,733,817	\$24,889,058	\$5,842,094	\$17,153,208	\$10,264,260	\$42,493,736	\$976,071,186
2007	\$213,964,458	\$479,072,573	\$150,487,083	\$90,590,111	\$29,478,126	\$28,164,990	\$6,301,203	\$15,248,945	\$10,830,645	\$46,156,155	\$1,070,294,289
2008	\$257,859,263	\$504,711,048	\$321,357,789	\$105,567,137	\$30,458,234	\$26,251,292	\$10,704,460	\$6,443,234	\$9,819,073	\$46,743,278	\$1,319,914,808
2009	\$217,580,767	\$492,443,467	\$135,264,226	\$89,969,956	\$33,780,336	\$23,978,875	\$6,276,827	\$11,878,190	\$9,159,713	\$44,485,273	\$1,064,817,630
2010	\$226,994,930	\$412,845,265	\$139,450,800	\$117,295,842	\$33,254,667	\$23,805,596	\$21,431,697	\$13,962,941	\$10,686,279	\$46,344,453	\$1,046,072,470
2011	\$230,313,366	\$470,905,619	\$215,755,659	\$90,718,694	\$35,503,191	\$23,210,774	\$29,554,028	\$12,000,700	\$11,388,412	\$55,715,767	\$1,175,066,210
2012	\$221,153,387	\$497,683,644	\$235,847,144	\$112,352,685	\$38,218,559	\$24,446,393	\$7,602,898	\$11,229,632	\$10,065,657	\$45,243,811	\$1,203,843,810
2013	\$210,280,486	\$481,431,386	\$366,635,722	\$189,833,643	\$38,867,796	\$26,889,478	\$6,345,761	\$9,304,095	\$0	\$51,616,450	\$1,381,204,817
Projected											
2014	\$219,900,000.00	\$497,900,000.00	\$135,500,000.00	\$69,100,000.00	\$40,200,000.00	\$24,500,000.00	\$6,300,000.00	\$9,300,000.00	\$0.00	\$48,200,000.00	\$1,050,900,000
2015	\$227,100,000.00	\$506,600,000.00	\$146,300,000.00	\$77,900,000.00	\$40,200,000.00	\$24,500,000.00	\$6,300,000.00	\$9,300,000.00	\$0.00	\$48,200,000.00	\$1,086,400,000
2016	\$231,700,000.00	\$515,100,000.00	\$155,200,000.00	\$80,300,000.00	\$40,200,000.00	\$24,500,000.00	\$6,300,000.00	\$9,300,000.00	\$0.00	\$48,200,000.00	\$1,110,800,000
2017	\$235,700,000.00	\$521,800,000.00	\$163,700,000.00	\$82,800,000.00	\$40,200,000.00	\$24,500,000.00	\$6,300,000.00	\$9,300,000.00	\$0.00	\$48,200,000.00	\$1,132,500,000
2018	\$240,000,000.00	\$528,700,000.00	\$172,200,000.00	\$85,200,000.00	\$40,200,000.00	\$24,500,000.00	\$6,300,000.00	\$9,300,000.00	\$0.00	\$48,200,000.00	\$1,154,600,000

* 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	Natural 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
Projected						
2013	\$ 229,500	\$ 300,500	\$ 288,600	\$ 17,100	\$ 4,300	\$ 840,000
2014	\$ 238,800	\$ 342,300	\$ 294,400	\$ 17,200	\$ 5,000	\$ 897,700
2015	\$ 241,900	\$ 366,900	\$ 305,800	\$ 17,400	\$ 4,300	\$ 840,000

Source: Revenue Forecast January 2013.