



Budget Session – Final Report

March 4, 2016

The 63rd Legislature concluded its work late on Friday evening, on day 20 of the scheduled 20-day session. Complicated by the addition of four separate spending bills in addition to the general appropriations bill, the \$3.3 billion budget bill for FY 2017-2018, spends \$221 million out of the State's LSRA.

The legislature opted to run additional spending bills this session to address concerns of a year ago regarding projects funded in the supplemental budget that were considered out of ordinary as required by the state constitution.

Issues regarding long-term funding for state operations and school capital construction were left unanswered.

Local governments will receive \$105 million funded out of the LSRA. The legislature had much consternation over how to allocate the funding to counties and local governments.

The legislature once again rejected the Medicaid expansion proposal. The plan, which would extend health insurance to 20,000 low-income residents, would save the State \$30 million over the biennium.

WTA Bills of Interest This Session

The Legislative Policy Committee canceled its meeting scheduled for Monday, February 29th, as there weren't any changes to the previous week's bill status. The WTA was following HB1, HB8, HB16, HHB42, HB48, HB51, HB52, HB53, HB67, SF1, SF19, SF20, SF21, SF40, SF41, and SF68.

The bills that the WTA supported this budget session were HB8, HB42, and HB53. It also took a position to oppose a section within SF68. Other bills the Association was previously watching either failed or were withdrawn earlier, as denoted. Please see WTA's Bill Tracking Sheet for additional information on all of the bills the WTA is tracking and the current status.

HB 8 – PROPERTY ASSESSMENT TEST RATE. This bill revises the authority of the Department of Revenue to adopt rules related to the appraisal methods of county assessors. Additionally, it specifies the Department will adopt rules to ensure the use of appropriate tests for residential properties to limit the likelihood that a property will be over-assessed. The bill was signed into law on Friday, March 4th and becomes effective immediately. **The WTA supported this bill.**

HD 42 – FUEL TAX REVENUE – RESTRICTION. This bill restricted the expenditure of fuel tax revenue to cover only those costs related to the construction, reconstruction, maintenance and repair of the state highways. It failed to meet the cutoff date and died in the Senate. **The WTA supported this bill.**

HD 53 – SPECIAL DISTRICTS TASK FORCE. This bill creates a task force to study the operation of special districts in the state. It specifies membership of the task force to include four legislative members, a representative from the County Commissioners' Association, a representative from the County Clerk's Association, three special district representatives, a representative of Wyoming taxpayers and a representative from the mineral extraction industry. The bill requires a study of the primary issues impacting the formation, functionality, efficiency, accountability and continued operation of special districts; however, the task force is directed to limit its consideration to only issues which can be properly studied within the time limits and funds provided, giving preference to issues that have the largest impact on the public and on special districts and for which a solution might be reasonably available. Additionally, the task force is required to report to the Joint Corporations, Elections and Political Subdivisions Interim Committee on or before September 15, 2016. The bill was signed into law on Friday, March 4th and becomes effective immediately. **The WTA supported this bill.**

SF 68 – BUDGET SHORTFALL MEASURES. This bill codifies provisions of authority for the Governor to address possible budget shortfalls in the general appropriations bill. It also provides a role for the Legislature to participate in addressing budget shortfalls that occur between sessions, providing for a contingent appropriation process under which the Legislature may provide funds which the Governor may access as an alternative to cutting expenditures should revenues decrease. The bill provides the Governor will notify the Joint Appropriations Committee and the Legislature before cutting authorized expenditures. The JAC and, if Management Council determines necessary, standing committees will provide recommendations to the Governor regarding actions to address a budget shortfall.

Additionally, the bill explicitly provides for the potential diversion of two revenue streams to address a budget shortfall - the one percent severance tax deposited by statute to the Permanent Wyoming Mineral Trust Fund (PWMTF) and funds from permanent mineral trust fund investment earnings directed to the Legislative Stabilization Reserve Account and the Strategic Investment Projects Account. These funds may be diverted by a general appropriations bill if the Legislature determines that should be done in any fiscal year.

The bill also defines the Consensus Revenue Estimating Group (CREG) in statute and generally exempts CREG from the administrative procedures act, the public meeting act and public records provisions.

The WTA monitored this bill throughout the session and took a position to oppose putting the CREG into law because of the potential for unintended. Particularly, as it could politicize the revenue forecasting process through the appointment of members by the governor and legislative management council.

Funds Available (Cash, Revenue, Net Transfers)	15-16 Biennium JCC01 Status	17-18 Biennium JCC01 Status
Traditional Funds	3,867,530,168	3,133,951,256
Expenditures	<u>-3,901,434,673</u>	<u>-3,168,192,507</u>
Total Funds Appropriated	-33,904,505	-34,241,251
2016 Transfers to GF from other accounts:	30,000,000	
2016 Gov.'s Rec. – GF Agency budget reductions:	<u>108,094,208</u>	
2016 Budget Bill Interfund loan from 1% sev. tax:		102,791,251
Budget Bill BRA transfer from (to) LSRA:		<u>36,000,000</u>
Total loans/transfers	<u>138,094,208</u>	<u>138,791,251</u>
General Fund/Budget Reserve Bal.	104,189,703	104,550,000
Statutory Reserve (5% of GF rev.)	<u>-109,860,000</u>	<u>-104,550,000</u>
Total Funds Available for Appropriation	<u>-5,670,297</u>	0

Summary of 2017-18 Appropriations JCC01 Status		
Expenditures	General Fund	LSRA
SF1 GF appropriations	(\$2,981,180,894)	
SF41 State-funded capital construction	(\$168,616,375)	\$0
HB50 Appropriation for legislature	(\$18,375,738)	
Other bills w/ GF appropriation	(\$19,500)	
HB51 Local government distributions		(\$105,000,000)
HB52 School facilities appropriations		(\$80,000,000)
Total	(\$3,168,192,507)	(\$185,000,000)

(\$3,353,192,507)

Source: Legislative Service Office, Fiscal Profile 3/3/2016

Key Points of the 2017-18 Budget Bill(s)

SF0001 – General Government Appropriations:

Total Appropriations:

General Fund Appropriations: \$2.98 billion

Federal Fund Appropriations: \$1.63 billion

School Foundation Program Appropriations: \$1.82 billion

Other Fund Appropriations: \$1.88 billion

Total Appropriations in Budget Bill: \$8.31 billion

- **Department of Transportation (including WyoLink and airport improvements)**
 - \$5.7M GF for road construction.
 - \$2.1M GF and \$2.7M Local Government Capital Construction funds for WyoLink.
 - \$13M GF for Aeronautics.

- **Department of Health**
 - Total \$2.00B (\$973M GF, \$886M FF and \$141M OF).
 - \$7.8M (\$3.9M GF and \$3.9M FF) for developmental disability waiver rate rebasing.
 - \$9M FF for development of a health information exchange.
 - \$50.6M FF for replacement of Medicaid management information system (MMIS).
 - \$4.8M (\$2.4M GF and \$2.4 M tobacco funding) for drug courts.
 - \$675,000 GF for pre-school services ECA.
 - Reduced \$8.2 GF for tax refund to elderly program, which defunds the program.

- **Department of Family Services**
 - Reduced \$7.4M GF from LIEAP/Weatherization.

- **Community Colleges**
 - Total \$267.8M (\$262.4M GF, \$1.8M FF and \$3.6M OF).

- **State Lands and Investments**
 - Total \$115.1M (\$25.6M GF, \$42M FF and \$47.5M OF), including \$1M emergency fire suppression account funds for bark beetle remediation.

- **University of Wyoming**
- Total \$441.6M.
 - \$11.5M GF for endowments/challenge matching funds (\$10.35M GF for entrepreneurship, water management for the future, and school of energy resources or college of engineering and applied science initiatives; \$1.15M GF for any university initiative with a total cost of less than \$200,000).
 - \$8.3M GF for tier-1 engineering college.

- **Department of Corrections**
 - Total \$291.6M (\$275.5M GF, \$300k FF and \$15.8M OF).

- **Game and Fish**
 - Total \$11.8M (\$10.7M GF and \$1.1M OF) for various programs.

- **K-12 Foundation Program**
 - \$1.79B in school foundation program funds for K-12 school districts and related education programs (school capital construction funds, except for major maintenance funding and operations, are contained in 2016 HB 52).
 - School District Employee External Cost Adjustment – Total \$70.5M less \$36.5M austerity budget reductions result in net \$34.01M (\$20.24M for FY 2017 and \$13.77M for FY 2018).

- **State Facilities, Including Schools - Major Maintenance**
 - \$65M GF; \$118.5M School Capital Construction funds.

- **Various Provisions**
 - \$17M from the municipal solid waste landfill remediation account
 - Redirects severance tax and FMR distributions from the PWMTF and highway fund to the general fund for the biennium.
 - Directs executive branch to submit plans for budget reductions in the next biennium.
 - Applied austerity budget reductions totaling \$37.4M (\$300k SFP and \$37.1M GF). The GF reductions were made in the following amounts: \$377k to the judicial branch; 1% reduction in FY17 and 2% reduction in FY18 - \$28.2M; 10% reduction to in-state and out-of-state travel - \$1.1M; 2.5% reduction on permanently assigned vehicles - \$200k; and 5% reduction to 901 series (contract professional services) - \$7.2M).
- **Provisions for appropriations/transfers from various accounts**
 - \$36M from LSRA to BRA.
 - *Suspends* \$10M GF to Water III account.
 - *Suspends* \$20M to state facilities construction account.
- **7,845 Total Authorized Positions** (7,524 full-time and 321 part-time).

HB0051 – Local Government Distributions:

- \$105M to cities, towns and counties
 - Cities and towns receive \$68 million and counties receive \$37 million.

HB0052 – School Facilities Appropriations 3

- Total \$103.7M for the biennium.
 - \$5.0M for design projects, \$4.9M of which is to address previously funded projects.
 - \$10.5M for construction projects, \$8.4M of which is to address previously funded projects.
 - \$6.7M for construction of an elementary school to address capacity needs in Sweetwater County School District No. 2 from funds appropriated in 2014 and re-appropriated by this bill.
 - \$655K for land acquisitions, including land leases.
 - \$459K for unanticipated costs over the biennium.
 - \$400K for payment of leases for charter schools operating lawfully as a part of a Wyoming school district.
 - \$80M (from the Legislative Stabilization Reserve Account) for the 2017-2018 fiscal years for school facilities.

SF0040 – Abandoned Mine Land Funds

- \$69.33M to DEQ for reclamation Projects.
- \$7.2M to DEQ for the Bitter Creek Restoration Project.
- \$162.3M to the Highway Fund (with priority given to projects addressing the impacts of mineral development).

- \$1.3M to DEQ Air Quality Division.
- \$1.8M to DEQ Solid Waste Division.
- Re-appropriation authorization of previously authorized funds of \$5.4M.
- Reverts \$10M unexpended/unobligated funds in the 2013 AML Bill.

SF0041 – State Funded Capital Construction

Total appropriations:

General Fund Appropriations: \$108.6 million

Federal Fund Appropriations: \$800 thousand

Other Fund Appropriations: \$70.5 million

- \$70M in General Funds for state construction projects under the direction of the University of Wyoming (UW).
- \$78.9M in FY2017 and \$76.4M in FY2018 in appropriations from the Strategic Investments and Projects Account (SIPA).
- \$150M interfund loan authorization for State Treasurer and State Auditor from LSRA.
- \$9.0M for Level III design study for Department of Health facilities.
- Re-authorization and re-appropriation of \$2.5M previously appropriated funds to Department of Corrections.
- Appropriates up to \$24.2M in funds from the SIPA to the Mineral Impacted Road Account (MIRA).

Governor's Line Item Vetoes

Governor Mead expressed his disappointment with the legislature for voting down the Medicaid expansion proposal again this session. Additionally, he expressed concern over provisions in the Legislature's budget proposal that violated the constitutional separation of powers between the legislature and the executive branch. He made the following line item vetoes that did not affect the balanced budget. In the end, many of them were overrode by the Legislature.

Legislative footnotes. The Governor disagrees with the Legislature's use of footnotes throughout the budget. The majority of them instruct agencies not to include one-time requests in standard budgets:

- Section 1 footnote 1
- Section 6 footnote 1, footnote 3
- Section 7 footnote 3
- Section 10 footnote 2
- Section 11 footnote 1
- Section 15 footnote 1
- Section 20 footnote 2
- Section 24 footnote 1, footnote 2, footnote 3, footnote 4
- Section 41 footnote 1
- Section 49 footnote 3

- Section 57 footnote 1
- Section 67 footnote 1, footnote 7, footnote 8
- Section 206 footnote 1

Line item vetoes reflecting specific concerns are detailed below:

- Section 45 footnote 4. This footnote increases the rate charged for travel by the Secretary of State, Auditor, Treasurer and Superintendent of Public Instruction. The Governor believes there should be a distinction between the public business conducted by these officials and other representatives of state government, such as the Board of Parole, the Department of Transportation or the University of Wyoming.
- Section 60 footnote 1. This footnote notes that \$350,000 general fund is appropriated for control and eradication of noxious weeds on state lands and substitutes dollars set aside for the Colorado River Compact litigation account. The Governor said this account in his view is crucial to the long term protection of Wyoming water. This veto continues weed control from general fund and leaves the Colorado River Compact litigation compact account available for its intended purpose.
- Section 72 footnote 1. This portion of the footnote is contrary to the separation of powers.
- Section 132 footnote 1. This provision is advisory in nature. The recommended action can be accomplished without the footnote.
- Section 167 footnote 3. This provision is unrelated to the ordinary expense of state government and could be interpreted to create substantive law. House Bill 0085 has passed making it redundant.
- Section 205 footnote 3. The provisions of this footnote are addressed in existing statute.
- Section 206 footnote 5. The Department of Education has the statutory obligation to address school climate and student wellbeing as part of its accreditation and school improvement function. This prohibition would negatively affect this obligation.
- Section 300 (b). At a time when there is concern about the state's revenue picture and funding for the ongoing operations of government, the Governor said it is ill-advised to transfer an unknown amount of funds in the Legislative Stabilization Reserve Account. Although similar language has been included in past budget bills, he said this biennium is different because the Legislative Stabilization Reserve Account now has a dedicated funding stream. He said that without a plan for how to use the funds in the Legislative Stabilization Reserve Account, these funds, if any, should remain in the Budget Reserve Account.

- Section 303 (c) (i) and (ii). The Governor said funds appropriated for Colorado River Compact litigation should not be used for the control and eradication of noxious weeds and designated pests on state trust lands.
- Section 309. The Governor said this is inappropriate limitation on the authority of the executive branch.
- Section 310. This provision is unrelated to the ordinary expense of state government and the ability to address this situation is separately addressed by existing statutes.
- Section 319. This provision is contrary to the separation of powers.
- Section 320. The Governor said this provision is unrelated to the ordinary expense of state government and has the effect of creating substantive law.
- Section 322. The Governor vetoed specific language in Section 322 to ensure that the Budget Reserve Account will have a balance of \$104,550,000 on June 30, 2018.
- Section 323. The Governor vetoed specific provisions in Section 323. Although this section provides flex authority not previously afforded the Governor, this language is still limiting. The across the board method by which reductions were made will result in some agencies feeling a disproportionate impact. Evaluating this impact will take time and a significant level of effort on the part of agencies. The Governor said use of this flex authority will not be taken lightly and will be used to position agencies to best accomplish their missions. He said with this in mind and in light of the current revenue environment a full evaluation of all agencies' budgets will be necessary, and in fact, further reductions may be needed.
- Section 329. This provision is an inappropriate limitation on the authority of the executive branch.