



## Final Budget Report

The 64th Legislature concluded the 2018 Legislative Budget Session on March 15. Starting the session with a slate of 330 House and Senate bills, by its conclusion, 150 had met their fate, and 136 have been signed into law by Governor Mead. The 2019 General Session will convene January 8.

- [WTA BUDGET TRACKING SHEET \(PDF\)](#)



Members of the Joint Appropriations Committee hear from LSO Budget & Fiscal Administrator, Don Richards, and Budget Analyst, Dawn Agar, on March 5, 2018.

## BUDGET UPDATE

While the final budget was very close to the respective versions submitted by the House and Senate in terms of spending levels, they differed substantially on funding methodologies. Remaining divided on their respective philosophies on funding methodologies, the two sides settled on a budget bill deal that would allow both approaches as a trial measure, each for one year during the two-year biennium. The Legislature will adopt the House's plan for FY 2019, and the following year it will then be the Senate's turn. The two sides passed the general government appropriations budget on Saturday morning, March 10, but went late into the evening debating K-12 spending reductions and state capital construction projects.

A source of major contention between the two sides throughout the session, these two issues were debated separately from the general appropriations bill. In the end, school districts will receive roughly \$27 million less in their budget for the next biennium. While this is more than the House had originally recommended, it is a far cry from the \$76 million reduction the Senate was seeking.

Legislators faced an uphill battle heading into session knowing fully the state's massive structural deficit estimated between \$900 million and \$1 billion. Attempts to raise additional revenue through tax hikes and re-directing existing funds from flowing into permanent savings to discretionary spending accounts (General Fund and school foundation program), failed. These efforts emerged from a frustrated Joint Revenue Committee, assigned the interim period task of trying to generate additional revenues through tax hikes or diversions of existing revenue streams in the amounts of \$100 million, \$200 million and \$300 million annually to offset the looming deficits in state government operations and K-12. To help them with this endeavor, the Management Council approved an additional \$39,000 for five additional meeting days. In summary, the seven-meeting interim proved to be highly unproductive, as all of the aforementioned efforts failed either during the interim period or early on during the session. Many of these efforts were criticized during both the interim and session as Band-Aid measures that reoccur year after year, yet always fail.

"Spending within our means" while a popular catchphrase, ain't a happenin'

here. But then, nor are tax hikes. Suffice it to say, as long as the state has savings, don't expect much to change.

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## WTA BILLS OF INTEREST THIS SESSION

The Legislative Policy Committee (PC) held its final meeting on Monday, February 26th, to review and discuss the 37 proposed bills on the WTA Budget Session Tracking Sheet accompanying this report. This document represents the discussion, bill status, and action from that meeting. Below is a quick review of the major bills that WTA was following. Please see [WTA's Bill Tracking Sheet](#) for a full review on all bills that were tracked.

### Passed & Signed

- [HB1/SF1 General government appropriations \(mirror bills\)](#). This bill makes appropriations for the fiscal biennium (2019-2020) commencing July 1, 2018 and ending June 30, 2020, and provides appropriations and transfers of funds for the period of the budget and for the remainder of the current biennium (2017-2018). The WTA monitored this bill.
- [HB72 Ad Valorem Tax Collections](#). This bill specifies that a county may deduct extraordinary costs to collect taxes prior to distribution of the tax and provides that a county shall not be liable to any other governmental entity for amounts not collected due to nonpayment by a taxpayer. The WTA monitored this bill.
- [HB140 School finance amendments-4](#). This bill modifies provisions of the state's school district funding system, requiring the average daily membership calculation within the school district funding model to be calculated at the school district level. This bill proposes to reduce spending from the School Foundation Program. The WTA monitored this bill. - Governor signed the bill on March 27.
- [SF27 Excise Tax Audits](#). This bill specifies audits shall commence when the taxpayer or vendor receives written notice of the engagement of the audit. It also specifies audits shall encompass a time period not to exceed 3 years immediately preceding the reporting period when the audit is engaged unless there is evidence of a violation or of gross negligence. The WTA supported this bill.

- **SF50 Collection of State Financial Obligations.** This bill specifies that a collection fee be added to sales and use tax debts collected by collection agencies for the DOR rather than deducted from the proceeds of the collection. This would result in increased sales and use tax distributions to the General Fund and local governments of \$131K and \$129K, respectively. The WTA supported this bill.
- **SF108 Economic diversification and development.** This bill provides authority of the ENDOW executive council to expand the agricultural marketing program; providing for international trade representatives. It authorizes the council to move from 15 voting members to 20. The WTA monitored this bill.
- **SF120 Government efficiency project.** This bill creates a program and state savings and efficiency initiatives account from which to pursue and fund government efficiency initiatives. The WTA supported this bill.

## Failed

- HJ4 State Lands Mineral Royalties-Constitutional Amendment (MONITOR)
- HJ7 Taxpayer's bill of rights (MONITOR)
- HB43 Tobacco Tax (**OPPOSE**)
- HB44 Alcoholic Liquors Markup Amount (**OPPOSE**)
- HB51 Reporting of Gross Receipts (**OPPOSE**)
- HB75 Pari-mutuel events-distribution of fees (**OPPOSE**)
- HB80 Coal Reclamation Fee (**OPPOSE**)
- HB98 Real Estate Transfer Tax (**OPPOSE**)
- HB104 Wind Energy Production Tax (**OPPOSE**)
- HB118 Wyoming renewable energy policies (**OPPOSE**)
- HB136 Optional municipal tax-2 (**OPPOSE**)
- HB138 Wyoming lottery-general fund deposit. (MONITOR)
- HB149 Lodging tax-repeal of transient requirement
- HB150 State sales tax enforcement
- HB152 Wind energy equipment storage (MONITOR)
- HB161 Public reports-state spending and revenues
- HB166 Distributions from LSRA and other state funds
- HB174 Statewide lodging tax
- HB176 Tax reform 2020 committee
- HB177 Comprehensive tax reform
- HB182 Property tax exemption-recreational facilities
- HB184 Sales and use tax rate
- SF48 Severance Tax Distribution Revision

- SF49 Disposition of State School Land Revenue (**SUPPORT** w/inclusion of a sunset clause)
  - SF98 Severance tax-exemption (MONITOR)
  - SF109 Tax reform 2020
  - SF117 School finance amendments-3 (MONITOR)
  - SF121 State funded capital construction-2 (MONITOR)
  - SJ3 School capital construction-constitutional amendment. (MONITOR)
  - SJ4 Public school financing (**SUPPORT**)
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## **BUDGET SUMMARY (Fiscal Profile as of March 16)**

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## BUDGET SUMMARY (Fiscal Profile as of March 16, 2018)

Traditional Funding Sources	2017-2018 Biennium JCC01 Jan. CREG Status	2019-2020 Biennium JCC01 with Gov's HB 1 Actions
<b><u>General Fund</u></b>		
General Fund Carryover	\$0	\$0
Budget Reserve Account Carryover	(\$2,410,231)	\$104,550,000
FY17 capital losses to GF share of State Agency Pool	(\$10,747,723)	
Increase in GF Reversions transferred to BRA	\$46,537,244	
2016 Budget (HB 1) Interfund loan/transfer - 1% Sev. Tax Acct.	\$113,696,290	\$67,202,858
2016 Budget Bill - BRA Transfers from LSRA	\$36,000,000	(\$65,433,822)
2017 Budget Bill - Net Statutory Reserve Transfer from LSRA	\$0	
HB1 - 1% severance tax diversion		\$185,200,000
HB1 - Remote sales taxes to SFP Rsrv Acct ( <b>Gov's Veto</b> )		
General Fund Revenue	\$2,253,575,523	\$2,028,966,450
Budget Reserve Account Revenue	\$741,660,768	\$696,900,000
HB 1 - Additional \$500 million FMR cap ( <b>Gov's Veto</b> )	(\$13,500,000)	(\$12,700,000)
Total Traditional Funds Available.	\$3,164,811,871	\$3,004,685,486
<b><u>Appropriations</u></b>		
2016 Budget Bill	(\$2,981,180,894)	
2017 Budget Bill	\$276,211,256	
HB 1 General government appropriations	(\$35,168,353)	(\$2,851,581,388)
HB 1 - Sec. 312 Budget reduction ( <b>Gov's Veto</b> )		
Other Bills:		
2016 Budget Session	(\$187,071,613)	
2017 General Session	\$1,904,609	
2018 Budget Session		
HB 42 Justice reform-graduated sanctions	(\$591,498)	
HB 109 Public employee retirement plan-contributions		(\$2,455,000)
HB 130 State fair endowment	(\$200,000)	
HB 194 State funded capital construction	(\$46,000)	(\$33,521,200)
SF 2 Legislative budget	(\$405,000)	(\$16,225,796)
SF 31 Veterans' skilled nursing center	(\$300,000)	
SF 45 State fair board-2		(\$55,000)
SF 78 Opioid addiction task force	(\$65,000)	
SF 90 First judicial district-number of district judges		(\$1,090,059)
SF 105 Drug Donation Program Act-expansion		(\$192,043)
SF 108 Economic diversification and development	(\$400,000)	
SF 116 Retirement income security task force-2	(\$20,000)	
SF 120 Government efficiency project	(\$34,000)	
Total other bills 2018 Budget Session	(\$2,061,498)	(\$53,539,098)
Auto. Appropriations - PWMTF Spending Policy	(\$132,895,378)	
Total Funds Appropriated/Transferred	(\$3,060,261,871)	(\$2,905,120,486)
General Fund/BRA Balance	\$104,550,000	\$99,565,000
Statutory Reserve (5% of GF revenues)	(\$104,550,000)	(\$99,565,000)
Total Traditional Funds Available for Appropriation	\$0	\$0

Source: Legislative Service Office, Fiscal Profile, 3/16/2018



## BUDGET SUMMARY (Fiscal Profile as of March 16, 2018) - Continued

"Rainy Day Savings" Legislative Stabilization Reserve Acct (LSRA)	2017-2018 Biennium JCC01 Jan. CREG Status	2019-2020 Biennium JCC01 Jan. CREG Status
2016 Budget Bill LSRA transfer to BRA	(\$36,000,000)	
2017 Budget - Net Statutory Reserve Transfer to BRA (est.)	\$0	
2016 Budget Session	(\$185,000,000)	
2017 General Session	(\$52,385,078)	
2017 Laws, Ch. 204, - transfer from LSRA to SFP		(\$112,382,409)
HB 1 - Operation of auto. tech. trade school	(\$5,000,000)	
HB 1 - Transfer to School CapCon Account		(\$40,833,074)
HB 1 - State Penitentiary Capital Construction Account		(\$10,000,000)
HB 194 State funded capital construction	(\$8,400,000)	(\$7,500,000)
SF 40 Commercial air service improvement	(\$15,000,000)	(\$1,000,000)
SF 89 Local governments distributions		(\$105,000,000)
SF 100 Economic diversification-broadband services	(\$10,350,000)	
SF 108 Economic diversification and development	(\$2,000,000)	
SF 118 Kickstart Wyoming-economic diversification	(\$11,000,000)	
SF 119 Workforce development-priority econ. sector prog.		(\$3,500,000)
SF 120 Government efficiency project	(\$10,000,000)	
Total LSRA Expenditures	<u>(\$335,135,078)</u>	<u>(\$280,215,483)</u>
One Percent Severance Tax Account Bal. Available	\$67,202,858	\$0

Source: Legislative Service Office, Fiscal Profile, 3/16/2018



Members of the Revenue Committee discuss interim topics on March 7.

## **KEY POINTS OF HB0001 – General Government Appropriations**

### **Total Appropriations:**

- General Fund (GF) Appropriations: \$2,899,037,800
- Federal Fund (FF) Appropriations: \$1,590,769,363
- School Foundation Program (SFP) Appropriations: \$1,792,110,902
- Other Fund (OF) Appropriations: \$2,361,335,058
- Total Appropriations in Budget Bill: \$8,633,253,123

7,685 Total Authorized Positions (7,381 full-time and 304 part-time)

**Department of Health** – Appropriations of \$1,858,764,059 (\$908.8 million GF; \$806.0 million FF; and \$143.9 million OF). In addition to these amounts, the bill includes appropriations of \$21.37 million GF effective immediately (Section 326) to address immediate needs in FY 2018 and \$23,437,456 GF to an account within the State Auditor's office for potential supplemental requests of the Department of Health and the Department of Family Services.

**Department of Family Services** – Appropriations of \$294,145,580 (\$147.2 million GF; \$137.5 million FF; and \$9.4 million OF). In addition to these amounts, the bill includes appropriations of \$23,437,456 GF to an account within the State Auditor's Office for potential supplemental requests of the Department of Health and the Department of Family Services.

**Community Colleges** – Appropriations of \$246,065,222 (\$240.6 million GF; \$1.9 million FF; and \$3.6 million OF).

**State Lands and Investments** – Appropriations of \$103,199,926 (\$23.1 million GF; \$33.6 million FF; and \$46.4 million OF).

**University of Wyoming** – Appropriations of \$379,959,114 GF.

**Department of Corrections** – Appropriations of \$276,434,039 (\$260.0 million GF; \$0.4 million FF, \$16.0 million OF).

**K-12 Foundation Program** – Appropriations of \$1,757,607,097 from the School Foundation Program account.

**Major Maintenance for State Facilities and Schools** – Appropriations of \$110.5 million GF for state, community college, and University of Wyoming properties; \$144.5 million from the School Capital Construction Account for K-12 school



district major maintenance.

**Various provisions –**

- Carryover of prior appropriations.
- Provision of employer-paid benefits, including appropriation of prior funding for retiree health care from employer paid health insurance contributions for retiree health insurance rather than new appropriations.
- Programmatic and departmental transfer authority for the Governor and the Judiciary (flex).
- Limitation on use of personal services (100 series).
- Borrowing authority for specified funds and purposes.
- Limitation on salary increases.
- Directives for statewide employee or program reductions.
- School capital construction appropriations of \$83,549,132 for K-12 facilities, leases, and related projects.
- Redirection of severance taxes, federal mineral royalties, coal lease bonus funds, state royalties on school lands and transfers of sales and use taxes collected from remote sellers.
- Conditional appropriation for district court workload;
- Appropriation of \$11 million from the Municipal Solid Waste Landfill Remediation Account.
- Directives on strategic purchasing of computers.
- Appropriation of \$400,000 for court security improvements.
- Creation of the Select Committee on Family Medicine Residency Programs, the Blockchain Task Force and the Wyoming Museum of Military Vehicles Task Force; Development of a grant or loan program for the continued operation of an automotive technology trade school.
- Reductions of prior appropriations.
- Provision to distribute investment income from the Permanent Wyoming Mineral Trust Fund.

**Provisions for appropriations/transfers from various accounts –**

- Authorization to transfer funds from the Budget Reserve Account to the General Fund as Necessary.
- Transfer of funds within the Budget Reserve Account to the Legislative Stabilization Reserve Account on June 30, 2020.
- Suspension on the transfer of monies to specified inviolate funds.
- Transfer of \$81,562,630 from the General Fund to the Capitol Building Rehabilitation and Restoration Account.
- Transfer of \$150,524,585 from the School Foundation Program Reserve Account to the Common School Permanent Fund Reserve Account.
- Transfer of \$6,651,070 from the School Foundation Program Reserve Account to the Excellence in Higher Education Endowment Reserve Account.
- Appropriation of \$40,833,074 from the Legislative Stabilization Reserve Account and a like amount from the Permanent Wyoming Mineral Trust Fund Reserve Account to the School Capital Construction Account.

- Conditional appropriation of \$41.5 million from the Legislative Stabilization Reserve Account to the Economic Diversification Account.
  - Appropriation of \$10 million from the Permanent Wyoming Mineral Trust Fund Reserve Account and a like amount from the Legislative Stabilization Reserve Account to the Wyoming State Penitentiary Capital Construction Account Conditional.
  - Redirection of funds from corporate fees for purposes of election equipment grants contingent upon future legislative authorization.
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## **KEY POINTS OF HB0194 – State Funded Capital Construction**

- Creates two loan programs from the Permanent Wyoming Mineral Trust Fund: up to \$400,000,000 may be loaned to local political subdivisions under separate program allotments for general infrastructure projects (up to \$200,000,000) or for roads and street projects (up to \$200,000,000); up to \$60,000,000 may be loaned to community college districts to help fund construction and renovation of student dormitories.
- Statutorily dedicates a portion of the revenue directed to the Strategic Investment and Projects Account (SIPA) to school major maintenance and provides for a revenue guarantee from the Permanent Wyoming Mineral Trust Fund Reserve Account to SIPA for school major maintenance.
- Provides funding for state construction projects, including community college projects and other state agency projects, in the following amounts: GF \$33,421,200; FF \$68,200,000; and OF \$54,059,125.
- Provides \$875,000 in OF for the University of Wyoming (UW) Family Practice Center in Cheyenne.
- Appropriates \$85,000,000 for the UW Science Initiative facility, to be matched by UW with OF in the amount of \$15,000,000.
- Creates the Casper Office Building Advisory Task Force to serve in an advisory role and provide recommendations for Level II and Level III planning, design, and construction of the Casper State Office Building and it appropriates \$45,485,195 to complete the project.
- De-appropriates \$13,500,000 to the Penitentiary Permanent Land Fund from funds appropriated for the Wyoming Medium Correctional Institution; and re-appropriates monies from this fund for projects at the Wyoming State Penitentiary and for a contingency for operations, major maintenance, and other costs related to building failure at any state correctional facility.
- Amends conditional appropriations from SIPA earnings for fiscal year 2018 for specified projects in the following amounts: \$37,000,000 for Department

- of Health Facilities funded by the State Facilities Construction Account; \$9,400,000 for the UW Science Initiative; \$15,000,000 for the Casper State Office Building; and \$4,200,000 for the School Capital Construction Account.
- Appropriates up to \$400,000 in OF for distributions to the City of Casper for community impact assistance related to a state occupied facility in Casper and the Casper State Office Building project.
  - Appropriates state and OF for use in constructing a mineral impacted road project, in the following amounts: \$7,500,000 from the Legislative Stabilization Reserve Account (LSRA); \$15,000,000 from private and county funding sources; and \$7,500,000 from the Wyoming Department of Transportation.
  - Creates the UW Housing Task Force.
  - Appropriates \$500,000 from the LSRA to the Community College Endowment Challenge Account for use as matching funds for a Central Wyoming Community College outreach facility in Teton County.
  - Appropriates \$400,000 to the State Building Commission to review security requirements of the Governor's Residence and to evaluate potential locations to construct a new Governor's Residence.
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### **Governor's Line Item Vetoes submitted March 14, 2018**

Governor Mead signed HB0001, HEA0065, into law, after exercising his line item veto privilege. The Governor submitted the following [eight vetoes](#):

1. **Agency 001, Office of the Governor footnote 6.** The footnote reduced authorized positions in the Governor's Office by one, effective December 31, 2018. The Governor's Office has reduced its budget by 24% since July 1, 2010. This provision raises a separation of powers issue by time limiting one full-time position for the office, effectively denying a newly elected governor necessary staff resources and yet, does not reduce the appropriation. This issue can be raised in 2019 in cooperation with the next governor.
2. **Agency 037, State Engineer footnote 1.** The footnote addresses vacation leave in the State Engineer's Office. This provision is unrelated to an appropriation for the "ordinary expenses of the state government" because it is not tied to the budget or a specific appropriation. The directives create a separation of powers issue – directing the agency on day-to-day affairs. Legislative intervention is unnecessary. The State Engineer has a policy that is similar in the intent.
3. **Agency 077, Enterprise Technology Services (ETS) footnote 5.** The footnote directs ETS to maintain, support, replace or upgrade all security and surveillance systems at the Wyoming Boys School and the Wyoming Girl

School. This activity falls outside the scope of ETS, requiring subject matter expertise that is not part of the ETS mission, nor our funds provided to help this effort. In addition, a separate footnote in the DFS budget requires a report on the steps necessary to accomplish the same objectives. DFS will work with ETS to complete the required report, including a recommendation on funds necessary to meet the requirements.

4. **Section 312 Statewide employee reduction and budget reduction.** This section raises a separation of power issue as the legislature is making staffing and resource allocations for the executive branch beyond the specifics of agency budgets. This encroaches upon the inherent prerogatives of the Executive branch and intrudes on a core zone of executive authority. The provision is contrary to the Governor's recommendation authority by removing discretionary power and recommendation of authority relating to the next biennial budget. The Legislature has ample opportunity to fund or defund specific programs and the positions in agency budgets. It is important for our system of government that the Executive branch make independent recommendations based upon needs and revenue. The Legislature can then make its independence and final decisions on what to fund or not to fund.
5. **Section 313 School Capital Construction (n).** Footnote requires the Board of Land Commissioners to evaluate potential land sales or exchanges and "find that the lands are not suitable as a location for the construction of an elementary, middle or high school." The footnote further directs that the funds will be based on an evaluation conducted by the state construction department. This is unrelated to appropriations for the ordinary expenses of state government. This provision represents substantive lawmaking. There is no guidance on what "suitable for the site of a school" means. It is possible all parcels may, at some time in the future, be suitable for a school. The Board of Land Commissioners has the constitutional and fiduciary duties related to school trust lands. The inclusion of the State Construction Department into the business of this board is not appropriate.
6. **Section 316 Federal Mineral Royalty Diversion.** The Governor struck the language limiting the change and distribution of Federal Mineral Royalties to fiscal year 2018 and fiscal year 2019. The need to divert additional revenue to the school foundation program is a reasonable way to accomplish this goal. The Governor took this action in part because he had vetoed Section 330 and it's entirety as not being germane to any appropriation in the budget bill. The net effect of this action under the current revenue projections will deposit and estimated \$5.1 million to the School Foundation Program Account while decreasing the estimated deposit into the budget reserve account but the same \$5.1 million.
7. **Section 330 transfer of sales and use taxes collected from remote vendors.** The Governor vetoed Section 330 of the budget bill, as he did not believe a transfer of an amount equal to the sales and use tax collected from remote vendors from the general fund to the school foundation program reserve account is germane to the appropriation in the bill. While understanding the need to support school funding he did not see a nexus

between the value of sales and use tax remitted by remote vendors and school funding needs. The language in Section 330 requires the Department of Revenue to do considerable work tracking and certifying the amount to be transferred from the General Fund to the School Foundation Program Reserve Account where will remain pending further legislative action.

8. **Section 331 Operation of automotive technology trade school grant or loan (c).** The Governor struck the sentence: “the recommendation of the council shall be submitted on or before April 1, 2018.” The Wyoming Business Council initiated preliminary work to establish an application and application deadline prior to final passage of this footnote. Applications have been received from one private and one public entity. Additional work is required of each applicant before their applications can be appropriately reviewed. All parties are moving as quickly as possible, but the April 1 deadline did not seem like a realistic timeframe considering the budget bill was not final and the legislature remained in session.

**House Veto Overrides of Governor Mead’s line item vetoes submitted March 14, 2018:**

- Page 4-section 001 Override all vetoed language.
- Pages 27 and 28-section 077 Override all vetoed language.
- Pages 61 and 62-section 312 Override all vetoed language.
- Page 68-section 313 Override all vetoed language.

**HB0001 was assigned Chapter Number 134 in Session Laws of Wyoming 2018 on March 16, 2018.**

