



January 17, 2015

Week One of the 63rd Wyoming Legislature came to a close with nearly 230 bills assigned and only 14 that hadn't been introduced. This weekly report will keep you current on legislative action for the week relevant to the bills we are watching. You will find details of committee hearings and amendments in the summary below.

Governor's State of the State Address

Governor Matt Mead opened the General Session with his fifth State of the State address on January 14, 2015. The Governor reflected on his first term, stating that he completed what he said he would complete. He built on the success of prior governors and prior legislatures, and together they have made great strides for Wyoming. He noted economic conditions when he took office in 2011. Unemployment stood at 6.5%, the state budget had doubled during the previous decade, and the state was coming off of a period of government expansion. High-speed broadband was limited, only two cities had Ethernet in their schools. There was no energy or water strategy, and there was a growing need to push back against Federal overreach. There was no time to waste! We had to focus on the economy – energy, tourism, and agriculture. We needed to diversify.

Going into his second term of office, he announced that the State of Wyoming is strong and getting stronger. While noting that we are well-positioned for this legislative session, he spoke of the many new industries Wyoming welcomed to the state and of the many accolades Wyoming has recently received including: recognition as a leader in the nation in data center recruiting and earning first place in the nation for business tax climate. He added that all 48 school districts now have Ethernet. Governor Mead spoke of Wyoming's abundant mineral and energy resources, and of the people of Wyoming. "We shouldn't take our eye off the ball or foot off the gas now. We have built a solid foundation for our future. We will move forward with the foundation laid, not by standing still." He noted we are in an enviable position and "we have the fiscal resources" along with the civic leadership to keep the state healthy and viable for generations to come. Governor Mead's State of the State address is available [here](#) in print and video [here](#).

Governor Mead's \$156M Supplemental Budget includes these major items:

- Medicaid expansion (ACA) – "We are out of timeouts..."
- More than \$56M for the University of Wyoming.
- Extra support to local governments (\$25M).
- Passing lanes on state highways (\$21M).
- Coal initiatives, port expansions, new technologies – "Coal is critical to Wyoming and the country's future. We must assure its continuity. We will fight for coal, oil gas, and other resources if targeted by oppressive federal regulations."
- Water strategy – "Wyoming water is key to our future."

The Wyoming Revenue Forecast

On Friday, the Consensus Revenue Estimating Group (CREG) released its official revenue report, which unsurprisingly, was chock full of adjustments to the October 2014 forecast.

The conditions of the energy market are changing constantly and have changed dramatically over the past three months necessitating the CREG to reduce its forecast from October levels, which had been deemed overly optimistic. The price for Wyoming oil on Friday morning had sunk to a low of \$39 per barrel, and the CREG forecast for the CY 2015 is \$50 per barrel. Wyoming natural gas price stood at \$3.07 per mcf, and when including liquids, it was selling at \$3.27 per mcf. The CREG forecast for natural gas for CY 2015 is \$3.80 per mcf.

The January 2015 report includes the following revisions of the October 23, 2014, revenue forecast related to traditional funds:

- Sales and Use Taxes (FY 2015 - FY 2020). ↑↓
- Oil prices and production (CY 2014 – CY 2020). ↓↑
- Natural gas prices (CY 2014 – CY 2020) and production (CY 2018 – CY 2020). ↓↓
- Surface coal production (CY 2014 – CY 2020). ↑
- Permanent Wyoming Mineral Trust Fund (PWMFT) investment income for FY 2015. ↑
- Pooled investment income for FY 2015. ↑
- Common School Land Income Account (CSLIA) for FY 2015. ↑

2015-16 Biennial General Fund/BRA Revenue Comparison

Revenue Source	October 2014 Forecast FY 2015-16 Biennium	January 2015 Forecast FY 2015-16 Biennium	Difference
Sales & Use Tax	\$1,098.1M	\$1,106.7M	+ \$ 8.6M
Severance Tax	\$ 983.7M	\$ 831.9M	- \$151.8M
Federal Mineral Royalties	\$ 737.7M	\$ 639.3M	- \$ 98.4M
Investment Income	\$ 437.0M	\$ 461.0M	+ \$ 24.0M
All Other	\$ 274.8M	\$ 274.8M	+ \$ 0.0M
Total General Fund/BRA	\$3,531.3M	\$3,313.7M	- \$217.6M

Mineral Price and Production Assumptions

Comparison of Oil Production and Price Forecasts (\$/bbl.)

Calendar Year	October 2014 Forecast	January 2015 Forecast
2014	72.4M bbls. @ \$87.00	74.9M bbls. @ \$80.00
2015	76.7M bbls. @ \$85.00	78.6M bbls. @ \$50.00
2016	79.8M bbls. @ \$87.00	80.2M bbls. @ \$55.00
2017	82.2M bbls. @ \$87.00	81.0M bbls. @ \$55.00
2018	83.8M bbls. @ \$87.00	81.0M bbls. @ \$60.00
2019	85.5M bbls. @ \$90.00	81.8M bbls. @ \$60.00
2020	87.2M bbls. @ \$90.00	83.5M bbls. @ \$65.00

Comparison of Natural Gas Production and Price Forecasts (\$/Mcf)

Calendar Year	October 2014 Forecast	January 2015 Forecast
2014	1.925 Tcf @ \$4.70	1.925 Tcf @ \$4.70
2015	1.848 Tcf @ \$4.30	1.848 Tcf @ \$3.80
2016	1.793 Tcf @ \$4.50	1.793 Tcf @ \$4.00
2017	1.757 Tcf @ \$4.60	1.757 Tcf @ \$4.00
2018	1.739 Tcf @ \$4.70	1.722 Tcf @ \$4.00
2019	1.730 Tcf @ \$4.80	1.687 Tcf @ \$4.00
2020	1.730 Tcf @ \$4.90	1.653 Tcf @ \$4.00

Comparison of Coal Production and Price Forecasts (\$/ton)

Calendar Year	October 2014 Forecast	January 2015 Forecast
2014	380M tons @ \$13.50	385M tons @ \$13.50
2015	380M tons @ \$13.50	385M tons @ \$13.50
2016	375M tons @ \$13.75	385M tons @ \$13.75
2017	375M tons @ \$13.80	385M tons @ \$13.80
2018	375M tons @ \$13.85	390M tons @ \$13.85
2019	375M tons @ \$13.90	390M tons @ \$13.90
2020	375M tons @ \$13.95	390M tons @ \$13.95

Federal Mineral Royalties

Federal Mineral Royalties (FMRs) are estimated using the same price and production assumptions used for severance tax forecasting. Reductions in oil and natural gas pricing result in a \$147.6M decline in FMR revenue for FY 2015-16 shared between the BRA and the School Foundation Program (SFP). Individually, the BRA is projected to receive \$98.4M less and the SFP \$49.2M less in FY 2015-16.

State Total Assessed Valuation and K-12 Funding

The primary funding for K-12 is through property taxes. Reduction in prices have a lagged effect of approximately 18 months. Regarding forecasted state total assessed valuation, which is based on mineral prices and production assumptions, the reductions in commodity prices during CY 2014 will exert downward pressure on assessed values. This amounts to approximately \$13.2M less in estimated revenue for K-12 education (both state and local) for FY 2016, in addition to the \$49.2M reduction in Federal Mineral Royalties (FMRs) directed to the School Foundation Program (SFP) for FY 2015-16. For the FY2017-18 biennium, the revisions will reduce FMRs flowing to the SFP by nearly \$65M and the reduction in assessed valuation (both state and local) will result in an estimated \$246.8M decrease in SFP revenue for the biennium.

So, what does this all mean?

The adjustments made by the CREG had a dramatic effect on funding available for appropriation. Funding for the current biennium, FY 2015-16, suffered a further blow from the dismal negative \$4.4M profiled in October. The result of these revisions translates into a reduction of \$217.6M in traditional funds available for appropriation (General Fund and Budget Reserve Account). The General Fund realizes an \$18M reduction, and the BRA will receive \$199.6M less in revenue. Combined with the -\$4.4M in traditional funds profiled in October, the overall shortfall, or starting point before any supplemental budget, is **-\$222M**. Additionally, for the FY 2017-18 biennium, the reduction in General Fund/BRA revenues is estimated at -\$132M.

As was reported in the October 2014 forecast report, a substantial amount of income was received in FY 2014 from realized capital gains on state investment accounts. Although the CREG does not include capital gains in its projections, nor is it profiled, the CREG anticipates realized capital gains will likely be distributed at the end of FY 2015. Through November 2014, the PWMTF deferred (realized but undistributed) income was in excess of \$145M. If no losses or additional gains are realized before the close of the fiscal year (June 30, 2015), that amount will be deposited into the General Fund on July 1, 2015.

WTA Bills of Interest This Session

Please see WTA's Bill Tracking Sheet for general information on all of the bills we are tracking.