

WYOMING TAXPAYERS ASSOCIATION



March 10, 2014

The 62nd Legislature concluded its work on Thursday afternoon, one day ahead of the scheduled 20-day session. Marked by a substantial bill tally that exceeded the 300 mark, this session was relatively light in tax bills, but certainly not light on spending bills. With major issues ranging from Medicaid expansion, a special session to address the Superintendent of Public Instruction supreme court decision, local government funding, state employee compensation and benefits, to a bill that would have provided compensation for persons exonerated based on DNA, the levels of contention between the House and Senate, and party lines, soared. Only 128 bills survived the session.

Governor Matt Mead signed the 2014 Budget Bill on Wednesday. This budget appropriates \$3.53 billion from the state’s General Fund (GF) and Budget Reserve Account, and authorizes appropriations totaling \$8.66 billion for the 2015-2016 Biennium. This is roughly \$27 million higher than the version the Governor submitted in December.

Funds Available (Cash, Revenue, Net Transfers)	13-14 Biennium JCC01 Status	15-16 Biennium JCC01 Status
Total Traditional Funds	3,726,744,908	3,653,220,296
Total Appropriations/Transfers	<u>-3,622,424,908</u>	<u>-3,543,360,296</u>
General Fund/Budget Reserve Bal.	104,350,000	109,860,000
Statutory Reserve (5% of GF rev.)	<u>-104,350,000</u>	<u>-109,860,000</u>
Total Funds Available for Approp.	0	0

Source: Legislative Service Office, Fiscal Profile 3/5/2014

The Governor commended the 62nd Legislature for its hard work and long hours in preparing what he called a “fiscally conservative” budget. The work of many long hours of debate in committee and on the floor, the end product produced mixed feelings, and left some legislators frustrated and disappointed.

Capitol Building R & R Ready To Roll

Capitol building renovation has been in many of the past legislative sessions, and this one was no exception this year. SF 103 provides process and appropriation of \$259M for the rehabilitation and restoration of the Capitol Building and Herschler Building. It has been assigned SEA 43.

Local Funding Approved

Cities, towns, & counties get \$175M plus \$30.4M in mineral royalty grant funding.

HB 51 Firemen's Pension Plan Benefits Go Up In Smoke...

The bill modified provisions for increases in benefits after retirement, specifying application, and requiring payment from employers with employees or retirees in the plan. It provided for withholding of severance tax distributions to employers failing to make required payments. This bill died in Senate Appropriations Committee 5-4.

Medicaid Expansion Efforts Fail

SF 88 Medicaid expansion-insurance pool

This bill would have created the Healthcare Independence Act of 2014. This would have authorized a private insurance option within the Medicaid program, authorizing payment or subsidy of health insurance premiums for Medicaid clients. It failed on Introduction 16-14.

SF 108 Obamacare relief

This bill would have established the Obamacare temporary relief program, expanding coverage options under the Wyoming Health Insurance Pool Act, and creating a Wyoming temporary medical welfare program. It failed on Introduction 19-11.

SF 118 Medicaid-staged expansion

This bill proposed an expansion of coverage to low income persons via a Medicaid demonstration waiver. It would have created the healthcare reserve account. This bill died In Committee 5-4.

HB 84 Medicaid expansion-limited benefits

This bill would have created the Medicaid Fit Program, thus authorizing expansion of the Medicaid program with limited benefits. It failed on Introduction 33-27.

Public Employees Get Pay Bump

First raise since 2009

State employee compensation (executive & judicial branches): \$23.7M GF (\$21.7M salary increase and \$2M for merit pay). This equates to salary adjustments of 2.35% in 2015 compounding to 2.5% in 2016. Employees will be responsible for covering increase in retirement contribution.

University of Wyoming employees: \$12.5M GF (same percentage as state employees and same retirement contribution provision.)

Community college employee compensation: \$3.3 million additional, salary adjustment of 2% in 2015 and holds at that level.

K-12 employee compensation: \$38.15 million (external cost adjustment (ECA) plus \$6 million in salary increases for 2015. The same provision for 2016 plus \$7 million added to ECA.

“The budget provides for savings...” – Gov. Mead

Legislative Stabilization Reserve Account (LSRA):	\$109.9M
Wildlife/Natural Resource Trust:	\$10.6M
School Foundation Program Reserve Account (SFPR):	\$100M
State Facilities Construction Account (SFCA):	\$35.7M

MAJOR APPROPRIATIONS IN THE BUDGET BILL

General Fund (GF) Appropriations:	\$3.53B
Federal Fund (FF) Appropriations:	\$1.55B
School Fund Program (SFP) Appropriations:	\$1.65B
Other Fund (OF) Appropriations:	<u>\$1.93B</u>
Total Appropriations:	\$8.66B

MAJOR PROGRAM APPROPRIATIONS

Education – School Finance

- School Foundation Program \$1.6M
- External Cost Adj. & Compensation \$38.15M
(K-12 employees)
- Retirement contribution -

Local Governments

(Cities, towns, & counties)

- Total appropriation (GF) \$175M
- Mineral royalty grants (SLIB) \$30.4M

Business Ready Community Program

- Total appropriation (GF) \$60M
- Additional large projects/community facilities \$14.13M

Department of Health

- Total appropriation \$1.89M
((\$957.5M GF, \$794.8M FF, \$141.3M OF)
- Medicaid expansion (mandatory) \$64.5M
((\$28.5M GF, \$36M FF)
- Developmental Disability waiver (GF) \$500K

Department of Transportation

- Road construction (GF) \$46M
- WyoLink \$5.25M
((\$2M GF, \$3.25M SIPA)
- Aeronautics \$16.8M

MAJOR PROGRAM APPROPRIATIONS

University of Wyoming

- Total appropriation \$463M
(\$461M GF, \$1.5M SIPA)
- Capital construction & major maintenance (GF) \$42.7M
- Endowment/challenge matching funds (GF) \$22M
- Tier-1 Engineering College \$8M
- Enrollment growth incentive \$1M
- Technology expansion project (SIPA) \$1.5M
- Employee compensation (GF) \$12.5M
- Retirement contribution -

Community Colleges

- Total appropriation \$420M
(\$327.5M GF, \$1.8M FF, \$91M OF)
- Capital construction & major maintenance \$146.9M
(\$59.6M GF, \$87.3M Private)
- Enrollment growth incentive \$14.4M
- Endowment/challenge matching funds (GF) \$7.5M
- Employee compensation (GF) \$3.3M
- Retirement contribution -

State Land & Investments

- Total appropriation \$115.9M
(\$27.3M GF, \$43.7M FF, \$45M OF)
- Bark beetle remediation \$4M
(emergency fire suppression account funds)

Wyoming Tourism Board

- Total appropriation (GF) \$28.6M
- (includes \$620K appropriation for rodeo prom.)

Department of Corrections

- Total appropriation \$299M
(\$279M GF, \$300K FF, \$19.2M OF)

Game and Fish Commission

- Total appropriation (GF) \$11.4M
(aquatic invasive species, veterinary svcs., sage grouse, wolf mgt.)

Wildlife/Natural Resource Trust

- Total appropriation (GF) \$10M

MAJOR PROGRAM APPROPRIATIONS

State Facilities Capital Construction

- | | | |
|---|--|----------|
| • | Total appropriation
((\$23M GF, \$45M FF, \$8.7M OF)) | \$105.6M |
| • | Major maintenance (GF) | \$28.9M |

State Employee Compensation (executive & judicial)

- | | | |
|---|---|---------|
| • | Total appropriation (GF)
((\$21.7M salary adj., \$2M merit pay)) | \$23.7M |
| • | Retirement contribution | - |

BUDGET BALANCERS - TRANSFERS

Total appropriations/transfers (GF & SIPA) (\$159.87M GF, \$61.37M SIPA)		\$221.24M
•	Water Development I (GF)	\$3M
•	Water Development III (GF)	\$38.67M
•	Capitol Building Rehab. & Restoration Acct. (GF)	\$37.5M
•	Fish Hatchery Trust Account (GF)	\$5M
•	School Foundation Reserve Account (SFRA) (\$60M GF, \$40M SIPA)	\$100M

The following is a list of the bills the WTA was watching closely this session:

HB 22 – Mineral tax – audit interest rate. **The WTA supported this bill.**

This bill allows for a reduction in the interest rate assessed on underpaid severance and ad valorem tax as determined by audit. The bill will tie the interest rate that the counties can assess on underpaid mineral taxes to the rate that the state charges, which currently is 12%. This bill has passed 2nd Reading in the Senate and was pulled off the consent list for 3rd Reading on Friday. This bill has been enrolled and assigned number HEA 39.

HB 63 – Railroad rolling stock tax exemption. **The WTA supported this bill.**

This bill repeals the sunset of the exemption (7/01/15) on the imposition of state sales and use tax on the repair, assembly, alteration or improvement of railroad rolling stock. Railcar repair businesses have been operating under this exempt status since it was passed in 2005. The 2015 sunset provision creates an enormous level of uncertainty for these businesses. Evaluating this exemption using the WTA exemption criteria determined our position to support. This bill died in the Senate Revenue Comm. 3-2.

HB 69 – Fuel tax natural gas. **The WTA supported this bill.**

This bill specifies a gasoline gallon equivalency measure for compressed natural gas (CNG) and a diesel gallon equivalent for liquefied natural gas (LNG). The tax equivalency measure simply equalizes the tax for increased

amount of alternative fuels necessary to power alternative use vehicles. This bill has been enrolled and assigned number HEA 29.

HB 145 – Streamlined sales tax amendments. This is a bill that specifies when a taxable event occurs for the person making first use of taxable services in this state on services to repair, alter or improve tangible personal property sold and tangible personal property sold by any person for delivery in this state or where first use of the service occurs in this state. This bill has been enrolled and assigned number HEA 32.

HB 154 – Exemption for gratuities. This bill provides a sales tax exemption for gratuities. The issue arose last year out of concern that food businesses were adding the gratuity onto the food bill total, and applying sales tax on that amount. Also, the gratuity was not given to the employee(s). The discussion on HB 154 specifically identified dude ranch operations doing similar practice. Dan Noble, Director of Department of Revenue, testified that this arose as an ancillary issue and the department was unaware of this practice occurring. As gratuity employees often make less than minimum wage, the gratuity is intended to supplement the lower wage. As such, the gratuity must be separate and distinct, and given to the employee that is due it. This bill has been enrolled and assigned number HEA 52.

SF 33 – County board of equalization. This bill revises the appeal process for property assessments for ad valorem taxation and revises the hearing process at the county board of equalization. This bill has been enrolled and assigned number SEA 44.

SF 93 – Agricultural gas tax refund. This bill amends the time for application for an agricultural gas tax refund from 1 year to 18 months. This bill has been enrolled and assigned number SEA 39.

Governor's Line Item Veto

Governor Mead indicated the "budget is sound", and was pleased with the budget submitted by the legislature last week. He made the following line item vetoes that did not affect the balanced budget.

Page 30 - Section 060. State Lands and Investments (Footnote 1. & 2.) – No budgetary effect.

- Struck language requiring SLIB to get legislative approval for land purchases of \$2M or more.
- Struck language that included Board of Land Commissioners from being included in consideration of the best use or sale of the State's fiber optic lines located west of Laramie. Also, omitted leasing of these assets as an option.

Page 56 - Section 206. Department of Education (Footnote 8.) – No budgetary effect.

- Struck language that specifically excluded the use of \$125K appropriation for a Chief Administrative Officer in the tribal triad initiative to allow more flexibility of the appropriated funds.

Page 69 - Section 3-Capital Construction. Section 006 Administration and Information, Game & Fish Forensics Lab (Footnote 8.) – No budgetary effect.

- Struck language specifying how the appropriation of \$4M (\$3M GF, \$1M OF) would be used for building acquisition and remodel; approval for expenditure is up to the Governor.

Page 72 - Section 300. Budget Balancers - Transfers (n)(i). Strategic Investments and Projects Account (SIPA) - No budgetary effect.

- Redirects unspent SIPA funds to the General Fund instead of to the State Facilities Construction Account (SFCA). This was a clean-up measure to eliminate any confusion and the funding shifts were not necessary to balance the budget.

Page 78 - Section 303. Carryover Appropriations. Extraordinary Fire Season Expenses (p). – No budgetary effect.

- Struck date reference of 2012 and the verbiage related to reimbursement of expenses incurred during the 2012 fire season that were invoiced by the Federal government. The intent here was to enable flexibility of appropriated funding.

Page 100 - Section 323. Limitation on Salary Increases – No budgetary effect.

- Struck entirely as it was deemed unnecessary.

Page 104- Section 329. Department of Health Facilities Task Force (e) – No budgetary effect.

- Struck requirement in the task force recommendations that it would be staffed by the LSO.

Page 112 - Section 334. Wyoming Value Added Energy and Industrial Plan (d)(iv) and (d)(v) – No budgetary effect.

- Struck language that limits task force membership voting status to only those employed by State of Wyoming or one of its political subdivisions.
- Struck language designating the cochairman must be a member of the legislature appointed by Senate President and Speaker of the House.

Page 119 - Section 337. Appropriation to the General Fund– No budgetary effect.

- Strikes entire section which appropriated \$3M from the Capital Construction Account to the General Fund. This was a clean-up measure to eliminate any confusion and the funding shifts were not necessary to balance the budget.