



REVENUES KEEPING PACE

The co-chairmen of the Consensus Revenue Estimating Group (CREG) released their quarterly update highlighting the state's revenue collections by major source. The report provides a comparison of revenue collections received from July 1, 2017 through March 2018 to the annual projections made in the January 2018 Wyoming State Government Revenue Forecast.

- [Read Quarterly CREG Report](#)

CREG UPDATE

The report indicates actual General Fund and Budget Reserve Account revenue collections exceed the forecasted pace by \$15.1 million or 1.4 percent and \$19.9 million or 5.7 percent, respectively, when compared to the overall January 2018 CREG estimates. Additionally, the 2018 Budget Bill (2018 Wyoming Session Laws, Chapter 134, Section 311) provided for an interfund transfer from the One Percent Severance Tax Account, which is funded for the 2017-2018 biennium from a diversion of the statutory one percent severance tax traditionally deposited into the PWMTF over the last decade. Similar to severance tax collections, this revenue stream is exceeding the January CREG estimates, in this case by \$5.0 million, or 5.5 percent.

GENERAL FUND HIGHLIGHTS

- **Sales and use taxes** directed to the General Fund are ahead of the forecast pace by 3.3 percent. This is especially important since sales and use tax revenue is both the largest revenue category for the General Fund and the largest revenue category that is running ahead of expectations in absolute terms (\$14.6 million). Year-over-year statewide sales and use tax collections are up across the majority of the state, with only two counties (Crook and Weston), as well as a handful of municipalities, recording year-over-year declines for FY 2018. Four counties (Platte, Converse, Niobrara and Sublette) report year-over-year increases in sales and use tax collections of over 30 percent. Sector-by-sector industries are largely up, with notable exceptions including agriculture, health care, information, and administrative support. Sales and use tax collections related to mining are up by 71.7 percent compared to this point in FY 2017.
- **Severance tax collections** directed to the General Fund are ahead of forecast pace by 3.5 percent, or \$5.9 million. Wyoming oil, natural gas, and coal production and prices are on pace to meet or slightly exceed January 2018 CREG estimates. Trona production and prices are marginally lagging the CREG projection. Given the continued improvement in oil prices over the past three months it is possible that actual oil prices received in Wyoming could begin to exceed the January 2018 CREG estimate in the coming months as prices are reported by producers. Please recall that severance tax is reported and paid the 25th day of the second month after the month of production. This would provide upside potential for the actual severance tax, federal mineral royalty and ad valorem tax payments. Conversely, natural gas spot prices are below the January 2018 CREG estimate at present.
- **Interest and dividends from the Permanent Wyoming Mineral Trust Fund** are running ahead of the CREG projection by a modest 0.1 percent. However, CREG anticipated a transfer of \$12.3 million from the Permanent Wyoming Mineral Trust Fund Reserve Account (PWMTF RA) to backfill, or guarantee, the full 2.5 percent of the five-year average market value of the PMWTF designated to the GF. At the current pace, no transfer will be necessary in FY 2018. Therefore, this revenue category is technically \$9.5 million ahead of pace. Additionally, the State Treasurer has realized \$146.0 million in net realized capital gains as of March 31, 2018. The State Treasurer does not distribute net realized capital gains from the permanent funds until the end of the fiscal year (June 30, 2018). In addition to the \$146 million in realized, but undistributed, capital gains from investments, there is currently \$325

- million in unrealized capital gains within the PWMTF portfolio.
- **Interest and dividends directed to the General Fund from the State Agency Pool (pooled income)** are lagging CREG's projection by 2.6 percent, or \$2.1 million. Moreover, through March 2018, the State has \$11.9 million in net realized capital losses attributable to the General Fund from investments in the State Agency Pool sold at a loss. It is important to note that unlike realized losses experienced in a permanent fund that are deferred, realized losses attributable to the General Fund within the State Agency Pool actually reduce the available cash.
 - **The "all other" category of state revenues** is also lagging the January forecast pace by 1.7 percent, or \$3.6 million. This is primarily a result of lower than projected collections of penalties and interest and lower than projected cost allocation collections from the Federal government for shared services. Notably, many of these "all other" revenue streams do not flow to the State with predictable timing over the course of the fiscal year.
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BUDGET RESERVE ACCOUNT HIGHLIGHTS

- **Severance tax receipts to the Budget Reserve Account** are currently exceeding the January 2018 CREG forecast pace by \$11.7 million (8.8 percent).
 - **Federal Mineral Royalties directed to the Budget Reserve Account**, including an adjustment for the federal fiscal year (FFY) 2017 budget sequester (withholding), are \$8.2 million (3.8 percent) above the January CREG forecast through March.
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REVENUE OUTLOOK

- The current pace of the General Fund, Budget Reserve Account, and One Percent Severance Tax collections indicate that the revenue forecasts are likely to be met or exceeded barring a significant decline in major commodity prices or production.
- Investment earnings for the contingent appropriation priorities adopted in

2016 Wyoming Session Laws, Chapter 97, Section 8 and modified by 2018 Wyoming Session Laws, Chapter 136, Section 8 are on pace to be fully funded. The accounts and projects include deposits to the State [health] facilities construction account; the University of Wyoming Science Initiative account; the Casper state facilities account; and the SCCA.

- While it is premature to project with certainty, it is possible that investment earnings may even exceed the five percent spending policy amounts, especially for the Common School Account within the Permanent Land Fund. If so, there would be deposits to the associated reserve accounts.
- Severance tax and Federal Mineral Royalty collections are in line with CREG estimates, with potential for increased gains resulting from strong oil prices and some caution regarding collections from natural gas given recent spot price levels.
- Sales and use taxes, the largest revenue contribution to the GF and a major revenue source for cities, towns, and counties, are exceeding CREG's forecast.

