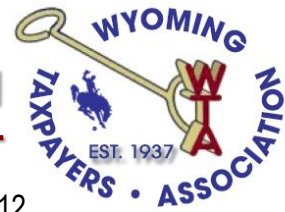


WYOMING TAXPAYERS ASSOCIATION

ACTION ALERT



2013-2014 BIENNIAL BUDGET SUMMARY, MARCH 12, 2012

The 2012 Budget Legislative Session wrapped up last week with Governor Mead signing the **\$3.2B** supplemental budget bill on March 8th, lauding the Legislature's adoption of a balanced budget while advancing successes such as investments in cities, towns and counties, enhanced highway funding, redistricting, a plan to allow Wyoming to manage wolves, a move to assert state primacy in the regulation of greenhouse gases, funding for a long-term water solution for people outside the town of Pavillion, and improved workplace safety. However, he did caution that the State will have to do more "belt tightening" in the year ahead.

In his budget letter dated March 2, 2011, the Governor noted two line-item vetoes to the budget bill:

- Making a minor change to the footnote requiring the **Chief Information Officer to oversee education data collection** – the veto strikes the word "oversee" maintaining that the intent is to have the officer review the data, not take on an authoritative role in overseeing the data.
- Striking the footnote in the **Department of Environmental Quality's** budget regarding employees and potential reductions in staff due to the critical nature of the positions.
- **Section 307, subsection (a) through (ii)** - The **State's contributions to employee health insurance plans** were incorrectly entered in the bill. This error would result in additional health insurance premium costs for employees beginning December 2012. This error will need to be fixed in the supplemental budget bill next year.
- **Section 318 - Zero based budgeting** – Strike the 200 series language, which refers to support costs such as equipment and travel. The Governor's note suggests that, "exception requests from zero based budgeting in this series could be extensive and potentially overwhelm both the Executive and Legislative branches' ability to carefully analyze budgets." Agencies are therefore directed to engage in zero based budgeting for travel and IT maintenance agreement subcategories.

Legislators lauded this budget as 'responsible' by slowing the growth in government. Agencies were not granted increases in standard budgets and employees were not granted salary increases (except the supreme court, district court and circuit court judges) – all the while, appropriations were still made to savings accounts and capital projects. This year the budget bill was further separated, directing the AML monies and school capital construction to separate bills.

The budget contains a number of "safeguards" to maintain a responsible fiscal focus for the next biennium if revenues dip even further. Currently the revenue projections in the January CREG report are based on \$3.25/mcf natural gas, and prices this week have been hovering around \$2.20. Just as the state's coffers benefit from increasing commodity prices, it's important to be reminded how much they are affected when prices go down: for example, when the price of natural gas decreases by \$1/mcf, general fund and budget reserve account revenues decrease by approximately \$245M; for oil, a \$1/bbl decrease results in approximately \$4.7M decrease, and for coal, a \$1/ton decrease results in approximately \$57.7M reduction to the general fund/budget reserve account.

The safeguards include:

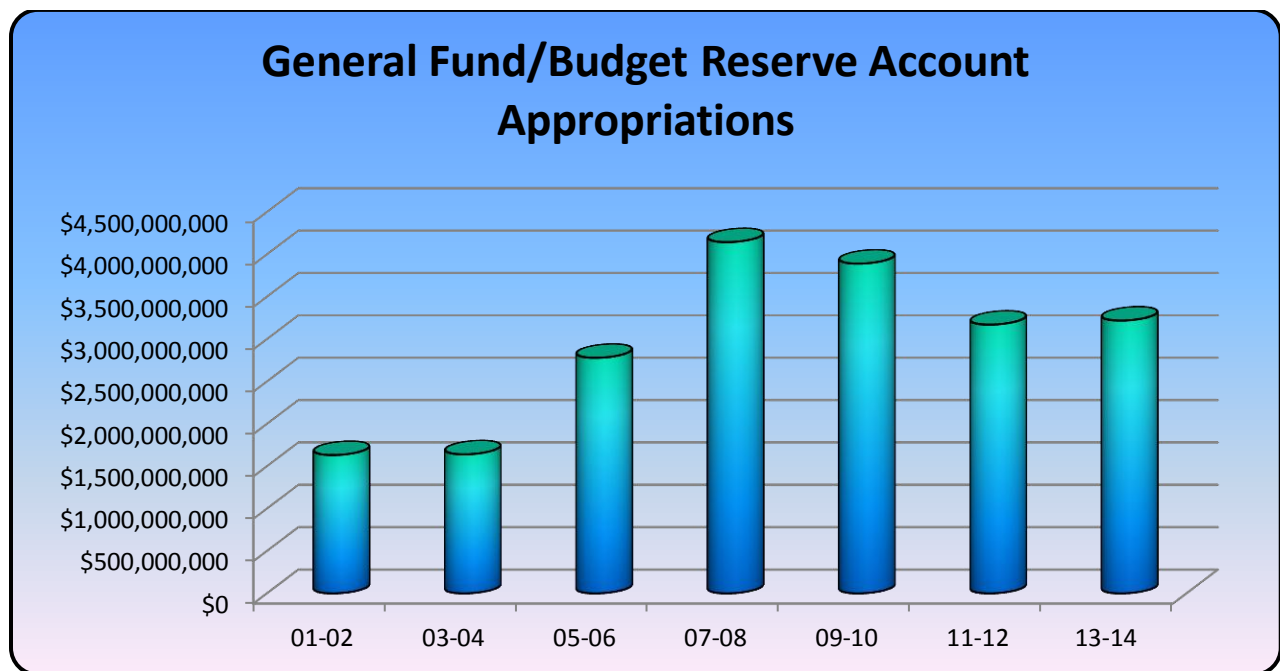
- Authorizing borrowing authority to the State Treasurer to meet cash flow needs for the general fund and Hathaway Scholarship Program
- Reserving \$1.026M to the State Auditor for Medicaid
- Granting flex authority for the executive branch and agencies, including the judicial branch
- Position freezes
- Review of state agency budgets
- Preparing state agencies to come in for 4% budget reductions for FY 2014

- Requiring zero-based budgeting for certain areas of agency budgets
- Emergency use of rainy day funds

This budget appropriates \$3.2B from the General Fund which adds up to \$8.175B for the biennial budget. Ultimately, the 2013-2014 budget passed 51-8-1 in the House (Davison, Edmonds, Illoway, Jaggi, Kroeker, Miller, Peasley, and Dan Zwonitzer voting 'no') and 25-5 in the Senate (Case, Esquibel, Jennings Perkins and Scott voting 'no'). Remember, Wyoming state spending peaked during the 2007-08 biennium after a 49% increase from the 2005-06 biennium and a previous increase of 69% in the 2005-06 budget from 2003-04 levels.

Below is an illustration of historical appropriations from the General Fund and Reserve Accounts, including savings:

Biennium	GF/BRA Appropriation
01-02	\$1,631,622,185
03-04	\$1,640,074,430
05-06	\$2,778,811,773
07-08	\$4,143,871,725
09-10	\$3,890,137,960
11-12	\$3,170,265,655
13-14	\$3,218,478,371



FUND BALANCES

○ Budget Reserve Account		\$104.4M
○ Legislative Stabilization Reserve Account (Rainy Day Acct)		\$1.4B
○ School Foundation Program Balance (Operations)		\$100M
○ School Capital Construction		\$0
○ PMTF Spending Policy Reserve Acct		\$144.3M
○ Common School Permanent Land Fund		\$229.6M
○ Common School Perm. Land Fund Spending Policy Acct		\$61.9M
○ Municipal Solid Waste Landfill Account		\$30M
○ Water Accounts		
▪ Water I (Planning)	\$36.9M	
▪ Water II (Small projects)	\$5.3M	
▪ Water III (Large projects)	\$124.7M	
▪ Gillette Madison Project	\$48.4M	
○ Wildlife Trust Fund		\$100M (\$200M legislative goal)

MAJOR APPROPRIATIONS

○ K-12 programs		\$1.528B
○ School Capital Construction		\$416M
○ Local Governments		\$150M
▪ Office of State Lands Grants	\$54M	
▪ Direct distribution	\$81M	
▪ Wyoming Business Council	\$15M	
○ Highways		\$100M
▪ WYDOT standard budget	\$70M	
▪ AML funds	\$30M	
○ Wild Life Trust Fund		
▪ General Fund to the corpus	\$5M	
▪ AML funds	\$6M	for projects
▪ Projects appropriation	\$10M	
○ Department of Health		\$1.8B all funds
○ UW		\$394M general fund
○ Comm Colleges		\$261M general fund
○ Dept. of Corrections		\$289M
○ Capital Construction		
▪ A&I	\$52.6M	
▪ Community Colleges	\$26.6M	
▪ UW	\$58M	
○ LSRA		\$15M from the budget reserve acct.
○ Abandoned Land Mines ¹		\$83.4M new money, \$45.2M current program money
○ Public Library Endowment Challenge Fund		\$3M

Totals:

General Fund	\$3,218,478,371
Federal Funds	\$1,604,927,146
Other	\$3,345,667,364

Total Appropriations for the 2013-2014 biennium: \$8,185,215,018

¹ For a complete breakdown of the AML funds, see WTA's Final Legislative Summary for the 2012 Budget Session.

Office of the Governor

- \$100,000 for **deep water ports**
- \$1M for **developing comprehensive energy and water policy**
- \$15M for **Data Center Recruitment**
- \$50,000 for **development of liquid natural gas export facilities using Wyoming produced natural gas**

State Auditor

- \$500,000 for **brucellosis testing and containment efforts**
- \$125,000 to **reimburse Game & Fish for lost license fee revenue** due to free and reduced priced licenses mandated by statute
- \$3M **Public Library Endowment Challenge Fund**

State Treasurer

- \$528,000 of the \$11.063M available for the **Veteran's Tax Exemption** to be made available immediately

Department of Education

- Requirement **that all changes in the Department's budget be documented via the B-11 process** (the Department was scrutinized during JAC hearings because they moved money around)
- **Education testing and assessment** fund shall only be used for such purposes, and audited.
- \$280,000 for the **Teacher to Teacher program** for the period July 30, 2013. A report is due to the JAC November 1, 2012 on the program's effectiveness. Unobligated funds will revert to the education testing and assessment account.
- 160,950 for **tribal schools funding**
- Decreases in federal funding for the following programs: Federal Professional Development Grant for Educators and Administrators, elimination of the Robert C. Byrd scholarship grant, elimination of the EvenStart Family literacy grant (**\$1.78M was added, however in the Community College Commission**), No Child Left Behind II, part B grant, Reading First

Administration and Information

- November 1st report due with a complete history of surplus property sales for the last 5 years
- Employees' Group Insurance Division shall report quarterly to JAC on the effectiveness of alternative payment and delivery systems for healthcare services to plan participants.
- Transfer of the **Public Safety Communications Commission funding** and associated funding to the Office of Homeland Security within the Governor's Office.
- \$1,472,915 for the Department of Economic Analysis to study the feasibility of **converting school district motor vehicles**, including school busses, to natural gas fueled vehicles. November 1st report date.
- \$7.9M in IS for **the purchase of fleet vehicles**
- \$2.37M for **increased motor vehicle expenses**
- \$117,709 for **maintenance in the liquor warehouse, and \$185,521 for custodial contracts in the liquor building and joint labs building**
- Construction Management Division to ensure the office space on **the first floor of the Hathaway Building** is occupied as soon as possible.
- The State Chief Information Officer shall **oversee (this word was stricken by the Governor in his budget veto)**, review and report on all aspects of **administration and implementation of school finance and data collection.**

Wyoming Military Department

- Sunset of the **National Guard Youth Challenge Program until June 30, 2014.**; also a **requirement that** for every \$.40 of federal funds, the Department may expend state funds in an amount not to exceed \$.60.

Wyoming Department of Agriculture

- Of the \$12,941,316 appropriated for **consumer protection**, \$205,137 is effective immediately
- \$200,000 shall be used for **wolf management outside Yellowstone National Park**

Department of Environmental Quality

- The next six positions in the **Solid Waste Management Division** that become vacant through attrition are eliminated - **Governor Veto**
- \$15M for the **Municipal Solid Waste Landfill Account** (Gov originally requested \$15M, then reduced to \$10M)
- \$133.6M **AML monies** - see *AML summary above for details*

State Parks and Cultural Resources

- \$100,000 for the **We the People** education program - this is one time funding
- \$250,000 for **Humanities Council grants**, one time funding
- \$80,000 for **pine beetle mitigation**, one time funding
- \$100,000 for **conservation corps projects**, one time funding
- \$150,000 **Wyoming Arts Council Operating Support Grant Funding**, one time funding

School Facilities Commission

- \$4.6M **school capital construction**
- \$255,000 for each fiscal year for each school district with a **charter school with a lease payment**. Maybe be used for major maintenance.

Wildlife/Natural Resources Trust Account

- \$5M from the General Fund to the corpus (\$200M legislative goal, current balance \$95M)
- \$6M from AML funds (cannot go to the corpus because it is federal funds)
- \$10M for projects
- \$8M interest
- \$1M for **pine bark beetle remediation**

Wyoming Department of Transportation

- Authorized transfer of 2 full time positions for **2 communications operator positions**
- Any funds remaining in the **Railroad Quiet Zone Account** established in the last biennium shall remain until June 30, 2014
- \$70M appropriation from the general fund for **highways**
- \$3M for **air services enhancements** for Cheyenne, Cody, Gillette, Jackson and Rock Springs (split between general fund and other funds)
- Direction that WYDOT shall not supplant any reduced general fund appropriations with any other department funds.
- Of the airport **improvements appropriations**, \$1,295M are appropriated from interest earned in the 2011-2012 and previous biennia from deposits from the general fund to the highway fund, which interest would otherwise be credited to the state agency pooled interest earnings of the general fund.

Department of Health

- **Divided DOH's budget into two fiscal years**
- Restrictions on General Funds used for the purposes of constructing a new **Medicaid eligibility and enrollment system**
- No reimbursement rates for **nursing facility services** or cost-of-living adjustments shall be provided unless specific legislative action
- \$400,000 for **AIDS drug rebate program**
- Authorization for the **Public Health Laboratory** to charge fees for the testing services provided to other agencies.
- \$235,000 from the Tobacco Settlement Trust Income Account shall be used to support the **Wyoming Telehealth Consortium**
- \$85,000 may be used to purchase and distribute to **combat veterans advise for mental health services**
- DOH shall provide by rule no later than December 31, 2013, that **reimbursements for mental health and substance abuse services** shall only be paid to entities that are accredited by the Commission on Accreditation of Rehabilitation Facilities or the joint Commission on Accreditation of Healthcare Organizations.
- DOH to deposit all income from the Wyoming State Hospital at Evanston from July 1, 2012 through June 30, 2014 into a special account to **correct life safety code problems**.
- DOH shall deposit all monies collected by the Retirement Center located in Basin, for care of patients into a special fund to go toward the operation of the **retirement center**.
- \$250,000 for **developing a primary care medical home network in Wyoming**
- \$60,000 for **hearing aids for early childhood intervention**
- \$248,000 for **EMT training**
- \$1.5M general fund and \$1.5M federal funds **may be used to reduce the waiting lists for the Medicaid child and adult developmental disability waivers and the acquired brain injury waivers**.

Department of Family Services

- \$205,500 for the **Father Factor Program (federal funds)**
- changes to the **State Supplemental Security income**
- **DFS shall limit the number of residential treatment facilities and group homes certified as child caring facilities and overall capacity of those residential facilities and group homes to the levels that were certified as of January 1, 2012.**

Department of Workforce Services

- DWS shall continue the trial within the workers compensation program on alternative managerial approaches for **treating back and spine injuries**

Community College Commission

- \$7.5M to address issues associated with **enrollment growth - shall not be used for salary increases**
- \$77,000 for **nursing loan service fees**
- \$200,000 for **veterans' tuition waiver program**, one time funding

Office of State Lands and Investments

- Footnote directing any unobligated funds in the account will not go back to the General Fund, but towards funding **projects that will preserve the value or revenue generating capacity of state trust lands or minerals assets**.
- Outline for use of money for fencing around the perimeter of Ranch A
- The Director shall **review the control, leasing, exchange, care and disposal of all institutional acquired lands held by the Department of Family Services, DOH, and Department of Corrections** to determine whether such lands are being managed for the highest best use.

University of Wyoming

- \$1.8M for membership in the **Greater Western Library Alliance**
- \$2.17 for **high performance computing**, one time funding
- \$200,000 for **brucellosis testing and research**, one time funding
- \$20.4M for **School of Energy Resources Operations**
- \$1M for the **NCAR MOU**

Wyoming Retirement System

- Outline of the **salary and benefits for the chief investment officer, senior investment analyst and senior investment officer**

Department of Corrections

- \$2.5M for **sex offender treatment**

Wyoming Business Council

- \$15M to provide **grants to cities, towns, and counties for necessary public infrastructure**
- \$488,000 for **business recruitment**
- \$142,000 for **business expansion efforts**
- \$67,000 for **entrepreneurial networking**
- \$134,000 for **agribusiness programs**
- \$24,000 for **economic research**
- \$100,000 for **technical assistance for communities**

Education - School Finance

- \$1.528B school funding for the biennium
- Requirement **that all changes in the Department's budget be documented via the B-11 process** (the Department was scrutinized during JAC hearings because they moved money around)
- \$200,000 for **anti-bullying programs**

Capital Construction

- Includes appropriations to the **Department of Administration and Information (\$52.6M)** for various state projects (including \$4.4M for the State capitol building), the **Community College Commission (\$26.7M)**, and the **University of Wyoming (\$58M)** (for the Engineering Building, White Hall, Sheridan Agricultural Building, Half Acre Recreation Center and the UW Project Fund)

Budget Balancers (Section 300's)

- **Legislative Stabilization Reserve Account**
 - \$15M from the Budget Reserve Account, in addition to the amount that is excess of the needed \$1.4350M in the BRA at the end of the fiscal year (current balance \$1.02B)
- **Transfer of earnings from PMTF**
 - \$30M from the earnings from the PMTF attributed to the 2012 fiscal year in excess of the amount projected for such earnings in the CREG January report. These funds will be used to match \$14.2M for the UW Performing Arts Facility and \$15.8M for the College of Engineering renovation.
- **Library Endowment Challenge Fund**
 - \$3M
- **Borrowing authority for the State Treasurer**
 - to borrow from pooled fund investments amounts necessary to meet cash flow needs of the General Fund and the Hathaway Scholarship Program
- **Disaster contingency program**
 - \$750,000 to the Office of the Governor

Budget Balancers Cont.

- **Natural Resource Policy Account Program**
 - \$1M from previously appropriated monies
- **Pine Bark Beetle Mitigation**
 - \$1M if available from the last biennium
- **Rural Fire District Grants**
 - Unobligated funds from last biennium may be used for grants for rural fire districts impacted by minerals exploration and production in southeast Wyoming
- **Definition of Fund Balance**
 - further defines what "unappropriated fund balance" and "unobligated, unencumbered fund balance" means
- **Reserve for the State's share of all Medicaid programs**
 - \$1.026M to the State Auditor
- **Employee Benefits**
 - \$5.2M to the State Auditor's Office for health insurance benefits for executive, legislative and judicial branch retirees
 - definition of the **State's contribution to the state health, dental and life insurance plans - Governor veto**
- **State Department of Fire Prevention and Electrical Safety**
 - Authorization to charge fees to any entity for which it performs any plan inspection or review
- **Flex Authority**
 - **Executive Branch** - allows a 10% flex between programs, excluding UW, and 5% between agencies
 - **Judicial** - allows transfer of 5% between programs within the supreme court
- **Personal Services**
 - Restriction that funds related to salaries and benefits shall not be used for any other purpose, DOH excluded
- **Position Freezes**
 - No new hires for this biennium unless authorized by the Governor - also for contract employees
- **Review of State Agency Budgets and Budget Reductions**
 - Requirement that the Governor review all agency budgets and expenditure periodically.
 - Supreme Court and all district courts shall submit 2013-2014 supplemental budget requests to the legislature no later than November 1, 2012. Also required to prepare all agency budget requests using the same methods and practices as the executive branch
 - All agencies shall prepare reductions to the agency standard budgets for FY 2014 which equal 4%. This also includes the Supreme Court and all district courts, but excludes DOH.
- **Statewide Planning**
 - Statewide distance education plan and statewide video conferencing plan shall be presented in the Governor's 2013 supplemental budget request for final approval
- **Major Maintenance**
 - \$52.9M: 42.1% to the Department of Administration and Information; 35.95% to UW; and 21.64% to the Community Colleges
- **Zero Based Budgets**
 - The Budget Division of the Department of Administration and Information shall formulate a plan to include with agency budgets, zero-based budgets for all 200 (support costs such as equipment and travel), 600 (grants and aid payments) and 900 (contractual expenditures) series
- **Emergency Use of Rainy Day Funds**
 - If the CREG group releases a revenue report revision which lowers forecasted natural gas prices to a degree which results in drastic reductions to all major accounts of \$150M or more, \$150M shall be transferred from the LSRA to the General Fund.

• **Capitol Rehabilitation and Restoration Account**

- \$8.7M contained in 2011 Wyoming Session Laws for employee insurance shall revert to the Capitol Rehabilitation and Restoration Account

• **Data centers**

- All funds remaining from the 2011 Session Laws are reappropriated to the Governor's Office for the purposes of providing grants to cities, towns and counties for necessary public infrastructure to enable the recruitment and operation of data centers of a certain size.

• **Local Government Funding:**

- \$81M to the Office of State Lands and Investments. Of that \$48.06M is direct distribution to cities and towns: \$24.03M is direct distribution to counties; and \$4.455M goes to each revenue challenged cities and towns and counties, respectively
- Distribution of the previously mentioned funds are outlined in the bill for both cities and towns and counties, and challenged allocations
- \$54M to the Office of State Lands and Investments for the purposes of grants for capital improvement projects within counties
- \$125M shall be recommended for the 2015-2016 biennium for local funding if revenue estimates in the General Fund and Budget Reserve Account totals for fiscal years 2015 and 2016 as projected by the CREG in the October 2013 report equal or exceed the projected balances in the January 2012 revenue estimates

• **School Foundation Program Account**

- All unencumbered, unexpended funds in the e-rate Excess Revenue Account of the Deferred Federal Revenue Fund within the Department of Education General Fund shall be deposited into the SFP
- The following amounts will be appropriated from the deferred account mentioned above: \$280,000 for 1 position to the State Chief Information Officer; \$280,000 to the Wyoming Community College Commission for 1 full time position to assist with data management; \$188,000 to the Wyoming Community College Commission for contract for necessary post-secondary education data definition, mapping and retrieval; \$300,000 to the State Chief Information Officer for contractual expertise in providing statewide capability to share and access educational information between all education participants within the state; up to \$500,000 to the Department of Workforce Services, Office of Research and Planning to conduct data collection and analysis necessary for the education resource block grant model monitoring process

• **Education Accountability Data Systems**

- Up to \$1.687M to the State Chief Information Officer to implement an on-line educator credentialing, assignment validation and reporting system in conjunction with UW, the Wyoming Professional Teaching Standards Board and the Department of Education.
- \$1.128M for hardware and system support costs to establish the on-line certification and certification renewal system.
- \$184,000 for on-going maintenance and operation costs of the on-line system
- \$375,000 for additional data storage necessary for the system within the government agency enterprise solution
- \$331,254 to the State Chief Information Officer for 2 full time positions - one as a database analyst and one as a business analyst
- The State Chief Information Officer shall report to the Joint Appropriations Committee on December 31, 2012 on all expenditures related to the education accountability data systems

• **Livestock Animal Reimbursement Program**

- Up to \$500,000 of the unexpended funds appropriated for brucellosis testing in the 2011 Wyoming Session Laws shall be transferred to the Animal Reimbursement Account.

• **Educational Liaison**

- An education liaison shall coordinate efforts by the legislature, the advisory committee to the select committee on statewide education accountability, the state Superintendent of Public Instruction, the State Board of Equalization, and the Wyoming Department of Education.