

WYOMING TAXPAYERS ASSOCIATION

ACTION ALERT



2011-2012 SUPPLEMENTAL BUDGET RECOMMENDATIONS ~ NOV. 2010

Governor Freudenthal released his supplemental budget recommendations this week for consideration at the legislative session beginning January 2011. In his budget message, the Governor highlighted the milestone of achieving one billion dollars in the Legislative Stabilization Reserve Account (LSRA), the state's rainy day fund. "This liquid reserve, taken with the Permanent Mineral Trust Fund balance of \$4.6 B, compared to \$1.96 B in 2002, puts Wyoming in a relatively solid position going forward," the Governor remarked in his budget message.

BOTTOM LINE – The Governor is proposing \$248.8 M in appropriations from the State's General Fund (GF). Recall the Consensus Revenue Estimating Group's (CREG) October report identified an additional \$576.6 M available to the GF/Budget Reserve Account (BRA) due to higher energy prices. After the transfer to savings accounts, the Governor left \$6.9 M for the Legislature to spend. Below is a summary of the recommendations by category.

ABANDONED MINE LAND (AML) FUNDS – The State should expect \$83 M in what are considered "prior balance" AML funds that should be available for appropriation. The Governor recommends the following:

- \$50 M for construction of a Science Technology Engineering and Mathematics (STEM) laboratory facility at UW.¹
- Of the remaining \$33 M in AML funds, the Governor recommends:
 - \$20.4 M for the School of Energy Resources operations in FY 2013-2014
 - \$6.05 M for initial start-up and first year operations costs for the High Plains Gasification-Advanced Technology Center
 - \$6.5 M to fund a six year commitment to energy science graduate student stipends and fellowships.
- Finally, \$50.1 M in AML funds generated through the federal coal tax revenues will flow through the Wyoming Department of Environmental Quality to address the state's list of coal reclamation projects.²

AGRICULTURE – GF appropriation of \$2.66 M to the Wyoming Department of Agriculture to fund the state's 2011 grasshopper management program. The Governor also recommended funding a \$500,000 reserve in the State Auditor's Office for brucellosis testing.

CAPITAL CONSTRUCTION – A total of \$13.9 M for capital construction projects were recommended, including \$6.3 M to refill contingency funds for the State Building Commission and the Construction Management Flex account. A more detailed illustration of the projects can be found in the supplemental budget, however, most major projects are mentioned in this summary.

COMMUNITY COLLEGES – The Community College Commission will be appropriated \$3.4 M to address the reductions in property valuations as well as increases in student enrollment.

CORRECTIONS – \$2.5 M is appropriated for overtime staffing at the Wyoming Medium Correctional Institution in Torrington.³ The Governor also recommended \$1.3 M for utility cost increases at the various facilities. Finally, \$1.2 M to remodel the Wyoming Women's Center in Lusk to allow for inmate time with children.

¹ The Governor is asking that the facility be named in honor of Senator Mike Enzi, to recognize his, "determined efforts to promote education in Wyoming and across the United States." The supplemental budget also includes a \$50 M 'set-aside' of the transfer from the Spending Policy Reserve Account to the LSRA for funding the STEM facility in case the AML funds are intercepted by Congressional action. Of note, if the set aside is not needed, the balance of the LSRA will increase to \$1.085 B.

² These funds are separate and distinct from 'prior balance' appropriations.

GAME AND FISH – \$610,000 for the new Aquatic Invasive Species program, as well as 29 seasonal AWEC positions for monitoring and enforcement. Also, \$1 M GF appropriation for several small capital construction projects.

HEALTH – In his personal remarks, the Governor highlighted the challenges associated with the growing obligations of the Medicaid program. In total, he recommended \$66.2 M to cover the shortfall for the remainder of the biennium. He also recommended an additional \$25 M GF to the Medicaid Reserve Account in the State Auditor's Office, bringing the total of that program to \$50 M. Finally, he reserved \$51.2 M in anticipation of the eventual loss of enhanced federal Medicaid match rates under the American Recovery and Reinvestment Act.⁴

HIGHWAYS – In addition to the \$52.2 M in severance taxes to highway construction:

- \$2 M GF appropriation to the Air Services Enhancement Program.

JUDICIAL – The Governor appropriated \$234,872 from the GF for the Judicial Branch.

LOCAL GOVERNMENTS – The \$52.15 M would be appropriated as follows:

- \$2.6 M for local government payback of past mineral royalty overpayments identified by the State Treasurer.
- \$49.6 M split 50-50 between the current budget's formula allocation to local governments and the statutory distribution directed toward capital construction funding for local governments through the "county consensus" process.

MILITARY – In addition to the \$75,000 GF appropriation for contract help with processing Veterans Administration processing claims:

- \$50,000 GF appropriation to assist with increasing numbers of burials at the Oregon Trail Veterans Cemetery,
- \$1.1 M GF for rehabilitation of the road and bridge leading to the Veterans Cemetery.

NIORARA OIL PLAY PLANNING – The Governor profiled \$610,000 in planning funds tied to the Niobrara Formation oil play. Additionally:

- \$200,000 should go to WYDOT for an evaluation of roads which may be subject to significant impact due to the development.
- \$310,000 GF for the State Engineer for the hiring of a water rights specialist in the Surface Water Division as well as contracted enforcement work necessary.
- Finally, \$100,000 to the Governor's Office for a contract associated with the High Plains Initiative (focused on Platte and Goshen Counties).

RETIREMENT SYSTEM – \$13.4 M for market pay adjustments which would bring 5,000 state employees to 94% of the market position for their respective classifications - also, an additional \$6 M one-time appropriation for performance incentive payments for state employees. Note that the FY2011-2012 budget does not currently include an external cost adjustment for state employees.

Additionally, \$2.7 M to a reserve account in the State Auditor's Office to support the potential shortfall in agency GF budgets due to health insurance premium increases.

Finally, \$5.47 M in continuing appropriations and \$2.45 M of one-time merit pay money to UW (which includes Medical Education), and \$3.08 M continuing and \$1.38 M of one-time merit pay funding for Community Colleges/Wyoming Public Television.

SAVINGS - \$320.64 M of the additionally available state revenues was transferred on July 1, 2010, into the LSRA bringing the balance of that account to a record \$1.035 B.

³ The Governor has instructed the Wyoming Department of Corrections to work within existing budgets to address the remaining \$1.8 M requested.

⁴ The ARRA funds won't begin to wean until FY 13-14, however, the Governor thought it appropriate to start planning now.

Additionally, the Spending Policy Reserve Account will have a projected balance of \$156.5 M due to the diversion of the one half of the 1 percent statutory severance tax on minerals. The Governor recommends splitting this amount into thirds and allocating \$52.15 M to local governments, \$52.15 to highways, and the same to the LSRA. Important to note, the Governor also recommended that these appropriations become ongoing sources of revenue for locals, highways, and the rainy day fund.⁵

SCHOOL FACILITIES – \$61.9 M for construction projects, continued project planning and design, as well as component and ancillary projects identified by the School Facilities Commission. The Governor did note that additional money could be available for school construction if shovel ready projects could be identified.

STATE EMPLOYEES –

- 5 full time employees added (conversions of at will employee contract (AWEC) positions
- 4 positions at DEQ are created using vacant “frozen” positions from other agencies, which yields a net to zero effect. These positions are mainly related to uranium development.
- 29 seasonal AWEC positions are continued for the Game and Fish Invasive Species program

TOURISM – \$5 M GF appropriation to help with an increased commitment to existing markets around the US.

TRUST FUNDS –

- \$5 M to the Wildlife and Natural Resources Trust corpus;
- \$3.5 M to the University of Wyoming endowment match program;
- \$3.5 M to the matching fund program for community colleges;
- \$3 M to the Library Trust Fund;
- \$1 M to the Cultural Trust Fund.

UNIVERSITY OF WYOMING – UW will receive \$6 M in one-time funding to address a shortfall in the University's block grant from prior appropriations language relating to health insurance premiums. Additionally:

- \$3.6 M from the GF for continued progress towards Great Western Library Alliance membership for UW.
- \$2.6 M for the Fine Arts Building
- Authorization for the UW-Casper College joint facility to utilize revenue bond financing.

WATER – \$15 M to be transferred from Water Development Account III (used for large projects) to the new account, Water Development Account IV, which will provide additional state funding for the Gillette Water Project.

⁵ Last year, the Governor asked the Legislature to consider a temporary suspension of the automatic transfer of funds from the PMTF Spending Policy Reserve Account to the corpus of the PMTF at the end of the 2010 biennium and each of the succeeding fiscal years.