

6-18-2017

Hello Sublette County, this is Albert Sommers reporting on school finance meetings I attended on June 12 and 13. On June 12, I participated in a meeting hosted by the Select Committee on School Finance and the Joint Revenue Committee. The purpose of this meeting was to provide legislators and the public the latest projections for the deficit in K12 education, and taxing options which could be utilized to address this deficit. Projections have changed from the last legislative session, because the Legislature passed HB236 and HB55. House Bill 236 made cuts to K12 education and tied the education revenue shortfall to the Legislative Stabilization Reserve Account, Wyoming's "Rainy Day" fund. House Bill 55 changed the spending policy on Wyoming's constitutionally created Permanent Common School Land Account, which holds over \$3 billion, and this change will guarantee more money for education spending.

The funding shortfall projections developed by our legislative staff are based upon several assumptions, including the continuation of our current K12 funding model. Even after the cuts we made last session, about \$50+ million, it is ESTIMATED that by 2022 there will be a \$318 million per year deficit in funding for education operations, and another \$103 million will be necessary for major maintenance and capital construction. This results in a total estimated yearly deficit of \$421 million in 2022. In order to pay for education funding, Wyoming will have to transfer over \$1 billion out of its "Rainy Day" fund by the end of 2022. Language in HB236 has the "Rainy Day" fund backstopping education funding until the fund is reduced to \$500 million, but there could be other pressures on Wyoming's "Rainy Day" fund from other state needs.

The committees also heard from staff and the Wyoming Department of Revenue on how much additional revenue increased tax rates could generate. A 1% increase in sales and use tax in fiscal year 2020 would generate \$156 million, or \$108 million if the traditional split with local government is maintained. Eliminating the exemption on sales tax for food would provide an additional \$29 million. If Wyoming were to create a statewide 10% lodging tax, the results

would be \$60 million more in revenue. Another 10 cent increase in fuel tax would generate \$70 million, which could be swapped with Federal Mineral Royalties presently utilized by the Wyoming Department of Transportation. Fuel taxes must be used for roads, which would be the reason to swap out FMRs for fuel tax dollars, then the state could utilize the FMR dollars for education. It was mentioned at this meeting that 90% of lodging tax and 40+% of fuel tax is paid by out-of-staters.

We also have the ability to divert current revenues, like the 1% statutory severance tax, which produces about \$91 million per year, and severance tax is the tax the state charges when minerals are separated from the ground. A Representative on the Revenue Committee brought up that we could ask the citizens, through a constitutional amendment, to divert our constitutional 1.5% severance tax away from building up the Permanent Mineral Trust Fund, and put it toward education.

On June 13, the Select Committee on School Finance met in executive session to interview consultants who answered our RFP, which seeks to recalibrate our existing funding model or create a new funding model for education. Our recommendations will go to Management Council of the Legislature, which will make the final decision. There is no guarantee that a new look at the cost of funding education in Wyoming, by a new consultant, will result in a model that decreases the cost of education. In fact they could recommend more money for education. The Wyoming constitution provides that the system of public education must be "complete and uniform," "thorough and efficient," and "adequate to the proper instruction" of the state's youth. Wyoming has had five landmark Wyoming Supreme Court decisions that have defined what a proper and adequate education must be. The second of these Supreme Court decisions even stated, "Supporting an opportunity for a complete, proper, quality education is the legislature's paramount priority; competing priorities not of constitutional magnitude are secondary, and the legislature may not yield to them until constitutionally sufficient provision is made for elementary and secondary education." The courts have made it clear that Wyoming should hire an education consultant to determine what an adequate education is. There are no

easy answers to Wyoming's education funding crisis, and we in the Legislature must roll up our sleeves and do the hard work that you, the citizens, put us in these positions to do. I look forward to comments from the citizens of Sublette County on education funding and how to pay for it. I still support a comprehensive approach of cuts, taxes, savings, and revenue diversions to solve the problem.

Thank you

Albert Sommers