

1-20-2018

Hello Sublette County, this is Albert Sommers reporting on the Joint Appropriations Committee's actions on the State's budget for the 2019/20 biennium. The 2018 Budget Session of the Wyoming Legislature begins on February 12. The job of the Joint Appropriations Committee (JAC) is to review the Governor's budget recommendations, listen to the public and state agencies, make revisions based upon this review, and then provide the Legislature with a budget bill.

When the Session begins this February, the entire Legislature, with the needs and opinions of its constituents in mind, will bring amendments to the budget bill. Both the Senate and the House will then work identical budget bills, and in the end a Joint Conference Committee will work out differences between the Senate and the House. The recommendations of the Joint Conference Committee will then be presented back to all Senate and House members for their approval. Finally, after the Legislature approves a budget, the Governor has the ability to approve or veto all or portions of the budget. This work is forced into 20 working days by the Wyoming Constitution, whose founders recognized that politicians will prolong these decisions if given the opportunity. We are currently seeing an inability to conduct the people's business at the national level. Our state Constitution provides that we balance our budget and that we do so in a timely fashion.

As part of this process of developing the budget, the Joint Appropriations Committee spent two weeks in December and another two weeks in January, completing its work on January 19. The JAC will make final revisions to the budget on February 12, prior to submitting the budget bill to the full Legislature. During the JAC's four weeks of meetings, each state agency presented its budget to the committee, with the Governor's recommendations. This process took three of the four weeks. That left one week for the committee to review new revenue projections and finalize the budget.

The Consensus Revenue Estimating Group (CREG) provides an estimate of the state's future revenues in January and October of each year. Remember, we prepare budgets on expected

revenue, not on money in hand. What these reports have shown is that our economy is improving. This improvement shows up in projections for the 2017/18 biennium, which will end in July 2018, and in projections for the 2019/20 biennium. We had already balanced our budget for 17/18, which means additional revenue during that biennium can be applied to budgetary issues in 19/20. To give you a sense of this improvement in the economy, the 2017 October CREG report projected revenue increases from the 2017 January CREG report of about \$378 million for the two-biennium period (17/18 and 19/20). Of this amount, more than one third (\$140 million) was attributable to realized capital gains on investments in the Permanent Wyoming Mineral Trust Fund. The January 2018 CREG, released on January 15, continued to show improvement in Wyoming's economy. This CREG projected revenue increases from the 2017 October CREG of \$106 million over the two-biennium period. So, from January 2017 to January 2018 the CREG has projected that the State will have approximately \$484 million more revenue through the 19/20 biennium. That is a substantial improvement. When you couple this improvement in the economy with the ability to divert some savings streams from Wyoming's permanent savings accounts, the result is we can balance our budget with modest spending from our Legislative Stabilization Reserve ("Rainy Day") Account of about \$245 million. Long-term, Wyoming still has large structural deficits, especially on the K12 school side of state government, but for the upcoming 19/20 biennium, our cash flows are very manageable. However, we must continue to debate how to diversify our tax structure away from Wyoming's extreme reliance on mineral revenues.

Governor Mead recommended to the Legislature an increase in standard budget spending from the 17/18 biennium to the 19/20 biennium of about \$168 million General Fund dollars; \$37.5 million of that is for the ENDOW program. ENDOW is the Governor and Legislature's initiative to diversify Wyoming's economy. Included in that \$37.5 million is a proposed \$10 million to create a grant program for broadband improvement, which gives our Sublette broadband effort some funding opportunities. ENDOW did not have a strategy and budget for the agricultural sector, but I was successful last week in placing \$2 million into the budget bill for an Ag ENDOW, through the Wyoming Grown program. I was unsuccessful in adding more dollars to

the broadband initiative, but I have one more opportunity to do so before the budget is submitted to the Legislature as a whole.

Excluding ENDOW, the Governor requested adding \$131.3 million to state agencies' 17/18 standard budgets. About \$10 million of this is in hardware and software upgrades, which we require to be included in his exception requests. Anything not in an agency's standard budget the Governor must submit in an exception request. This exception request, if approved by the Legislature, becomes part of the next standard budget, unless the Legislature requires it to be a one-time request. The Governor's largest requests, totaling about \$57 million, came through the Department of Health and the Department of Family Services (DFS). These agencies help Wyoming's poor and disadvantaged. As an example, Wyoming has seen an increase in nursing home enrollment, and we have to pay our share to retain our federal grants. The Department of Health had a significant shortfall in its 17/18 expenditures, and as a result we had to balance that sheet as well. In addition to the Governor's exception request for hardware/software, the JAC also budgeted for an upgrade to the DFS computer operating platform, which is too old to be maintained. The cost is close to \$10 million General Fund dollars, plus substantial federal dollars as well. And once again we had to budget a significant amount for the State's share of Involuntary Hospitalizations.

The budget cuts we made in the last few Legislative Sessions were extensive, about \$403 million to state agency budgets, including over 200 full-time positions. Total appropriations from the General Fund and our reserves, from the 09/10 biennium through the 17/18 biennium, have declined 11.2 percent, while the cumulative inflation change for that period has increased 17.1 percent. This means that we have reduced agency budgets at the same time their purchasing power has declined: a double-whammy.

Last week, the JAC placed in the budget bill another global reduction to state government by mandating the state eliminate another 50 positions over the next biennium. Because the proposed budget has grown, we felt it was important to try to restrict the size of government. Without a doubt the JAC saw a need to move dollars back into certain programs, and

fortunately, we have the resources to do so. Yet the cautionary tale is that we still have a substantial structural deficit in our budget that needs to be fixed going into the future.

If you have any questions or concerns, I can be reached at [albert@albertsommers.com](mailto:albert@albertsommers.com) or by texting or calling 307-360-7060.

Thanks

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