

10-28-2018

Hello Sublette County, this is Albert Sommers reporting to you from the Legislative interim. On October 24-25, the Joint Appropriations Committee (JAC) met in Thermopolis at the Pioneer Home. During our full two days of meetings, we discussed many topics, including the October Consensus Revenue Estimating Group (CREG) Report. This report establishes the projections of Wyoming's future revenues, and is the primary tool the Governor and Legislature utilize to establish the State budgets. We debated bills that would change the budget submission deadline, allow a portion of our "Rainy Day" Fund (LSRA) to be invested in equities, simplify the cigarette tax statutes, and create a Select Committee to facilitate more transparent budget and fiscal data. We received reports on the development of a State veterans' skilled nursing center, the Pioneer Home, and the University of Wyoming's Family Medicine Residency Programs. Finally, we took up the issue of gambling/gaming in Wyoming, and a cost of living increase for K12 education.

Our meeting was held in Thermopolis because it is the location of the Pioneer Home, a state facility. The Pioneer Home was created in 1946 as the Wyoming Home of the Aged, and in 1927 the Wyoming Retirement Center in Basin was designated the Wyoming Tuberculosis Sanitarium. Both of these state facilities were created when there were few private nursing homes in the state. There are now assisted living and nursing homes throughout Wyoming, so many people question the need for these state facilities. During Wyoming's recent budget woes, the Wyoming Health Department and the Legislature began looking at whether these facilities should be transitioned to private facilities, and off the State's budget. The JAC drew a large local crowd for this discussion, as we examined a bill to study the transition to private facilities. Both state facilities are important economic drivers in their small communities, and citizens are worried about their eventual closure and loss of jobs. The bill was moved forward to examine further, but I voted against it. Many state office buildings and facilities are in the larger communities in Wyoming, and I hate to see an economically challenged area such as the Big Horn Basin lose valuable jobs and state resources. I am not sure the savings is worth contributing to the drying up of small communities.

The October CREG report was released to the public and Legislature on the 24th. This report records the actual revenue for the 2017/18 biennium, which ended on June 30, 2018. The CREG also updates revenue projections for next biennium, 2019/20, the budget we developed last session. The Governor will develop a Supplemental Budget this year, which the Legislature will act on at our session this winter. Supplemental budgets are for areas of shortfall that were not expected last session when we passed the budget. As an example, the State of Wyoming had a bad fire season, as Sublette County is well aware of, and the result is that the State's entire fire suppression account has been exhausted. More than a year of fires remains before a new budget is developed.

The October CREG report was very positive, with actual revenues for the 2017/18 biennium showing an increase in revenue of \$329.5 million for the General Fund/Budget Reserve and \$132 million for the education accounts, mostly the result of significant capital gains from investments in our permanent savings accounts. The new revenue projections for the 2019/20 biennium include a projected revenue increase of \$304.7 million for the General Fund/Budget Reserve, and an increase of \$158.4 million for the School Foundation Program. Most of this improvement is based on an improving market for oil, though this commodity is highly volatile and prices can change substantially in two years. Nonetheless, this is all very good news for an economy that was devastated two years ago by a bust that statistically was the worst the Cowboy State has ever seen.

I have discussed many of the bills the JAC debated in past press releases. However, we did consider a new bill that would allow a greater rate of return on the Legislative Stabilization Reserve Account (LSRA), by allowing a portion to be invested in equities. We took testimony from Wyoming's Chief Investment Officer, and will continue to work on this bill. Any change to investment in equities of funds in the LSRA would require a two-thirds vote of the Legislature.

The JAC also reviewed a gaming/gambling bill that would create a statewide gaming commission, likely utilizing the structure of the Pari-mutuel Commission. We have asked for a complete redraft of this bill as we decide how to handle gaming in Wyoming. I have never supported gambling bills, but the fact is you can now gamble on your smart phone through

multiple venues. We have machines in bars across Wyoming, including Sublette County, that push the limits of the State's definition of gambling. These devices help support local businesses, and their coalition has come to our committee to seek legalization, with the offer to pay a tax on the machines. Our committee is split on how this bill and gaming should evolve, and I expect a great debate on whatever is brought forward.

Wyoming is the only state without a Veterans' Skilled Nursing facility, which is a facility that is constructed with federal dollars, but must be maintained with state dollars. We received a report on the Level I & II studies for this facility. The big debate is over where it will be located, with the top three locations being in Casper, Buffalo, and Sheridan. The federal government allows much larger reimbursement rates in these federally regulated and supported facilities, which is good for veterans, but could continue to strain local nursing homes through the loss of clientele.

Wyoming statutes require the Legislature to examine the need for an inflationary adjustment to K12 education funding every two years, and for a complete recalibration of the funding model every five years. This inflationary adjustment is called an External Cost Adjustment (ECA). These laws are a result of several Wyoming Supreme Court decisions from the 1990s through the early 2000s. Specifically, the Supreme Court ruled in Campbell II that, "[¶90] This court does not relish the idea of reviewing this matter on a continuing basis in perpetuity and is quite sure the Legislature does not desire that result either. As long as the state continues to rely upon a cost of education model based upon historic actual costs to determine the appropriate funding for schools, regular and timely inflation adjustments are essential to funding the real cost of education. We adopt the opinion of the state's experts and hold that the model and statute must be adjusted for inflation/deflation every two years at a minimum." It further stated, "While we agree that the lack of an internal, automatic cost adjustment in the statute may not in and of itself render the system unconstitutional, without such adjustments, legislative inaction appears inevitable, and, ultimately, funding of education will be below cost in contravention of the constitution." This last statement is particularly prophetic, as the

Legislature with recent cuts has allowed legislative funding to drop below the consultant's recommendation for a constitutional education in Wyoming.

As a result of the constitutional funding model being underfunded, the Joint Education Committee recommended to the JAC that an inflationary adjustment be included in this year's budget. The JAC, in a split vote, recommended to the Governor the inclusion of an inflationary adjustment, an ECA, of a little more than \$19 million, which is based upon inflationary indices that the Legislature's consultants have supported. Testimony by Dr. Stoddard, the Legislature's salaries consultant, suggest that cost pressures on teacher salaries have reached the point that Wyoming no longer has an advantage over our neighboring states, and district testimony spoke to many positions going unfilled. I still believe education is the most important service that the state provides its citizens, and I will continue to support adequate funding for K12 education. I can be reached at albert@albertsommers.com.