

Budget Challenges and Opportunities for the Wyoming Legislature

The 2019 General Session of the 65th Wyoming Legislature has wrapped up. It was a whirlwind right down to its 2 a.m. closing on February 28. This session was one of the busiest in my tenure in the Legislature, with over 500 bills numbered and worked.

In recent years, State revenues have gone through their steepest decline in Wyoming history. In response, the State is spending \$452 million less than its ten-year high in 2015-16 and is spending \$433 million less than ten years ago. In that ten-year period, these cuts occurred despite the fact that nationally, inflation increased by over 19 percent. We are spending less to do more.

The Wyoming Constitution rightfully requires the Governor and the Legislature to craft a balanced budget. Wyoming has two budgets, which the Legislature oversees. One is for the general operation of state government, specifically the funding of our state agencies, which we often refer to as expenditures from the General Fund. The other is the K12 education budget, which funds Wyoming's 49 local school districts.

We are fortunate to have savings in our "Rainy Day" account that currently exceed \$1.6 billion. Further, the General Fund budget operates with little to no deficit. We can also use 1 percent of our severance tax money to shore up the General Fund when needed, and we have needed it this biennium.

After the Legislature cut the State's budget drastically three sessions ago, some cuts could not be sustained. In fact, Wyoming residents, our previous Governor, and the Legislature recognized the need to increase support for diverse services, such as the Wyoming State Fair, predator control, tax relief for the disadvantaged, and senior nursing home care. Inflation continues to erode our purchasing power to maintain programs. Moreover, swiftly aging baby boomers, who make up a significant percentage of our population, will need nursing home care, and they will require more state resources. This will be a huge challenge for our state.

Wyoming's K12 education budget also received cuts during this time of austerity. We have a constitutional duty to provide an equal and adequate education to every child in Wyoming regardless of where they live. The Wyoming Supreme Court has clarified – five times – our constitutional duty to fund education. Over the years the Wyoming Legislature has responded appropriately. Educating the youth of Wyoming is one of the most important roles we have in state government. The youth of Wyoming are our future.

Unlike the General Fund side of the state budget, Wyoming's K12 education budget struggles with significant deficits. Currently, Wyoming spends \$1.5 billion per year to fund K12 education. These expenditures are projected to outstrip revenue by \$150 - \$250 million per year. What do we do about this ten-to-seventeen-percent deficit? Are the citizens of Wyoming willing to cut 2,875 elementary school teachers to remedy a \$250 million shortfall? I don't think so, and frankly I hope we are not willing to ruin what has become one of the best education systems in the nation, according to 2017 NAPE (National Assessment of Educational Progress) scores and nationally recognized Quality Counts rankings.

We have made progress in funding K12 education the last two legislative sessions by utilizing interest from our permanent accounts, and by redirecting royalties off state lands to fund K12 major maintenance. All of the money generated on our school trust lands should be utilized for education or for bolstering the permanent trust fund for education. However, the severance tax collected on school trust lands flows to the General Fund, not education. Even if we modernize some of our current revenue flows to remedy the loss of federal coal lease bonus money, this will not fix our K12 funding problem. To fix the structural deficit, we still need to diversify the revenues that fund K12 education.

Like most other states, Wyoming funds schools through property taxes. But unlike most other states, fully half of our property taxes come from minerals. Minerals, especially oil, are highly volatile sources of revenue, which make our education revenues highly volatile. This funding problem in education is predictable. It has happened before, it is happening now and it will happen again. It is part of the structure. We need to fix the structure. This problem will not solve itself.

The Wyoming House of Representatives is the chamber of the Legislature that is constitutionally required to bring forth any new tax initiatives. The House did its job this session by trying to diversify our tax base away from a reliance on an already burdened minerals industry. The House subscribed to the old adage, “don’t tax you, don’t tax me, tax the guy behind the tree.” The House overwhelmingly passed a lodging tax increase and a corporate tax on large retail box stores, in an attempt to address a portion of the education funding deficit.

The lodging tax increase would have funded the Department of Tourism, moving it away from dependence on the General Fund. This tax was supported by the tourism industry. In keeping with the old adage mentioned above, 80 percent of the lodging tax would be paid by out-of-state residents, with 50 percent of the tax generated in Teton County. This is one of the few means by which Wyoming can raise revenue from the millions of visitors to Yellowstone National Park.

The corporate tax would have taxed retail and hospitality corporations having over 100 shareholders, such as Walmart. Forty-eight other states have a similar tax on these giant retailers, and the bill used the national average to designate the taxation rate. Apart from Wyoming, the only other state that does not have such a corporate tax is South Dakota, but its property tax rate is much higher than Wyoming’s. South Dakota property tax on a \$150,000 home is \$2,322, while in Wyoming the property tax on that same home would be \$975. Moreover, national retailers share a common business practice of setting a standard price nationally, based on an average tax burden. This means the price of a TV at a national chain is the same in Cheyenne as it is in Seattle, Washington, or Trenton, New Jersey. Wyoming consumers of national retail **do not get a price break for living in a state with no corporate tax.** In fact, Wyoming customers help pay everyone else’s tax in these big box stores, through this price averaging.

The Wyoming House passed two tax bills that would have generated revenue to alleviate a significant portion of the deficit in K12 education funding, while adding little to the average Wyoming individual’s or small business’s tax burden.

Unfortunately, these bills did not make it to the finish line, but they started a healthy discussion with the entire Legislature and the public. Wyoming needs the Legislature to roll up its sleeves and make the tough decisions required to solve the education funding problem.

Respectfully,

Albert Sommers

District 20

Wyoming House of Representatives