

1/21/2020

Hello Sublette County, this is Albert Sommers reporting to you from Sublette County, after four weeks of budget hearings in Cheyenne, as part of Joint Appropriations Committee's (JAC) work. I reported on the December budget hearings in an earlier press release, so this report will discuss the January hearings.

January 6-10, we finished listening to agency budget requests, then January 14-17 the JAC began accepting or amending the Governor's recommendations on the budget. JAC systematically went through each state agency and the Judiciary. State agencies are broken into Divisions and Units, both for budgetary and programmatic reasons. The JAC must vote on each Governor's recommendation for each unit of each agency, plus any amendments to the Governor's recommendations. With the 85 state agencies and the Judiciary in the budget bill, the capital construction bill, and the local government funding bill, JAC members took around 855 votes last week, and made approximately 200 substantive revisions to the Governor's and Judiciary's recommended funding levels.

The Wyoming Constitution requires that the budget bill include only the ordinary expenses of government, which can include all education funding, but not state capital construction or local government funding. Due to this constitutional restriction, the Legislature has created several appropriation bills for state government, these include the budget bill, the state capital construction bill, legislative funding bill and the local government funding bill.

On Friday, January 10, the JAC received the January Consensus Revenue Estimating Group (CREG) report. Based upon this estimation of the State's future revenues, JAC proceeded to develop the 21/22 budget that will be presented to the entire Legislature in February. The January CREG projected that our General Fund revenues would be about \$50 million less than CREG had projected in October. This was sobering news, and the JAC reacted to declining revenues by cutting dollars from the Governor's and Judiciary's exception requests. Exception

requests are requests over and above the standard budget. All state capital construction and technology requests must be presented to the Legislature as exception requests.

State IT requests continue to escalate as older technology systems are no longer supported by IT companies or state agencies. Moreover, IT maintenance agreements can inflate 5-7% annually. This put state government and the JAC between a rock and hard place. The \$164 million in IT exception requests for the next biennium were the straw that broke the camel's back, from the JAC standpoint. Our committee cut several large IT operating systems from the budget, and we cut half of most agency requests for hardware and software. The JAC budgeted for an IT consultant(s) to examine the State's IT expenditures, to see where or if we can create some savings, while maintaining security and good service to the people of Wyoming.

The following is based upon information I received from our Legislative Service Office summarizing JAC's revisions to the Governor's and Judiciary's recommendations.

**General Operations of State Government:**

- The JAC recommended reducing the Governor's recommended General Fund (GF) appropriations by just over \$120 million. From \$3.08 billion to approximately \$2.96 billion.
- The JAC also recommended diverting the one percent severance tax into a "One Percent Severance Tax Account".
- The JAC recommended approving a deposit to the Legislative Stabilization Reserve Account (LSRA) from the Budget Reserve Account (BRA) which should equal approximately \$89 million as well as left an estimated \$50 million in unexpended BRA/GF for other legislation or budget amendments during the 2020 Budget Session or the 2021 General Session (supplemental budget).
- A few of the major JAC recommendations impacting the GF are summarized below (rounded):

- A global reduction of one-half of all hardware and software exception requests to most agencies - \$15 million
  - Denying GF appropriation for the Revenue Information System for WYDOT - \$39 million
  - Denying employee compensation request - \$21 million
  - Denying the WyCAPS IT system funding within the Department of Family Services - \$14 million
  - Reducing funding for the Business Ready Communities Program (\$13 million), replace by mineral royalty grant funding - \$13 million
  - Shifting funding for court technology from GF to Judicial System Automation (JSA) account – net \$7 million GF reduction
- The largest additions to the GF appropriations are:
    - Funding for design and construction of a pilot program at the UW Central Energy Plant utilizing coal based Flameless Pressurized Oxy-combustion (FPO) technology, conditioned on an 80% federal: 20% state match - \$12 million
    - Additional funding to the Wyoming Works Program (\$3 million scholarships; \$1 million programs) - \$4 million

**K-12 Operations:**

- JAC concurred, in a split vote, with the Governor’s recommendation for the K-12 external cost adjustment recommendation, including full funding for the 2021-2022 biennium in the amount of \$38.7 million under the January 2020 CREG projections (\$35.2 million in School Foundation Program (SFP) funding and \$3.5 million in reduced school district recapture revenue).

## **State Capital Construction (and Strategic Investments and Projects Accounts [SIPA])**

### **appropriations:**

- In total, the JAC recommended appropriating approximately \$2.5 million more than the Governor recommended on state capital construction and one-time projects from the SIPA – excluding school capital construction. A few of the major recommended actions of JAC relating to either state capital construction or SIPA include:
  - Denying energy commercialization and coal market development - \$25 million SIPA
  - Denying the funding for the women’s honor camp - \$14 million SIPA
  - Adding one-to-one matching funds for UW athletic facilities - \$12.5 million SIPA
  - Adding one-to-one matching funds for the UW College of Law - \$12 million SIPA

### **School Capital Construction:**

- JAC recommends appropriating \$10.9 million more than the Governor for K-12 school capital construction. Examples of major recommendations include:
  - Adding Slade elementary construction (Albany County School District #1) - \$19.2 million
  - Adding Riverton high school auditorium design and construction (Fremont County School District #25) - \$8.2 million
  - Reducing funding for K-12 security projects - \$10 million

### **Local Governments:**

- JAC adopted the Governor’s recommendation of a \$105 million biennial funding level for distribution to cities, towns and counties. One modification was made to the standard distribution formula; the base amount (or flat distribution) for municipalities was increased.

- The result of this change is to provide smaller municipalities with slightly larger amounts of the distribution and larger municipalities with slightly less.

JAC considered more than a dozen additional bills, on issues such as school-based Medicaid services, tourism account funding, opportunities to generate additional income on the investment of unclaimed property, retirement benefits, and a variety of government administration bills. JAC also worked with the Department of Administration and Information's Employees Group Insurance to recommend funding for a revision to the employees' and officials' insurance program that would increase employee and employer premiums, raise deductibles, institute co-pays, and lower the employer's share of total premiums. The system's cash balances have been running in the red. JAC included funding of up to \$20.3 million, under a series of strict conditions, as well as extending borrowing authority to address the recent shortfalls. Wyoming must keep its Employee Group Health Insurance program solvent. These decisions will be tough on state employees, and will cost the state more money at a time when money is short.

We had a busy week. Please contact me at [albert@albertsommers.com](mailto:albert@albertsommers.com) with questions or concerns.