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Hello Sublette County, this is Albert Sommers reporting to you from Cheyenne on March 9, 2021. The single biggest challenge we face in Wyoming is funding K-12 Education. Will we try to solve this challenge thoughtfully or just kick the can down the road once again? That debate will occur on Thursday, March 11.

Wyoming's K-12 Education is facing a \$300 million annual structural deficit. This shortfall is due to declining coal and natural gas production and prices, which in turn has reduced industry property tax payments – the primary source of funding for school districts. The drop in a major source of revenue makes it difficult for the Legislature to fulfill its constitutional duty to provide an “equitable” public education for Wyoming’s youngest citizens. Not only have property taxes from minerals declined dramatically, but our state’s mineral severance tax revenues and Federal Mineral Royalties have also dropped to their lowest levels in decades. This is a double whammy as our school funding is the most mineral dependent service of our state government. We have lost over 200 million tons of coal production per year in the last few years. The result is the \$300 million structural shortfall in K-12 Education funding. Without further legislative action, our schools will use more than \$300 million of the Legislative Stabilization Reserve Account (LSRA), the state’s “rainy day” fund, in the next school year.

The Select Committee on School Finance - Recalibration drafted HB61 as a vehicle for a K-12 funding discussion in the Legislature. I now serve on House Education, and this committee has worked the issue of K-12 funding for the last two weeks. The result of that work is HB173, and more specifically the substitute bill, [HB173-Substitute 1](#). The reason the committee shifted from HB61 to HB173 was to bring into the K-12 funding discussion the use of existing revenue streams currently directed to savings.

People have asked if there is a plan to solve our K-12 funding shortfall. HB173-Substitute 1 is the plan, and it solves the education funding problem. I believe that we have all the tools in this bill to have a full discussion on the floor. We have a \$300M annual shortfall in K-12 funding. We cannot cut our way out of this shortfall and remain constitutional. Likewise, we should look for constitutional efficiencies and not just tax our way out of this shortfall. I believe we need to

realize that our citizens are reluctant to be taxed, when we have existing revenue flows headed for savings accounts. Hence, we need to solve this shortfall with reductions, savings, existing revenue flows and a sales tax.

The bill does the following: it diverts one third of a statutory flow of severance tax away from the Permanent Mineral Trust Fund (PWMTF) to the School Foundation Program (SFP); it diverts investment income from the PWMTF to the SFP instead of the LSRA; it incorporates modest reductions to the K-12 funding model; and it institutes a one-cent sales tax when the LSRA drops below \$650 million. Remember, we need \$500 million in the LSRA to provide cash flow for state government. The LSRA is projected to have \$1.3 BILLION in reserves at the end of fiscal year 2022.

HB173-Substitute 1 will provide shortfall reduction immediately, and that will lengthen the time before the LSRA balance triggers the implementation of a tax. According to our Long-Term Profile the LSRA won't drop below \$650M until 2025. Along with other actions, reducing expenditures in the model and capturing some existing revenue flows headed to savings accounts will push the need for the tax beyond 2025. I believe this is a balanced and reasonable approach to solving our education funding problem. Are the children of Sublette County worth another penny in sales tax, a tax that would only be implemented six years from now? I think they are.

I can be reached at albert@albertsommers.com with questions or comments.

Thank you.