



WYOMING LEGISLATIVE SERVICE OFFICE

Memorandum

DATE June 5, 2015

TO Members, Joint Appropriations Committee

FROM Don Richards, Budget Fiscal Manager
Matthew Willmarth, School Finance Analyst

SUBJECT K-12 Education Accounts

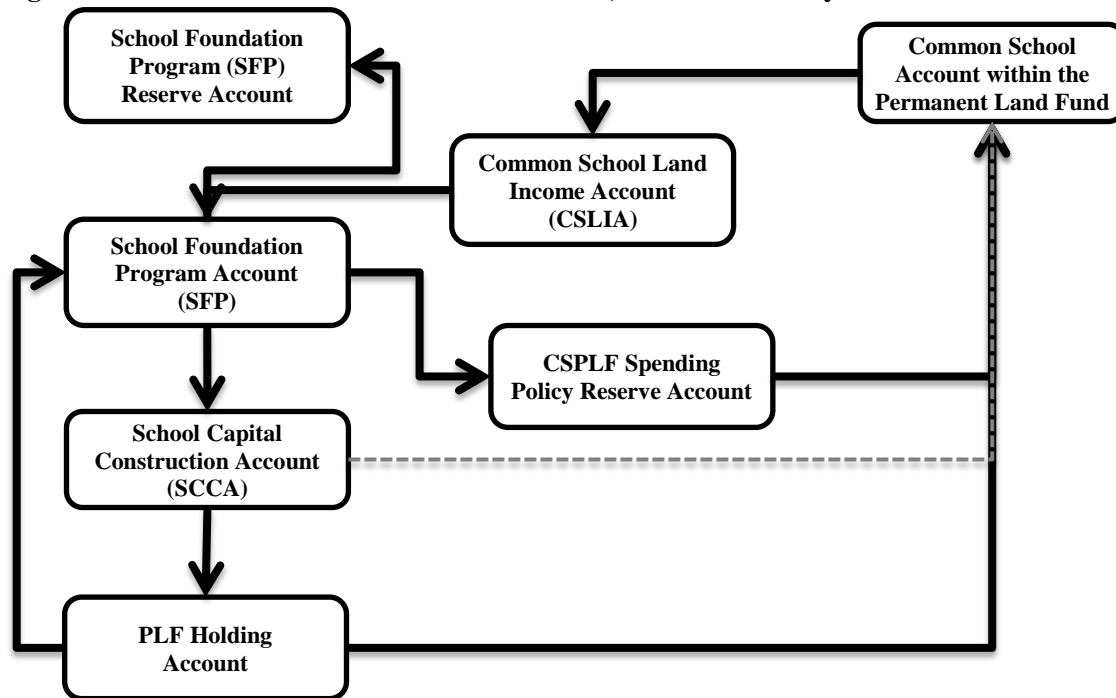
Executive Summary

School district support for educational operations and maintenance and construction of facilities is supported by seven accounts at the state level:

1. Common School Account;
2. Common School Income Account;
3. School Foundation Program Account;
4. School Foundation Program Reserve Account;
5. Common School Permanent Land Fund Spending Policy Reserve Account;
6. School Capital Construction Account; and
7. Permanent Land Fund Holding Account.

These accounts represent a mix of operating accounts, a permanent fund, and a number of reserve accounts broadly designed to balance and account for monies during years with fluctuating levels of revenues and expenditures. This memo provides a short description and empirical history of each of the accounts, as well as an overview for policymakers on the interaction, pursuant to current law, of the accounts.

The seven state accounts contribute to the fiscal support of Wyoming school districts for daily operation, through the School Foundation Program, as well as maintenance and construction of K-12 educational facilities. It is the Legislature's responsibility to fund these educational programs. Figure 1 provides a visual depiction of how each of the K-12 education accounts interacts with one another for FY 2016 and into the future.

Figure 1. Flowchart of K-12 Education Accounts, FY 2016 and Beyond.

Source: LSO.

Common School Account within the Permanent Land Fund (CSPLF) (CSA) (CSAPLF)

The Act of Admission awarded the State of Wyoming certain lands designated for specific purposes. Approximately 3.5 million acres of land were set aside as school lands, of which 3.05 million acres remain available for lease and under State ownership.¹ The Permanent Land Fund (PLF) was established to hold the proceeds from these lands, the expenditure of which is also protected by the Act of Admission. Revenues that flow into the PLF may come from the sale of the lands, the production or sale of minerals, or any depletable resource from the land.² The Wyoming Constitution requires that these funds be held in trust for the exclusive benefit for public schools.³ These revenues build the corpus of the PLF that is invested in equities and fixed income vehicles by the State Treasurer.

Wyoming Statute 9-4-310(a) establishes 12 separate funds/accounts within the PLF to account for the revenue received from the specifically designated lands. Examples of the 12 accounts are the Miner's Hospital Account, the Fish Hatchery Account, the Common School Account (CSA), the University Account, and the Agriculture College Account. In total, the PLF, including all 12 accounts, had a market value as of June 30, 2014 of \$3.2 billion. The CSA within the PLF is the largest, by far, of the various accounts. It comprised \$3.0 billion (market value) of the \$3.2 billion as of June 30, 2014. The income from the investment of these funds and the income received from the surface leasing of the lands is deposited in the Permanent Land Income Fund (PLIF) and are available for expenditure.

¹ Wyoming Office of State Lands and Investments, Business Plan & Annual Report, FY2014.

² Wyoming Constitution Article 7, Section 2 and W.S. 9-4-605(b) provided for 33 and 1/3%, up to \$8 million during any one year of mineral royalties from the lease of school lands to be deposited into the School Capital Construction Account, as discussed later.

³ Wyoming Constitution Article 7, Section 6.

The PLF is funded with royalties, leases, fees, permits, other revenue generated from state lands, as well as transfers or appropriations to these accounts. The CSA, like many, but not all of the accounts within the PLF, is a permanent, inviolate account. The Legislature cannot appropriate funds from the CSA without state constitutional amendment.

Common School Land Income Account (CSLIA)

The Common School Land Income Account (CSLIA) established by W.S. 9-4-310(c)(ii) receives the investment earnings from the CSA, which come in the form of interest, dividends, and net positive realized capital gains. The CSLIA also receives revenue from non-depletable activities on the CSA lands. These include revenue streams like grazing leases, and oil or coal bonus payments. These revenues supporting the CSLIA are subsequently directed to the School Foundation Program Account (SFP) to assist with statewide funding for K-12 operations. Revenue from fiscal years (FY) 2008 to 2014 is depicted in Table 1.

Table 1. Common School Land Income Account Revenues (\$ Millions), FY 2008-2014.

CSLIA Revenue	2008	2009	2010	2011	2012	2013	2014
Lease and Bonus Income	\$18.6	\$11.9	\$37.3	\$112.5	\$26.2	\$20.1	\$26.4
Investment Income	\$142.8	\$59.4	\$63.2	\$103.5	\$102.4	\$147.6	\$174.4
Total	\$161.4	\$71.3	\$100.5	\$216.0	\$128.6	\$167.7	\$200.8

Source: LSO analysis of WOLFS data.

As a caveat to the investment income discussion, the Legislature has adopted spending policy amounts for FY 2015 and for FY 2016 and each fiscal year thereafter.⁴ The spending policy amounts determine what amounts are transferred from the CSLIA/SFP to reserve accounts.⁵ Attachments A and B to this memo provide visual illustrations how the CSA spending policy amounts are distributed.

FY 2015 Spending Policy Amount

In the event investment income from the CSA exceeds 5.0% of the previous five- year average market value of the CSA, then the amount over 5.0% is directed to the Common School Permanent Land Fund (CSPLF) Spending Policy Reserve Account.⁶ Spending policy transfer amounts to the CSPLF Spending Policy Reserve Account for FYs 2008 through 2014 are shown in Table 2.

⁴ The spending policy amount was amended during the 2015 General Session by 2015 Laws, Chapter 195 (SF 146).

⁵ Investment earnings from the CSA must be available for expenditure for public schools. Although transfers are based solely on investment performance, to accomplish the transfers to the reserve accounts (SFP Reserve Account and the CSPLF Spending Policy Reserve Account), an amount of federal mineral royalties equal to the amount of investment earnings that exceeded the spending policy amounts is directed to the SFP Reserve Account and CSPLF Spending Policy Reserve Account. Plainly, since investment earnings must be spent a specific way, the Legislature has elected to designate another stream of revenue without those expenditure requirements to accomplish its intended purpose. This is simply a “fund swap.”

⁶ The 5% of the five-year average market value of the corpus of the CSA is also referred to as the “spending policy amount.”

Table 2. Spending Policy Transfers to CSPLF Spending Policy Reserve Account (\$ Millions), FY 2008-2014.

Spending Policy: CSPLF	2008	2009	2010	2011	2012	2013	2014
Rolling 5-Year Average	\$1,248.7	\$1,399.1	\$1,520.7	\$1,668.0	\$1,841.0	\$1,980.0	\$2,152.5
Spending Policy Amount	\$62.4	\$70.0	\$76.0	\$83.4	\$92.0	\$99.0	\$107.6
Investment Income*	\$133.9	\$57.0	\$54.6	\$98.4	\$99.6	\$142.8	\$172.5
Transfer Amount	(\$71.4)	\$0.0	\$0.0	(\$15.0)	(\$7.5)	(\$43.9)	(\$64.9)

Source: LSO analysis of State Treasurer's Office data. *Does not include investment income on CSA II.

FY 2016 and Beyond Spending Policy Amount

If investment income is less than 2.5% of the previous five-year average market value of the CSA, then the difference is transferred from the CSPLF Spending Policy Reserve Account to the CSLIA/SFP to ensure that an amount equal to 2.5% is available.⁷ If investment income is greater than 3.0% and less than 5.0%, an amount equal to up to 2.0%, is transferred into the SFP Reserve Account. Finally, all investment income over 5.0% is directed to the CSPLF Spending Policy Reserve Account.

Current FY2015 Investment Performance

As of May 26, 2015, investment income in the form of interest and dividends derived from the CSA are exceeding the estimate by \$1,800,000. Further, \$138.4 million in capital gains from the CSA have been realized, but not yet distributed to the CSLIA and subsequently the SFP. If the fiscal year ended on May 26, 2015, the transfer from the SFP to the CSPLF Spending Policy Reserve Account would be \$28.96 million.

School Foundation Program Reserve Account

The School Foundation Program (SFP) Reserve Account was established during the 2014 Budget Session by 2014 Laws, Chapter 26, Section 300(g). The Legislature initially deposited \$100 million by appropriating (transferring) \$40 million from the Strategic Investments and Projects Account and \$60 million from the General Fund. During the 2015 General Session, the SFP Reserve Account was codified into law in 2015 Laws, Chapter 195 by creating W.S. 21-13-306.1. As mentioned in the CSLIA discussion, in FY 2016 and beyond, W.S. 9-4-601(r) provides for investment income from the CSLIA greater than 3.0% and less than 5.0% of the five-year average market value of the CSA, or the "spending policy amount", to be transferred into the SFP Reserve Account. Once the CSLIA investment income exceeds the 5.0% spending policy amount, an amount equal to the additional investment income is transferred to the CSPLF Spending Policy Reserve Account.

CSPLF Spending Policy Reserve Account (CSPLF RA)

The CSPLF Spending Policy Reserve Account is established by W.S. 9-4-719(f). Similar to the CSLIA, the spending policy amount was changed for FY 2015 and beyond.⁸ For FY 2015, any balance in the CSPLF Spending Policy Reserve Account in excess of 90% of the of the previous five-year average market value of the CSA, is transferred to the CSA. This deposit is often referred to as "inflation proofing" the CSA. In other words, in years with comparatively high investment returns, the Legislature has created a mechanism to save a portion of those investment earnings. Year-end balances of the CSPLF Spending Policy Reserve Account and transfer amounts to the CSA for FYs 2008 to 2014 are shown in Table 3.

⁷ This is also known as the "guaranteed backfill."

⁸ The spending policy amount was amended during the 2015 General Session by 2015 Laws, Chapter 195 (SF 146).

Table 3. CSPLF Spending Policy Reserve Account Transfers to CSA (\$ Millions), FY 2008-2014.

Spending Policy: CSPLF	2008	2009	2010	2011	2012	2013	2014
Year-End Balance Before Transfer*	\$102.0	\$47.0	\$47.0	\$62.0	\$69.5	\$112.9	\$139.1
75% Spending Policy Amount	\$46.8	\$52.5	\$57.0	\$62.5	\$69.0	\$74.2	80.7
Transfer Amount	(\$55.1)	\$0.0	\$0.0	\$0.0	(\$0.5)	(\$38.7)	(\$58.4)
Year-End Balance After Transfer	\$46.8	\$47.0	\$47.0	\$62.0	\$69.0	\$74.2	\$80.7

Source: LSO analysis of State Treasurer's Office data. * 2010 Laws, Chapter 39, Section 301(b) provided that no funds be transferred to the CSA until June 30, 2012.

This account is currently \$29.0 million shy of the cap, which was increased to \$109.7 million, or 90% of the spending policy amount in the 2015 General Session. If the fiscal year ended on May 26, 2015, the deposit to the corpus (CSA) would be \$54 million.

School Foundation Program Account (SFP)

The State appropriates funds for public schools' operations (Foundation Program) from the SFP. There is a direct relationship between the funding for the Foundation Program elements (school district guarantee, categorical programs, and additional assistance) and the SFP and the account from which those funds are provided. The Wyoming education resource block grant funding model (Model) determines a school district's guarantee. The Model guarantee amount is offset by local school district revenues. When a school district's local revenues are less than its Model guarantee, the difference becomes an entitlement payment from the SFP. When a school district's local revenues are more than its Model guarantee, the difference is rebated by the school district to the SFP in the form of a recapture payment. The funding for school district categorical programs and additional assistance are funded directly from the SFP.

The SFP receives its revenue from the following sources:

- 12-mill statewide levy (state school tax)
- Federal mineral royalties (FMRs)
 - 44.8% up to the first \$200 million annually
 - 33.3% after the first \$200 million has been annually reached
- School district recapture payments
- Common school land income
- Auto Taxes
- Other minor sources (E-rate, pooled interest, and car company taxes)

The SFP and school districts are overwhelmingly dependent on the mineral industry for revenue. Mineral production is subject to ad valorem taxation and is assessed at 100% of fair market value. Approximately 60% of all statewide assessed valuation is attributable to mineral production. Additionally, federal mineral royalties are dependent upon prices and production of mineral extraction on federal lands. Future assessed valuations projected by CREG as of January 2015 are forecast to decline. The assessed valuation projections are based on mineral price and production estimates, and estimates of assessed valuation for all other property using historical trends. Based upon the current CREG report, the assessed

values for oil and natural gas are currently projected to be approximately 28.4% less in calendar year (CY) 2015 and 23.6% less in CY 2016, as compared to the assessed values for oil and gas in CY 2014.

The reductions in commodity prices beginning in late CY 2014 will reduce assessed values, which will result in a decline in estimated revenue for K-12 education at both the State (SFP) and local (school district local revenues) level in FY 2016. The reduction in local school district revenue requires the SFP to make up the difference through entitlement payments, at the same time the account experiences a reduction in recapture revenue and a presumed reduction in FMR payments.

Table 4 provides the historical and future revenue to the SFP, by revenue category, since biennial years (BY) 2007-2008 through BY 2019-2020 (projected).⁹ Amounts estimated for BYs 2015-2016 to 2019-2020 use January 2015 CREG estimates and adjust for legislation enacted during the 2015 General Session. Consistent with other permanent funds, CREG does not project capital gains in future years, although the CSLIA has received significant revenue from realized capital gains in the past.

Table 4. SFP Revenue (\$ Millions), Net Transfers, BY 2007-2008 to Estimated BY 2019-2020.

Revenue Category	2007-08	2009-10	2011-12	2013-14	Estimated		
					2015-16	2017-18	2019-20
12-mill levy	\$506.7	\$615.1	\$553.4	\$582.2	\$597.1	\$558.5	\$581.7
FMRs	\$379.0	\$631.4	\$589.8	\$440.7	\$497.0	\$498.6	\$502.3
Recapture	\$319.7	\$547.7	\$403.5	\$364.2	\$345.1	\$242.1	\$235.6
CSLIA	\$242.4	\$171.8	\$344.6	\$368.5	\$163.0	\$167.3	\$183.6
Auto Taxes	\$38.6	\$43.0	\$41.8	\$44.6	\$42.0	\$42.0	\$42.0
Other	\$18.7	\$14.2	\$25.0	\$17.7	\$16.0	\$15.4	\$15.4
Total	\$1,505.0	\$2,023.1	\$1,958.1	\$1,818.0	\$1,660.2	\$1,523.9	\$1,560.6

Source: LSO analysis.

Although the appropriations from the SFP are primarily to school districts in the form of entitlement payments, the total appropriations from the SFP can be grouped into the following categories:

- Entitlement payments;
- Categorical program funding;
- Additional assistance outside the Model; and
- Other (funding for state agencies related to K-12 needs)

Table 5 illustrates the historical appropriations from the SFP, by appropriations category, since BY 2007-2008 through BY 2019-2020 (projected). Amounts estimated for BYs 2015-2016 to 2019-2020 use January 2015 CREG estimates and adjust for any legislation enacted during the 2015 General Session.

⁹ The amounts shown for FMRs are net the transfers out and in required by law (i.e., CSLIA/SFP automatic transfer to the CSPLF Spending Policy Reserve Account).

Table 5. SFP Appropriations (\$ Millions), BY 2007-2008 to Estimated BY 2019-2020.

Appropriation Category	2007-08	2009-10	2011-12	2013-14	Estimated		
					2015-16	2017-18	2019-20
Entitlement Payments	\$1,083.2	\$1,186.3	\$1,367.4	\$1,398.4	\$1,456.9	\$1,621.2	\$1,731.9
Categorical Programs	\$24.8	\$59.0	\$55.5	\$74.4	\$71.5	\$76.3	\$80.6
Additional Assistance	\$120.3	\$394.5	\$13.3	\$10.5	\$44.1	\$31.2	\$31.9
Other	\$71.7	\$79.0	\$76.6	\$68.4	\$90.9	\$91.4	\$91.4
Total	\$1,299.9	\$1,718.8	\$1,512.8	\$1,551.6	\$1,663.3	\$1,820.1	\$1,935.7

Source: LSO analysis.

During the 2009 General Session, the Legislature enacted a process that requires an analysis of the SFP to determine the unobligated balance.¹⁰ The Legislature adopted W.S. 21-13-306(c), which requires any unobligated, unencumbered funds remaining in the SFP in excess of \$100 million as of June 30 of each fiscal year to be deposited into the School Capital Construction Account (SCCA). Table 6 provides the transfer amounts to the SCCA from the SFP since FY 2009, which totals over \$1.25 billion since inception. In FY 2013, the Legislature suspended the transfer from the SFP to the SCCA.¹¹

Table 6. SFP Transfers to SCCA (\$ Millions), FY 2009 to FY 2014.

FY	2009	2010	2011	2012	2013	2014	Total
Transfer Amount	\$150.2	\$386.6	\$250.7	\$195.3	\$0.0	\$275.4	\$1,258.1

Source: LSO analysis.

At the end of the 2015 General Session, the LSO profile anticipated that no funds would be swept from the SFP to the SCCA. Based upon the April 2015 Revenue Update and strong capital gains, it is possible that some revenue may be deposited into the SCCA pursuant to W.S. 21-13-306(c). The Legislature has also taken the position, through budget bills, to ensure that if the SFP balance at the end of the FY is not \$100 million, funds from the Permanent Land Fund (PLF) Holding Account will be transferred to the SFP.¹² Based upon the March 19, 2015 profile, an estimated \$3.1 million is projected to be transferred from the PLF Holding Account to the SFP at the end of the 2015 General Session, notwithstanding the capital gains to the CSLIA.

From BY 1993-1994 through BY 2001-2002, statutorily directed revenues to the SFP were insufficient to fund the total level of appropriations. As a result, the Legislature augmented the SFP with occasional appropriations from the General Fund, as well as revenues from other sources. In fact, the General Fund supplemented both the SFP and funding for capital construction. Table 7 illustrates the various sources of revenue used to supplement educational activity in those biennia.

¹⁰ 2009 Laws, Chapter 98, Sections 2 and 3.

¹¹ 2012 Laws, Chapter 16, Section 1(j)(i).

¹² 2014 Laws, Chapter 26, Section 300(k)(ii).

Table 7. Education Funding Supplements (\$ Millions) from BY 1993-1994 through 2001-2002.

Source of Supplement	1993-94	1995-96	1997-98	1999-00	2001-02
Water Account I	\$16.7				
Education Trust Fund	\$10.0				
SCCA	\$1.5	\$6.3	\$4.7		
Highway Severance Taxes/FMRs	\$10.6	\$0.2			
Gas Tax (swaps severance/FMRs)				\$20.0	\$40.5
Policy Development Reserve Account (Off model)			\$5.3		
Statutory Reserve Account (Off model)				\$11.3	
<i>General Fund, including capital construction</i>	<i>\$99.7</i>	<i>\$134.2</i>	<i>\$125.3</i>	<i>\$130.1</i>	<i>\$77.6</i>

Source: LSO.

School Capital Construction Account (SCCA)

The Legislature appropriates funding for construction and maintenance of public schools from the SCCA. The Legislature also supports the School Facilities Department's (SFD) budget from the SCCA. The State is responsible for all planning, design and construction or renovation of schools and district-owned facilities, including major maintenance and minor capital construction or component level projects (e.g., roof replacements or boiler replacements). Table 8 provides the historical appropriations for the school capital construction program since BY 2007-2008 through BY 2019-2020 (forecast), based upon projections from the SFD in conjunction with the University of Wyoming.

Table 8. SCCA Appropriations (\$ Millions), BY 2007-2008 to Estimated BY 2019-2020.

Appropriations	2007-08	2009-10	2011-12	2013-14	Estimated		
					2015-16	2017-18	2019-20
Mill Levy Supplement	\$4.8	\$2.3	\$0.9	\$0.0	\$0.0	\$0.0	\$0.0
Major Maintenance	\$76.6	\$84.2	\$82.0	\$101.7	\$115.4	\$115.4	\$115.4
Operations, Engineering & Technical Services	\$6.1	\$7.0	\$10.4	\$6.6	\$13.2	\$13.2	\$13.2
Capital Construction	\$284.2	\$235.4	\$235.7	\$646.0	\$304.6	\$381.5	\$72.2
Total	\$371.6	\$329.0	\$329.0	\$754.3	\$433.3	\$510.2	\$200.8

Source: LSO analysis.

The revenue to pay for these activities comes primarily from federal coal lease bonus (CLB) payments and transfers from the SFP. CLB revenue is directed, by statute, to the SCCA in the following manner:

- 40.0% of the CLB is deposited directly into the SCCA;
- 10.0% of the bonus is provided to Wyoming community colleges, up to \$1.6 million, anything in excess of \$1.6 million is deposited into the SCCA; and
- 50.0% of the bonus is directed to cities, towns and counties and the highway fund, up to \$7.5 million, anything in excess of \$7.5 million is deposited into the SCCA.

WYOMING LEGISLATIVE SERVICE OFFICE Memorandum

There have been no successful federal coal lease sales since June 2012, and there are currently no anticipated sales throughout the balance of 2015. The next federal coal lease sale in Wyoming is not expected until the first quarter of CY 2016, at the earliest. Currently, projected revenues are less than anticipated expenditures for the 2017-2018 biennium.

Additional revenue to the SCCA comes from FMRs (2.7% up to \$200 million or \$5.346 million per year) and state royalties (up to \$8 million per fiscal year). Further, there is other revenue attributable from construction project recapture agreements for on-site utilities and infrastructure. Table 9 provides the revenue to the SCCA for BY 2007-2008 through BY 2019-2020 (projected). The CLB revenue is net the transfers to the SFP and Hathaway Scholarship Account in accordance with law in BYs 2007-2008 and 2009-2010.

Table 9. SCCA Revenue (\$ Millions), Net Transfers, BY 2007-2008 to Estimated BY 2019-2020.

Revenue Category	2007-08	2009-10	2011-12	2013-14	Estimated		
					2015-16	2017-18	2019-20
CLBs	\$318.6	\$157.3	\$174.4	\$433.4	\$418.2	\$111.0	\$0.0
SFP Transfers In	\$0.0	\$536.8	\$446.0	\$275.4	\$0.0	\$0.0	\$0.0
FMRs	\$10.7	\$10.7	\$10.7	\$10.7	\$10.7	\$10.7	\$10.7
In-State Royalties	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0	\$16.0
Other	\$0.0	\$0.1	\$0.8	\$0.6	\$0.0	\$0.0	\$0.0
Total	\$345.3	\$720.9	\$647.8	\$736.1	\$444.9	\$137.7	\$26.7

Source: LSO analysis.

The SCCA also has a statutory requirement to transfer funds from the SCCA to the CSA. Wyoming Statute 21-15-122(a)(ii) requires funds in excess of 50% of the amount appropriated for capital construction and major maintenance be deposited into the CSA at the end of each biennium. However, this provision has never been utilized because the Legislature has always exempted (“notwithstanding”) the requirement in session law, most recently in the 2014 Budget Bill. The Legislature has created a PLF Holding Account, where revenues in excess of appropriations in the SCCA are deposited at the end of each fiscal year (or biennium). Any balance at the end of each fiscal year is transferred from the SCCA to the PLF Holding Account, leaving the SCCA with a balance of \$0. Table 10 provides the transfer amounts from the SCCA to the PLF Holding Account for BYs 2011-2012 and 2013-2014 and estimated BY 2015-2016 through BY 2019-2020.

Table 10. PLF Holding Account Transfers from SCCA, BY 2011-2012 to Estimated BY 2019-2020.

BY	2011-12	2013-14	Estimated		
			2015-16	2017-18	2019-20
Transfer Amount	\$495.5	\$197.4	\$11.7	\$0.0	\$0.0

Source: LSO analysis.

The BY 2015-2016 amount will change with realized investment earnings (capital gains) directed to the SFP. No transfers to the PLF Holding Account are expected to occur in BYs 2017-2018 and 2019-2020 based upon current LSO revenue and appropriation projections.

Permanent Land Funding Holding Account (PLF Holding Account)

Since the BY 2011-12, the PLF Holding Account has been established for funds from the SCCA to be deposited rather than flow to the CSA.¹³ The CSA receives funds from the PLF Holding Account only if the fund balances are in excess of certain amounts. For BY 2013-2014, the PLF Holding Account cap was \$475 million¹⁴ and for BY 2015-2016, the cap is \$600 million¹⁵.

At the end of BY 2013-2014, \$217.9 million was transferred from the PLF Holding Account to the CSA. Based on estimates at the end of the 2015 General Session, the ending balance will be \$483.6 million. This ending balance could change based upon a variety of factors, including investment earnings, falling energy commodity prices and any effective immediate appropriations adopted by the Legislature and approved by the Governor resulting from the 2016 Budget Session.

Glimpse toward Future Biennia

Future revenues using January 2015 CREG projections as updated based upon 2015 Laws, Chapter 195 (Spending policy amendments), appear to fall short of trend expenditures. To define trend expenditures, this scenario applies the current K-12 funding Model, without regard to recalibration, combined with estimates of capital construction expenditures under the University of Wyoming estimates, secured by the SFD through a 2014 contract combined with modest modifications described below. The amounts computed for estimated payments to school districts out of the SFP for BY 2017-2018 and 2019-2020 use the following assumptions:

- The funding Model continues to operate under current law;
- No external cost adjustments beyond those adopted in the 2015 General Session;
- Enrollment continuing to increase by 1% each year;
- Reimbursements for special education and transportation continuing to increase 4% each year;
- Employer paid health insurance costs assumed to increase by 10% each year;
- Local school district assessed valuation generating school district revenues based upon January 2015 CREG estimates;
- Realized capital gains in FY 2015, to date, are not considered; and
- For ease of cumulative and comparative analyses, no transfers from the PLF Holding Account to the CSA corpus are assumed to occur.

Attachment C illustrates in table form the result of such a scenario. Importantly, this is not a prediction of what will occur. Rather, it is simply an analysis of existing expenditures, estimated expenditures for capital construction based upon one study informing SFD, the January 2015 CREG forecast of revenues and the above assumptions. If one incorporates different assumptions, it will yield different results. Attachment D provides an illustration of the same results in graphical form.

Attachments (4)

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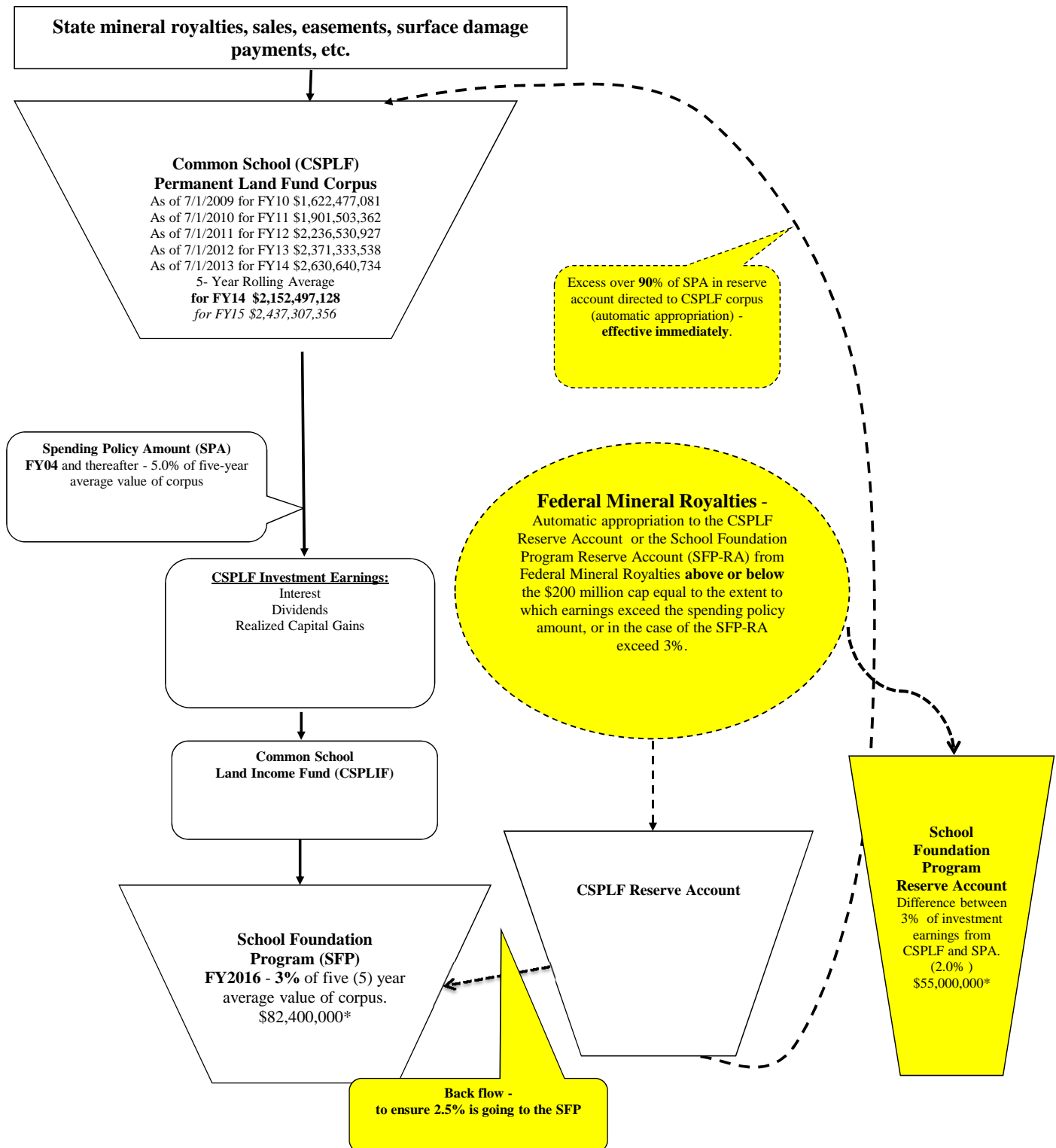
¹³ First PLF Holding Account established by 2010 Laws, Chapter 39, Section 333(g)(iii). The current PLF Holding Account was established by 2014 Laws, Chapter 26, Section 300(k).

¹⁴ 2013 Laws, Chapter 73, Section 300(g).

¹⁵ 2015 Laws, Chapter 142, Section 300(m).

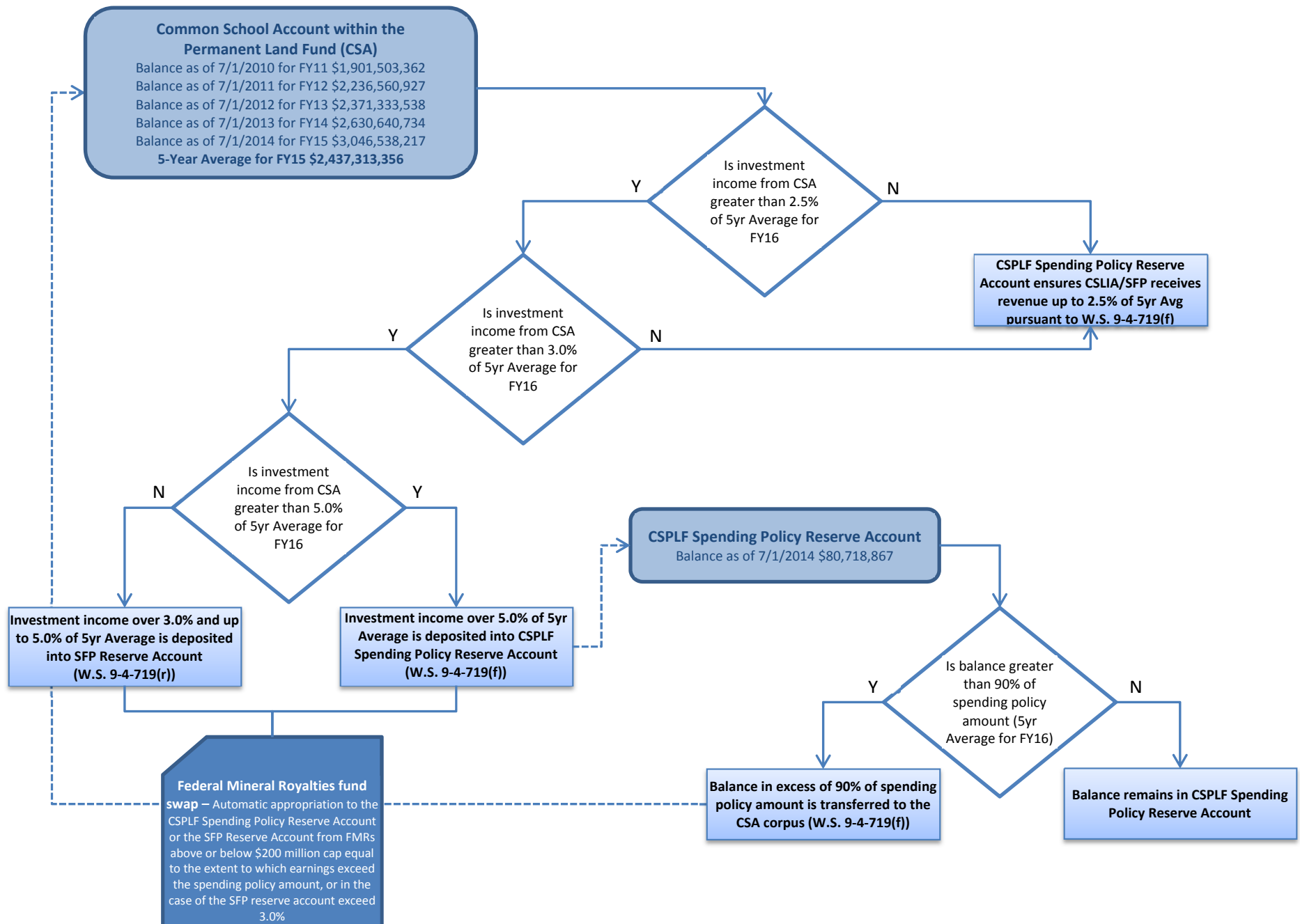
ATTACHMENT A

Flow Chart: Spending Policy Reserve Account (CSPLF), W.S. 9-4-719, as amended by 2014 SF 146 for FY 2016 and thereafter



*For illustrative purposes only, based on projected FY2016.

SPENDING POLICY: COMMON SCHOOL ACCOUNT WITHIN THE PERMANENT LAND FUND FY 2016 AND BEYOND

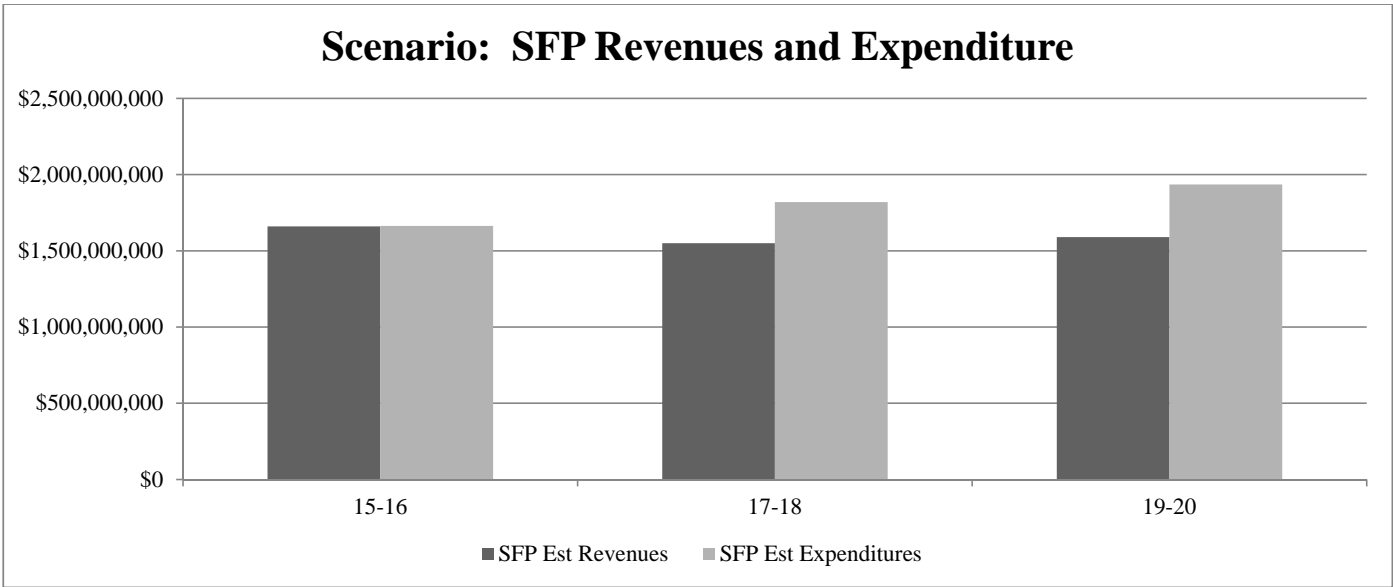


ATTACHMENT C: EDUCATION EXPENDITURES AND REVENUES SCENARIO

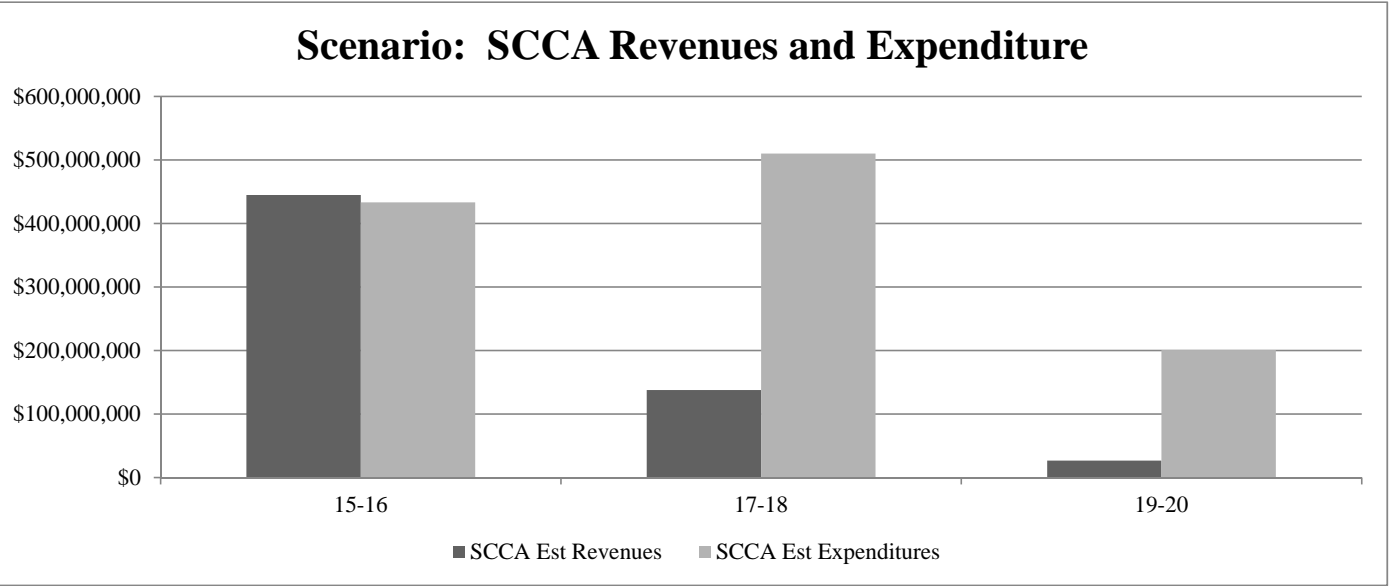
SFP	2015-16	Biennia 2017-18	2019-20
Beg. Balance	\$100,000,000	\$100,000,000	\$100,000,000
Est. Revenues	\$1,660,217,753	\$1,550,070,767	\$1,589,783,024
Net Revenues before Transfers	\$1,760,217,753	\$1,650,070,767	\$1,689,783,024
Transfers from PLF Holding Account	\$3,097,657	\$270,029,074	\$213,517,220
Transfers to SCCA	\$0	\$0	\$0
Net Available	\$1,763,315,410	\$1,920,099,841	\$1,903,300,244
Est. Appropriations	(\$1,663,315,410)	(\$1,820,099,841)	(\$1,935,737,511)
Total Balance Available	\$100,000,000	\$100,000,000	(\$32,437,267)
SCCA	2015-16	2017-18	2019-20
Beg. Balance	\$0	\$0	(\$372,473,963)
Est. Revenues	\$444,905,691	\$137,692,000	\$26,692,000
Net Revenues before Transfers	\$444,905,691	\$137,692,000	(\$345,781,963)
Transfers from SFP	\$0	\$0	\$0
Transfers to PLF Holding Account	(\$11,643,951)	\$0	\$0
Net Available	\$433,261,740	\$137,692,000	(\$345,781,963)
Est. Appropriations	(\$433,261,740)	(\$510,165,964)	(\$200,812,499)
Total Balance Available	\$0	(\$372,473,963)	(\$546,594,462)
PLF Holding Account	2015-16	2017-18	2019-20
Beg. Balance	\$475,000,000	\$483,546,294	\$213,517,220
Est. Revenues	\$0	\$0	\$0
Net Revenues before Transfers	\$475,000,000	\$483,546,294	\$213,517,220
Transfers from SCCA	\$11,643,951	\$0	\$0
Transfers to SFP	\$0	\$0	\$0
Net Available	\$486,643,951	\$483,546,294	\$213,517,220
Transfer to SFP	(\$3,097,657)	(\$270,029,074)	(\$213,517,220)
Total Balance Available	\$483,546,294	\$213,517,220	\$0
Net Shortfall		(\$58,956,743)	(\$579,031,729)

ATTACHMENT D: Graphics of Education Revenue and Expenditure Scenario

Scenario: SFP Revenues and Expenditure



Scenario: SCCA Revenues and Expenditure



Scenario: Total Traditional Education Revenues and Expenditure

