

SUMMARY *of* PROCEEDINGS



JOINT APPROPRIATIONS COMMITTEE

COMMITTEE MEETING INFORMATION

June 11-12, 2018 | 8:00 AM
Jonah Business Center, Room L54
3001 E. Pershing Blvd.
Cheyenne, Wyoming

COMMITTEE MEMBERS PRESENT

Senator Bruce Burns, Co-chairman
Representative Bob Nicholas, Co-chairman
Representative Donald Burkhart, Jr.
Senator Dan Dockstader
Senator Ogden Driskill
Senator John Hastert
Representative Lloyd Larsen
Representative Andy Schwartz
Representative Albert Sommers
Representative Tom Walters
Representative Sue Wilson

COMMITTEE MEMBERS NOT PRESENT

Senator Bill Landen

LEGISLATIVE SERVICE OFFICE STAFF

Don Richards, Budget and Fiscal Administrator
Tamara Rivale, Senior Staff Attorney
Matt Sackett, Senior Fiscal Analyst
Dean Temte, Senior Fiscal Analyst
Dawn Williams, Senior Fiscal Analyst

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OTHERS PRESENT AT MEETING

Please refer to **(Appendix 1-02)** to review the Committee Sign-in Sheet for a list of other individuals who attended the meeting.

EXECUTIVE SUMMARY

The Committee met for two days to consider interim topics. On the first day the Committee received information about state investment of funds and investment team compensation strategies, as well as state revenue streams, cash flows and reserve accounts. On the second day, the Committee received presentations regarding the Office of Homeland Security, development of a statewide gaming commission and rate setting by the Department of Enterprise Technology (ETS). At the conclusion of the meeting, ETS conducted a tour of its contract data storage facility for Committee members.

CALL TO ORDER (JUNE 11, 2018)

Chairman Bob Nicholas called the meeting to order at 8:10 AM. The following sections summarize the Committee proceedings by topic. Please refer to [\(Appendix 1-01\)](#) to review the Committee Meeting Agenda.

STATE INVESTMENT OF FUNDS

State Treasurer's Office (STO)

Mark Gordon, State Treasurer offered introductory remarks and recounted improvements made to the Office during his tenure. Patrick Fleming, Chief Investment Officer, presented an overview of investment performance. [\(Appendix 1-04\)](#) Mr. Fleming reported reductions to management fees and adjustments made to internal investment, which resulted in savings to the State. The Office established performance measures for managers and defined benchmarks. Mr. Fleming also discussed incentive compensation and suggested that whatever method is selected should be utilized by both the STO and the Wyoming Retirement System.

Wyoming Retirement System (WRS)

Sam Masoudi, WRS Chief Investment Officer, and Tom Chapman, WRS Board Investment Committee Chair, addressed incentive compensation and suggested a study be conducted, including focus on internal management, timing of implementation, staffing levels required and research of other programs. [\(Appendix 1-05\)](#).

Other state structures

Via video conference, the Committee received testimony from three (3) states regarding their individual investing structures and incentive compensation strategies: Russell Read, Chief Investment Officer, Alaska Permanent Fund Corporation [\(Appendix 1-08\)](#); Matt Clark, Chief Investment Officer, South Dakota Investment Council [\(Appendix 1-06\)](#); and Bob Maynard, Chief Investment Officer, Public Employee Retirement System of Idaho [\(Appendix 1-07\)](#).

Public Comment

Alfred Hill, a Certified Public Accountant from Story, WY expressed his concern over the State Treasurer's allocation of assets and reporting, specifically that the selections place the State's investments at risk. He cautioned the State to reconsider its positions. [\(Appendix 2-01\)](#).

Treasurer Gordon and Patrick Fleming, STO Chief Investment Officer, assured the Committee that the State's assets are prudently invested to mitigate risk.

ACTUARIAL UPDATE ON WYOMING RETIREMENT SYSTEM FUNDS

Ruth Ryerson, WRS Executive Director, presented the 2018 actuarial valuation study that reflects the revised assumptions of the retirement system. [\(Appendix 3-01\)](#).

REVENUE STREAM AND BUDGET PROCESS

Revenue Streams Introduction

Don Richards, LSO Budget/Fiscal Administrator, and Matt Sackett, Senior Fiscal Analyst, led the Committee through slides 1-21 of the Revenue Streams and Budget Process handout, which provides a history of collections and distributions from multiple revenue streams. (**Appendix 4-01**).

Representative Walters moved that the Committee request a bill draft to modify the language in W.S. 39-18-111 to simplify the cigarette tax distribution. The resulting language will retain the current disbursement of collections: 85% to the General Fund and 15% to cities, towns and counties, but the verbiage will be clarified. The motion passed.

Representative Sommers moved that the Committee request a bill draft to replace statutory references to the “Budget Reserve Account” with “General Fund.” The motion passed.

Reserve Accounts and Cash Flows

Don Richards, LSO Budget/Fiscal Administrator, and Matt Sackett, Senior Fiscal Analyst, walked the Committee through slides 22-33 of the Revenue Streams and Budget Process handout, which summarizes the various reserve accounts and cash flows according to statutory spending policies. (**Appendix 4-01**).

Chairman Burns requested that LSO staff study the long-term effect of expending capital gains that otherwise would have been deposited to the Permanent Wyoming Mineral Trust Fund corpus for discussion at the September meeting.

The “Budget Process & Timeline,” “Discussion of Budget Session vs. General Session” and “Profile” sections of the handout were tabled until the September meeting.

Public Comment

Representative Jerry Obermueller addressed the Committee about his desire and recommendation to restore consensus around financial reporting by the State Treasurer and the State Auditor. He demonstrated that income is defined differently by each office resulting in conflicting reports. Representative Obermueller believes consensus will improve the relevance of the fiscal profile produced by LSO by providing an accurate representation of revenue through inclusion of investment income, and he respectfully requests this item to be considered in September. (**Appendix 4-03**).

The Committee adjourned for the day at 6:10 PM.

DAY 2 (JUNE 12, 2018)

Chairman Bruce Burns called the meeting to order at 8:05 AM.

OFFICE OF HOMELAND SECURITY

Guy Cameron, Director, and Robin Roberts, Finance/Grants Supervisor, of the Office of Homeland Security presented an overview of their agency budget. (**Appendix 5-02**). The Committee requested a history of funding of the program and corresponding staffing numbers.

STATEWIDE GAMING COMMISSION

Attorney General's Office

Pete Michael, Attorney General, and Mike Kahler, Supervising Attorney General, explained that the role of Attorney General's office is to determine whether games are of skill or chance at the request of local law enforcement. Mr. Michael offered some suggestions to the Committee for consideration as it studies gaming, including determination of how funds collected for the State would be used. At a minimum, he suggested that collections cover the costs of expenses borne by regulation. Mr. Michael recited a history of gaming issues in the last ten years. His office is in the process of issuing a legal opinion as to chance versus skill requested by county prosecutors and anticipates its completion in August this year. He cautioned that there is a persistent lag between regulation and creation of new gaming vices and stressed the importance of being nimble to respond. He encouraged the Committee to consider how much rule-making authority it assigns to a commission as opposed to oversight by Legislature. Mr. Michael suggested the Committee consider other states' experiences with statutes and rule-making.

Public Comment

Gay Woodhouse, an attorney from Woodhouse, Roden and Nethercott, LLC, spoke as a representative of Wyoming Skills, LLC, which includes five (5) "amusement companies." On behalf of her clients, Ms. Woodhouse advocated regulation and licensing, and offered suggestions. She explained how the machines operate ([Appendix 7-01](#)) and her resulting opinion that games qualify as games of skill ([Appendix 6-05](#)).

Pari-Mutuel Commission

Charles Moore, Executive Director, Chris Walsh, Investigator/Inspector Supervisor & Simulcast Steward, and Bob Davis, Commissioner, summarized the mission and operation of the Pari-Mutuel Commission and provided the 2017 annual report for background. ([Appendix 6-02](#)). Mr. Moore led the Committee through his handout that discussed statutory authority for horse wagering and distribution of earnings to breeders and local governments. ([Appendix 6-03](#)).

Public Comment

Byron Oedekoven, Executive Director of the Wyoming Association of Sheriffs and Chiefs of Police, advocated for creation of a gaming commission and suggested that the State move away from local enforcement.

Kate Anderson, thoroughbred breeder, expressed concern about impacts of a statewide gaming commission to horse business in the State and cautioned the Committee to be mindful of decisions and how they affect horsemen.

Department of Revenue

Tom Montoya, Kelly Hunt and Greg Cook from the Department of Revenue Liquor Division presented the Department's summary of state gaming laws and state gaming commissions. ([Appendix 6-04](#)). They discussed the Department's experience with pull tabs and local establishments. Since there is no regulation, there is no way of knowing how many businesses sell pull tabs. Senior Agent Hunt contacted states where regulation occurs and reported that Alabama statutes provide a good model for statewide gaming.

The Committee directed LSO staff to arrange for presentations, via Skype, from three (3) states that have a version of statewide gaming commissions, including Alabama, for its September meeting in Buffalo. The Committee asked Mr. Montoya for a copy of his written comments. ([Appendix 6-08](#)).

Public Comment

Darren Webb, owner of C&E Bingo Supply, advocated for regulation of unregulated games in Wyoming. He explained how he is regulated in other states and suggested a state gaming commission could be funded from gaming proceeds. He expressed his concerns for regulation of players and that gaming is not limited to charitable entities as is currently provided for in statute.

Wyoming Lottery Corporation

Matt Kaufman, Wyoming Lottery Commission contract counsel, introduced the Committee to lottery courier services. Courier services would allow the Wyoming lottery to expand its player base, according to Mr. Kaufman.

DEPARTMENT OF ENTERPRISE TECHNOLOGY SERVICES (ETS) DISCUSSION OF RATES

Tony Young, Chief Information Officer, Dan Young, Information Services Administrator, and Jackie Childress, Business Services Manager, presented a review of their agency budget. (**Appendix 8-02**). Ms. Childress walked the Committee through the budget and explained how it is formulated. The agency believes it would be able to more accurately budget for expenses if its direct billing system was replaced with general funds. In addition, the agency suggested its billing for the unified network (circuits) also be generally funded. Mr. Dan Young reported on bulk computer purchasing and the cybersecurity program.

MEETING ADJOURNMENT

There being no further business, Chairman Burns adjourned the meeting at 3:30 PM. Committee members toured the Green House Data facility where the State stores its data.

Respectfully submitted,

Senator Bruce Burns

Committee Meeting Materials Index

Index Number	Agenda Item	Document Description	Document Provider
1-01		Agenda	LSO
1-02		Sign-in Sheets	LSO
1-03	State Investment of Funds	STO and WRS White Paper	Legislative Service Office
1-04	State Investment of Funds	STO Presentation	State Treasurer's Office
1-05	State Investment of Funds	WRS Presentation	Wyoming Retirement System
1-06	State Investment of Funds	Investment Structure Presentation	Matt Clark, South Dakota
1-07	State Investment of Funds	PERSI Investment Portfolio (Idaho)	Bob Maynard, Idaho
1-08	State Investment of Funds	Alaska Permanent Fund Corp (APFC) Presentation	Russell Read, Alaska
2-01	State Investment of Funds (continued)	Alfred Hill Email	Alfred Hill, CPA
3-01	Actuarial Update on Wyoming Retirement System Funds	Actuarial Memo for JAC	Wyoming Retirement System
4-01	Revenue Stream and Budget Process	Revenue Streams and Budget Process	Legislative Service Office
4-02	Revenue Stream and Budget Process	Constitutional and Statutory Parameters - Legislative Sessions	Legislative Service Office
4-03	Revenue Stream and Budget Process	STO and SAO Reporting	Rep. Obermueller
5-01	Office of Homeland Security	Office of Homeland Security Budget White Paper	Legislative Service Office

5-02	Office of Homeland Security	Office of Homeland Security Presentation	Office of Homeland Security
6-01	Statewide Gaming Commission	Statewide Gaming Commission White Paper	Legislative Service Office
6-02	Statewide Gaming Commission	Pari-Mutuel Comm. 2017 Annual Report	Pari-Mutuel Commission
6-03	Statewide Gaming Commission	Legal Gambling in Wyoming	Pari-Mutuel Commission
6-04	Statewide Gaming Commission	State Gaming Commission Handouts	Department of Revenue
6-05	Statewide Gaming Commission	Gaming Legal Opinion	Woodhouse Roden & Nethercott, LLC
6-06	Statewide Gaming Commission	Gaming and Gambling Statutes	Legislative Service Office
6-07	Statewide Gaming Commission	2009 AG Opinion - Gaming Device	Attorney General's Office
6-08	Statewide Gaming Commission	DOR Comments at JAC	LSO
7-01	Statewide Gaming Commission (continued)	Skill Games	Gay Woodhouse, Woodhouse Roden & Nethercott, LLC
8-01	Department of Enterprise Technology Services (ETS) discussion of rates	ETS Rate Setting White Paper	Legislative Service Office
8-02	Department of Enterprise Technology Services (ETS) discussion of rates	ETS Budget Review	Enterprise Technology Services