

# Budget Shortfall Introduction



**STATE of WYOMING LEGISLATURE**

**May 26, 2020**

*LSO Legal and Budget/Fiscal Staff*

# Categories of Response Options

- 1. Program reductions, replaced support**
- 2. Use of reserves (LSRA, SIPA, reversions, etc.)**
- 3. Additional federal stimulus or flexibility as to use**
- 4. Increased revenues**



# Fiscal Impacts of Major Revenue Enhancements

Measure	Approx. Annual Amount (FY22)	Measure	Approx. Annual Amount (FY22)
One Percent Sales and Use Tax	\$150 million	1% Increased Return on PWMTF	\$80 million
Eliminate Exemptions (Services, Food, Manufacturing, Data)	\$186 million	1% Increased Return on CSPLF	\$40 million
Taxation of Food (included in total)	\$57 million	Corporate Tax (2020 HB 64)	\$23 million
One mill	\$17 million	Individual Income Tax (2020 HB147)	\$110 million
Increase Assessment Ratio 9.5% to 11.5%	\$110 million	One Cent Fuel Tax, with exemptions	\$6 million

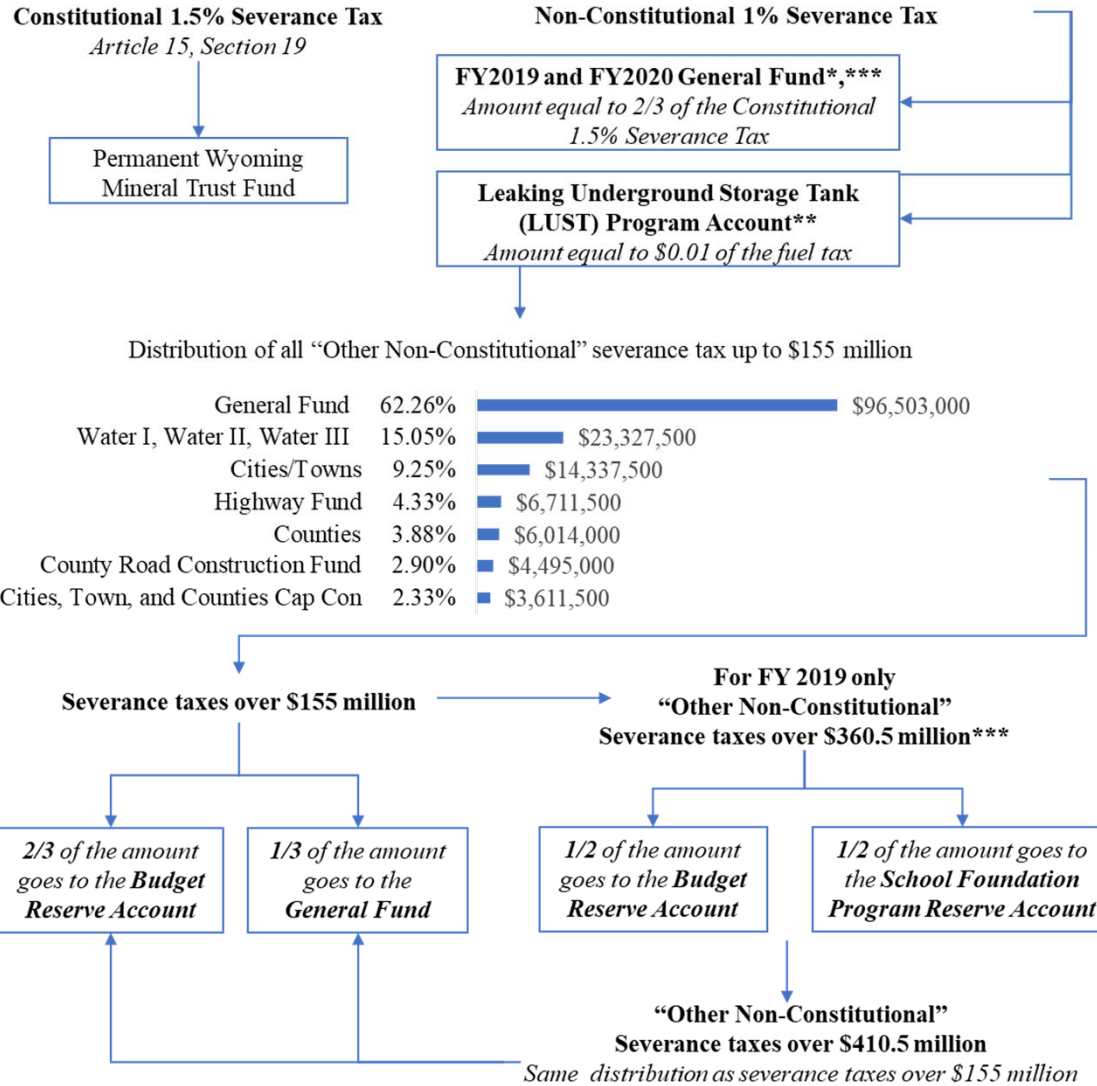


# De-Earmarking History

- **1999 Subcommittee of Revenue-Expenditure Study**
- **2000 & 2001 Select Committee on De-earmarking**
- **Legislative Royalty Impact account combined with the Budget Reserve Account; Municipal Rainy Day Account distributed**
- **Revisions to distributions, especially severance taxes**
- **Capped revenue vs certainty vs risk**



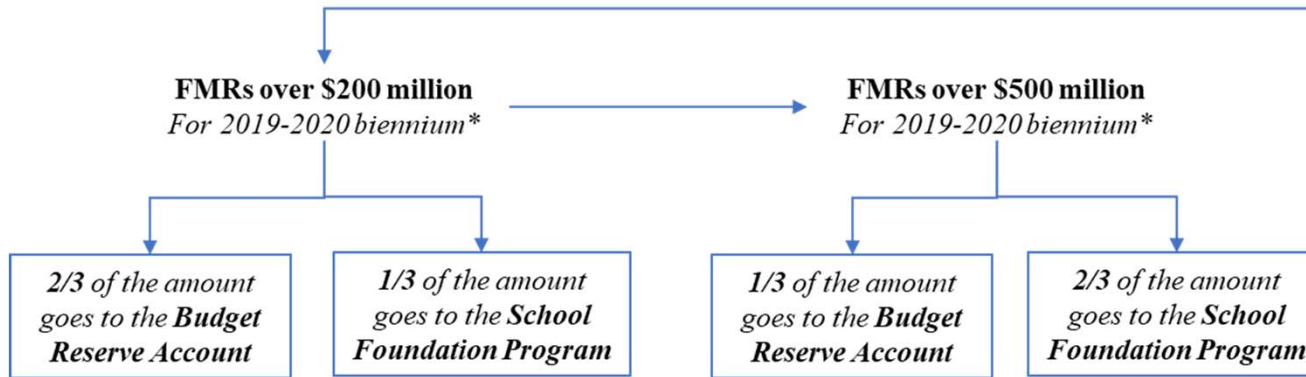
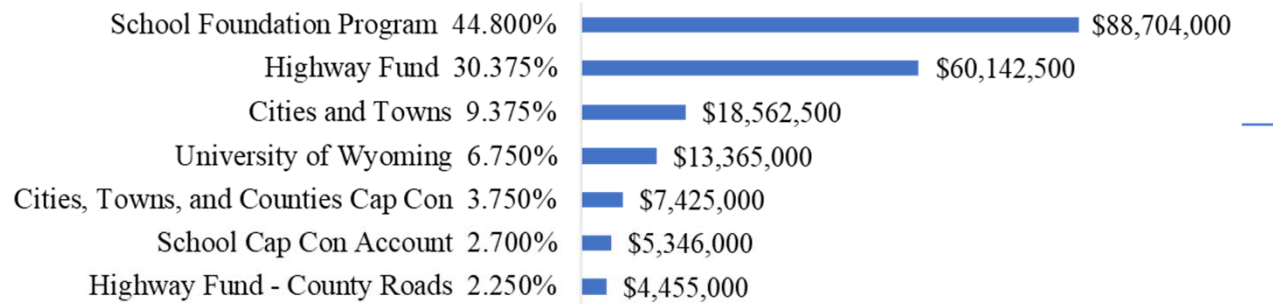
# Severance Tax Distribution



# FMR Distributions

**1% State Administration Fee**  
*FY2019 = \$2 million*  
*Goes into the General Fund*

Distribution of remaining FMRs balance after 1% administration fees



# Major Components of Wyoming Tax Structure

## Property Taxes - 41% of FY19 total

- property tax paid on mineral production represents 47% of FY19 total
- Calendar year 2018 effective tax rate on owner-occupied housing value 0.55% (#47)

## General Sales Taxes - 31% of FY19 total

- State tax rate 4% (#40), avg. local rate 1.34% = 5.34% combined rate (#44)

## Severance Taxes - 21% of FY19 total

- 6% of value on oil and gas (4% on stripper oil),
- 7% of value on surface coal, 3.75% of value on underground coal

## Other Taxes - 7% of FY19 total

- Fuel tax - \$0.24/gallon (#36)
- Cigarette tax - \$0.60/pack (#43)
- Alcohol - Beer \$0.02/gallon (#50), Wine \$0.28/gallon, Spirits \$0.94/gallon (no ranks)
- Insurance premium tax (\$22.5 million in FY19)
- Franchise taxes (\$14.8 million in FY19), wind generation tax (\$4.2 million in FY19)

No Individual Income Taxes

No Corporate Income Taxes



# WY Comparative Tax Rates – Surrounding States

	CO	ID	MT	NE	SD	UT	WY
Sales and Use	7.65%	6.03%	0%	6.93%	6.40%	7.18%	5.34%
Property*	0.56%	0.75%	0.76%	1.65%	1.22%	0.62%	0.55%
Ind. Income <sup>^</sup>	4.63%	6.925%	6.9%	6.84%	0%	4.95%	0%
Corp. Income <sup>^</sup>	4.63%	6.925%	6.75%	7.81%	0%	4.95%	0%
Fuel	\$0.22	\$0.33	\$0.3275	\$0.302	\$0.30	\$0.3111	\$0.24

Source: Tax Foundation

<sup>^</sup> Top state marginal individual income tax rate

\* Percent of owner-occupied housing value

Additional comparisons can be prepared upon request.





# Year of Last General Increase, Selected Taxes

Tax	Year of Last Increase
Statewide Sales and Use Tax	1993 (initial imposition)
State Ad Valorem Tax	Last imposed 1969*
Fuel Tax	2013
Cigarette Tax	2003
Wind Generation Tax	2010
Severance Tax (oil and gas)	1981

\*Various jurisdictions, including K-12 bonding have increased and decreased substantially in the intervening period.



# K-12 School Finance

## **Article 7, Section 1.**

The legislature shall provide for the establishment and maintenance of a complete and uniform system of public instruction, embracing free elementary schools of every needed kind and grade, a university with such technical and professional departments as the public good may require and the means of the state allow, and such other institutions as may be necessary.

## **Article 7, Section 9.**

The legislature shall make such further provision by taxation or otherwise, as with the income arising from the general school fund will create and maintain a thorough and efficient system of public schools, adequate to the proper instruction of all youth of the state, between the ages of six and twenty-one years, free of charge; and in view of such provision so made, the legislature shall require that every child of sufficient physical and mental ability shall attend a public school during the period between six and eighteen years for a time equivalent to three years, unless educated by other means.



# *Campbell* Decisions

- The Legislature is constitutionally obligated to:
  - Define and specify a proper education;
  - Establish and maintain a system for providing an equal opportunity to a proper education;
  - Determine the cost of implementing a proper education;
  - Provide adequate funding to meet those costs of implementing a proper education.



# Criminal Punishment Protections

- “[N]or shall cruel or unusual punishment be inflicted” Article 1, Section 14; see also Eighth Amendment.
- “No person arrested and confined in jail shall be treated with unnecessary rigor. The erection of safe and comfortable prisons, and inspection of prisons, and the humane treatment of prisoners shall be provided for.” Article 1, Section 16.
  - The State is constitutionally obligated to provide appropriate care, including medical care, to prison inmates. *Brown v. Plata*, 563 U.S. 493, 511 (2011); *Apodaca v. Ommen*, 807 P.2d 939 (Wyo. 1991).



# The Courts and Criminal Procedure

- Article 5 provides for the creation of the Wyoming Supreme Court, District Courts, Judicial Nominating Commission, Commission on Judicial Conduct and Ethics.
- “All courts shall be open . . .” Article 1, Section 8.
- “The right of trial by jury shall remain inviolate in criminal cases.” Article 1, Section 9; see also Sixth Amendment.
- “In all criminal prosecutions the accused shall have the right to defend in person and by counsel . . . and to a speedy trial by an impartial jury . . . .” Article 1, Section 10; see also Sixth Amendment.



# Legislative and Executive Branches; Local Govts

- Article 3 provides for the operation of the legislative branch.
- Article 4 provides for the election of the Governor, Secretary of State, Auditor, Treasurer and State Superintendent.
- “. . . The compensation of the members of the legislature shall be as provided by law; but no legislature shall fix its own compensation.” Article 3, Section 6.
- Salaries of public officials are to be set by the Legislature, but may not be increased or decreased for the official’s term (not including judges in certain situations).
- County and city governments and county officers are contemplated. Articles 12-14.



# Elections

- “Elections shall be open, free and equal, and no power, civil or military, shall at any time interfere to prevent an untrammelled exercise of the right of suffrage.” Article 1, Section 27.
- Article 6 imposes standards for elections, including the time and manner for holding elections.



# State Institutions and Offices

- University of Wyoming and Board of Trustees (Article 7, Sections 15 & 17)
- State Hospital (Article 7, Section 23)
- State Penitentiary (Article 7, Section 23)
- Superintendents of Water Divisions (Article 8, Section 4)
- State Engineer (Article 8, Section 5)
- Office of Inspector of Mines (Article 9, Section 1)
- State Board of Equalization (Article 15, Section 9)

