

WYOMING TAXPAYERS ASSOCIATION

ACTION ALERT

JANUARY CREG UPDATE – JANUARY 14, 2012



Members of the Consensus Revenue Estimating Group released the January 2012 revenue forecast last week to the Joint Appropriations Committee. The report contained minor revisions or adjustments that yielded fairly large impacts to revenues.

SUMMARY OF CHANGES FROM THE OCTOBER REPORT:

The most significant change to the October forecast was in natural gas pricing. The mild winter, combined with an imbalance in supply and demand has yielded increased storage levels of more than 11% from the same time last year, and a downward hand in prices.

Revenues from Federal Mineral Royalties (FMR's) were also reduced for the 2012 fiscal year due to a refund that will be withheld from upcoming royalty payments from the Office of Natural Resource Revenue (ONRR) (due to an overpayment of previous gas royalties). This reduces revenues from FMR's another \$10.1 million, bringing the total reduction in BRA FMR revenues in the 2011-2012 biennium to \$32.0 million.

THE BOTTOM LINE

The impact to the General Fund/Budget Reserve Account for the 2010-1-2012 biennium is a reduction of \$51.1million. See the chart below for individual categories of revenues sources:

Revenue Source	October Forecast	January Forecast	Difference
Sales and Use Tax	\$961.1 M	\$961.1 M	0
Severance Tax	\$970.0 M	\$949.8 M	- \$20.2 M
Federal Mineral Royalties	\$880.6 M	\$848.6 M	- \$32.0 M
Investment Income	\$495.5 M	\$495.5 M	0
All Other	\$300.9 M	\$302.0 M	\$1.1 M
Total General Fund/BRRA	\$3,608.1 M	\$3,557.0 M	- \$51.1 M

The real concern, however comes with the 2013-2014biennium where total revenues to the General Fund and Budget Reserve Account will be \$113.1 million lower than anticipated in October. There is concern that when the overall spending from the General Fund amounts to \$3.5 billion, a \$113 million reduction has a pretty significant impact. The Joint Appropriations Committee is watching the impacts on the 2015-2016 biennium as well. If prices don't improve and the budget keeps growing, the revenue situation could look very bleak in future years.

IMPACTS TO OTHER FUNDS

The only other funds impacted by the reduction in gas prices and FMR's are the School Foundation Program and the Permanent Wyoming Mineral Trust Fund.

SFP:

- Reduction of \$20.4 million for the 2011-2012 biennium
- Reduction of \$74.4 million for 2013-2014

PMTF:

- Reduction of \$14.3 million for 2011-2012
- Reduction of \$38.6 million for 2013-2014 biennium