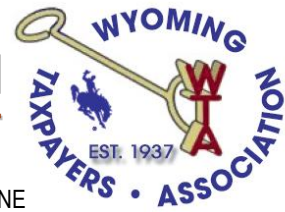


# WYOMING TAXPAYERS ASSOCIATION

## ACTION ALERT



JOINT APPROPRIATIONS COMMITTEE – DECEMBER 7, CHEYENNE

The Wyoming Legislature's Joint Appropriations Committee met the week of December 7<sup>th</sup> to begin scrutinizing state agency budgets. The week began with a presentation from Governor Dave Freudenthal, where he highlighted his budget recommendations to the Committee. "This is still a robust budget compared to other states and even to Wyoming in the 1990's," the Governor echoed from his written comments. Furthermore, the Governor maintained that the State is not heading into a structural deficit situation as some suggest, as we are still able to keep on track by not offering cost of living increases and not funding certain things that are optional – "we have not crossed the threshold where you can't fund essential government services." Keep in mind that projected revenues are down almost \$2.0B from this time one year ago.

**BOTTOM LINE** – The Governor is proposing \$2.998B in appropriations from the State's General Fund (GF). \$2.77B is considered ongoing appropriations, and \$225M is considered one-time funding.

**SAVINGS** - With the changing climate in revenue projections, policy makers have had many discussions about how to approach reserves and savings. The Governor suggested that legislators have many options to find more revenues such as raiding savings accounts, or using the ½% severance tax that is currently going into the PMTF, but offered a strong word of caution against acting.

The total balance for the Legislative Stabilization Reserve Account (LSRA) would be \$692,723,730 at the end of the 11/12 biennium and the Governor suggested that a good goal for this fund would be \$1B. The fund will see a transfer of \$248.6M from the Budget Reserve Account, which is significantly higher than the May 2009 projections and this is largely due to the budget cuts issued earlier this spring. The Governor also asked the Committee to consider a temporary suspension of the automatic transfer of funds from the PMTF Spending Policy Reserve Account to the corpus of the PMTF at the end of the 2010 biennium and each of the succeeding fiscal years. Add this to the projected transfer of \$248.6M and the LSRA could increase to \$840M by next year.

**LOCAL GOVERNMENTS** – Appropriations going to local governments will take on a whole new look this biennium? The budget recommends \$124M in GF appropriations to locals, which includes:

- \$50M in direct appropriations
- \$61.5M for Business Ready Communities
- \$11.5M to the Community Facilities Program
- \$10.2M recommended to the Auditor's Office to cover local government's share of retirement contributions
- \$33.4M in Federal Mineral Royalties and \$1.6M from the GF to the State Loan and Investment Board (SLIB)
- \$4M to leverage an additional \$20M in Federal funds for Safe Drinking Water and Clean Water programs.

The Governor specifically recommended splitting the local appropriations into two years, instead of front loading the appropriation. Compare these numbers to the last few years where appropriations to locals amounted to \$464M in the 07/08 biennium and \$475M in the 09/10 biennium.

**ABANDONED MINE LAND (AML) FUNDS** – The State should expect \$116.1M in AML funds that will be available for appropriation. Of that, \$33.4M is directed to the Department of Environmental Quality reclamation projects related to abandoned mines. Of the AML monies that are owed Wyoming as 'prior balance funds', \$82.7M should be available during the first year of the biennium for appropriation. If this indeed comes to pass, the Governor recommends the following:

- \$17.4M for the operation of the UW School of Energy Resources
- \$45M for continuation and acceleration of carbon sequestration research
- \$666,000 to continue the Wyoming Reclamation and Restoration Center at UW

- \$985,000 for a mass spectrometer

Additional AML recommendations include:

- \$2.2M to continue the DEQ orphaned site program
- \$1.8M to DEQ for Air Quality Initiative
- \$638,101 to the Geological Survey for CO<sub>2</sub>

**STATE EMPLOYEES** – State agencies still remain under hiring restrictions. There are now around 950 positions vacant, including those that were eliminated in the Governor’s 10% budget reductions (these are not included in the current budget recommendations from the Governor for state agencies.) Originally, 22 FTE’s were intended to be reduced in the 10% cuts, however 19 were removed in the end (as well as the funding). The Governor is not recommending any external cost adjustments for state employees, or any additional appropriations to address market pay deficiencies. The Committee has requested LSO to draft up some sort of tracking chart on AWEC (contract) employees – how many have been eliminated, how many are still in effect, and under what terms.

**HEALTH** - Medicaid continues to be the biggest issue facing the Department of Health, including its growing budget. Because enrollments are on the rise, the program is slated to be over budget by nearly \$70M in this 09/10 biennium. An increase in the federal match rate for Medicaid, combined with a 10% average reduction in provider reimbursement rates will cover this shortfall.

The Governor did recommend sending \$25M to the Auditor’s office for future caseload growth, but hopes we are passed the worst of the increases in case numbers. Of that \$25M, \$9M would be available to meet variations in the enrollment projections, and \$16M would not be available without legislative authorization in the 2011 session.

**RETIREMENT SYSTEM** – It was recommended that a fund be set up in the State Auditor’s Office for potential payroll contribution rate adjustments. The appropriation of \$48.8M is comprised of \$25.9M from the GF and \$22.9M from the School Foundation Program (SFP) Fund.

**CAPITAL CONSTRUCTION** – Appropriations for Capital Construction total just \$65.8M from the GF. In summary:

- \$15.1M is appropriated for new construction of the I-25 welcome center
- \$39M in FMR backed bonding authority for UW’s Fine and Performing Arts Center, and renovations to Downey Hall
- \$8.2M to the Military Department for the purchase of additional land in the Camp Guernsey area.

Major maintenance will be continued at the 1.5% multiplier for state facilities, however will be eliminated for UW and the Community Colleges.

**K-12 EDUCATION** – The Governor did not recommend authorizing an external cost adjustment to the SFP.

**SCHOOL FACILITIES** – The Governor’s recommendations are significantly higher than those of the Select Committee on Scholl Facilities earlier this year (See WTA’s November JAC summary for details of these recommendations) to the amount of \$165.7M for construction projects, \$18.6M for component level projects, and \$82M for school major maintenance. The Governor highlighted his feelings that a robust school construction program is important.

**UNIVERSITY OF WYOMING** – UW will receive \$3M for the development of a Center for Distance Learning and Technology. Additionally, \$5.2M in stimulus monies will be available to offset the need for tuition and mandatory fee increases in the 2011 fiscal year.

**COMMUNITY COLLEGES** – Revenue projections do not allow for funding the Community College Commission’s request for an enrollment growth-based exception budget request, or major maintenance. However, both of these items can be funded with Federal stimulus monies.

**TRUST FUNDS** – \$5M to the corpus of the Wildlife and Natural Resources Trust Fund, \$3M to the Library Trust Fund, and \$2M to the Cultural Trust Fund.

**HIGHWAYS** – The Department of Transportation will receive an additional \$50M from the GF for highway construction purposes (an additional \$541M will be available from Federal monies, some state tax money, but no more stimulus). This amount is only 25% of what has traditionally been given for highway construction.

- \$11.1M was appropriated in 05/06
- \$175M in 07/08
- \$200M in 09/10

In his personal comments, the Governor noted that there may be a number of items which are considered to be controversial:

- residential treatment centers in Casper reduced
- Acute psychiatric services at Cheyenne Regional Medical Center eliminated
- Evanston's Crisis Stabilization Center funded and not Basin's
- Wyoming state hospital request denied.

The Governor also asked the Committee to consider some section 300 amendments in the budget bill

- Continue redistribution on use of section 100 funds
- Continue authority to grant allocations for stimulus monies, similar to the last biennium
- Continue language that provides for the Governor to issue budget cuts
- New AWEC contracts should need approval of Governor or legislative authorization
- IT video conferencing and distance learning – give CIO's ultimate authority to make decisions, and up to ½ of savings may be expended by CIO and ½ to go GF.

## **FUTURE MEETINGS**

The Committee is scheduled to meet through the 11<sup>th</sup>, January 4-15, and possibly again for the week of January 25<sup>th</sup>, although they are already running ahead of schedule.