



Wyoming Taxpayers Association

Contact:

Buck McVeigh, Executive Director

Wyoming Taxpayers Association

Phone: (307) 635-8761

Email: buck @wyotax.org

Editorial Submission

by Buck McVeigh, Executive Director

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Time for Fundamental Change

As Wyoming enters a bust cycle potentially more damaging to our economy than previous ones, the time for fundamental change is upon us. It is illogical for state government to continue today's spending levels without new revenue sources.

The severity of the challenges facing Wyoming is not a mere blip in the revenue stream, as some have suggested. It is staggering, to say the least. To put it into perspective, year-to-date sales and use tax collections are lagging last year by \$129.3 million, or 20.3 percent, and severance tax revenue is off by \$211.6 million, or 33.7 percent, from a year ago.



Buck McVeigh

The duration of this pricing environment for oil and natural gas will likely last much longer than previously forecasted, and coal production revenues could plummet lower than they have been in decades. Even with a rebound in commodity prices that could combat massive market challenges for producers, the fossil fuel industry faces significant hurdles, particularly in the regulatory environment.

Fundamental change requires openness to all revenue options and an identification of needs versus wants when making necessary spending cuts. To do this, pragmatism and common sense must come before political perspectives. Unfortunately, the State has few revenue options for offsetting the sizable losses facing the state in the coming years.

For one more year, the Legislature was able to avoid new taxes and major program cuts by dipping into savings and opting for across-the-board cuts. While these spending cuts reduce the budgets of all departments, they fail in cutting waste. When cuts treat all programs the same, they penalize agencies operating efficiently and cause problems with economies of scale in divisions and programs within state government.

Future solutions to reduce the budget cannot come just from the Legislature, but must base themselves on a partnership with executive branch agencies. The onus of identifying and prioritizing programs should fall on agency management while the Legislature should determine the need and breadth of cuts.

Ideally, the State should consider innovative ways to change the current budget methodology, which fosters the "use or lose" mentality, because agencies currently exhaust funds at the end of the fiscal year to ensure they'll maintain the same level of funding in the next budget cycle. There is little if any motive or reward to return unused funds. Performance measures need to be developed to support and justify all agency budget requests. What isn't spent should be reverted. Then, allocation decisions would be based on performance, not previous funding level.

The Wyoming Taxpayers Association is committed to working with taxpayers and the business community to identify solutions and make recommendations to policymakers. The ideal time for objective, unbiased education and analysis is now during the interim period.

We are encouraged that the Appropriations, Revenue, and Education interim committees plan to discuss both spending and revenue issues in their interim studies. Wyoming cannot afford to continue to kick the can down the road, making it the next generation's problem.

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Founded in the 1930s, the Wyoming Taxpayers Association (WTA) is a statewide private nonprofit corporation. Its mission is to serve its members by promoting efficient and effective government through independent and unbiased analysis of public expenditures and taxation policies, coupled with wide dissemination of these analyses. The WTA represents over 200 members in a broad spectrum of Wyoming's economy including: farmers, ranchers, small businesses, financial institutions, government entities, trade associations, utilities, mineral producers and the individual taxpayer. Visit

www.wyotax.org.