



## Wyoming's Finances: Five Points to Improve Stability

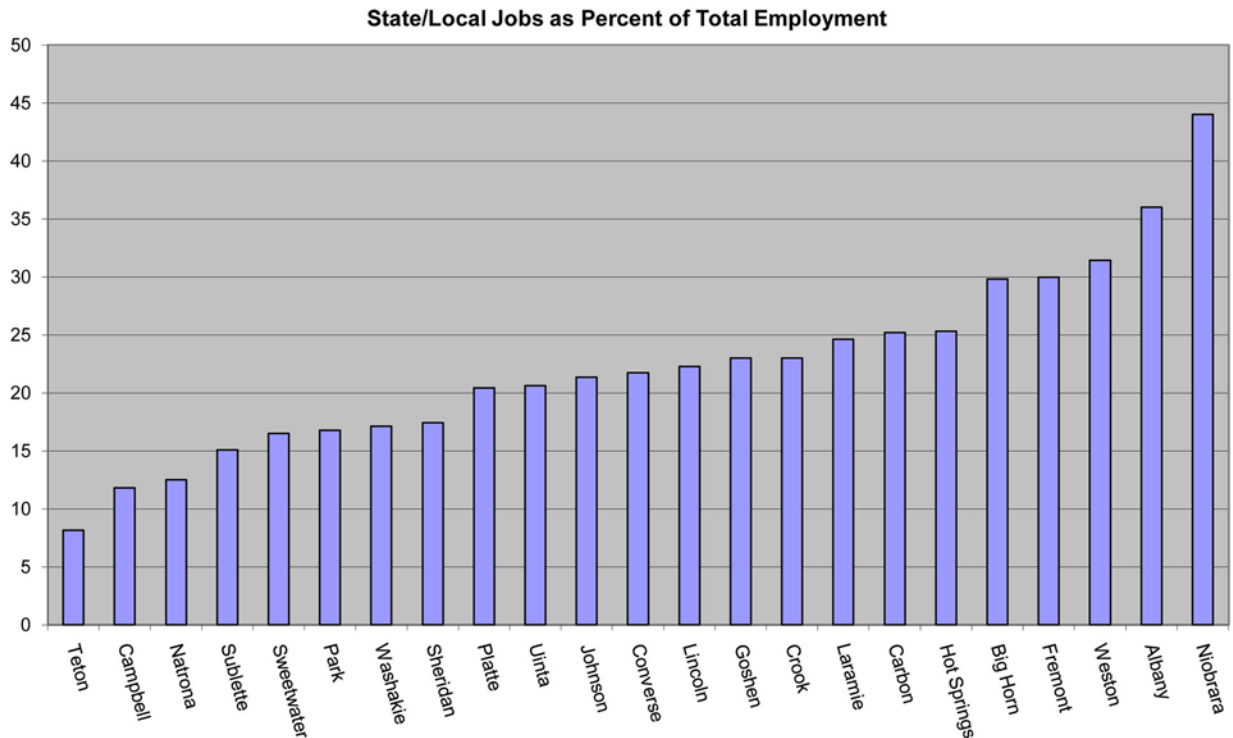
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Everyone knows that the mineral economy booms and busts. Because Wyoming state and local governments rely heavily on mineral extraction revenues, booms and busts in the mineral economy mean booms and busts in our government's capacity to invest in the people and infrastructure of our state.

Good, you say. If I have less, then government should do with less too. But let's hold that thought for a moment.

In Wyoming, the total number of jobs available is closely connected to state and local government activities (including school districts). Data collected by the Wyoming Department of Employment's Labor Market Information program in the Third Quarter of 2009 (the latest available - [http://doe.state.wy.us/lmi/09Q3\\_QCEW/toc.htm](http://doe.state.wy.us/lmi/09Q3_QCEW/toc.htm)) show that state and local government jobs as a percent of total employment range from 8% in Teton County to 44% in Niobrara County. This is a slight decline from the First Quarter of 2009, when the range started at about 12% in Teton County and ran up to 50% in Niobrara.

For the Third Quarter of 2009, state and local government jobs accounted for 20-25% of the total jobs in 10 Wyoming counties, and for 30-36% in four more. State and local government jobs accounted for 15% or less of total employment in only four counties.



These percentages show the minimum impact of state and local government spending because they do not include private sector jobs generated by public investment in infrastructure, such as jobs building schools and highways, or investment in people, such as home health service jobs generated by health programs.

It's easy to see from these numbers that state and local government spending provides significant employment in Wyoming. Consequently, if cutbacks in government investments in infrastructure and people will result in public or private sector layoffs, the overall economic situation simply becomes worse.

The Equality State Policy Center believes Wyoming could achieve greater economic stability by taking the following actions:

**1. Track the costs of tax exemptions and exclusions.** Wyoming has a thorough process for appropriating state funds. Unfortunately, we have not followed the examples of many other states whose budgeting also involves tracking revenues lost due to tax exemptions and exclusions (exclusions are items or activities not taxed; for example, Wyoming does not impose a sales tax on services).

Very few of the tax exemptions currently in our laws require reporting of the money involved, and in the case of so-called tax "incentives," there is no evaluation whatsoever of whether the promised economic activity occurred to offset the exemption. How can Wyoming policymakers and the public decide whether a particular exemption or exclusion is worth it if they don't know the cost?

**2. Increase severance taxes on coal, oil and gas.** Although markets for Wyoming's coal, oil and gas look strong far into the future, there will come a day when our state's non-renewable mineral assets are depleted or no longer marketable.

A University of Wyoming study showed that modest increases in severance taxes could be enacted without a negative effect on production or jobs. Wyoming's coal industry already has proven it can compete successfully under a higher severance tax – formerly 10.5% compared to 7% today.

**3. Tax alternative energy sources such as wind and solar.** Wyoming's future as an energy-producing state seems assured, non-renewable or renewable. But as the latter begins replacing the former, our state will need to adjust its tax policies accordingly.

**4. Save most of the money.** Our state needs to invest in research to determine how much it needs to save to provide the infrastructure, programs and services Wyoming residents will need in the future. But we already know we haven't saved enough: the \$4 billion Permanent Wyoming Mineral Trust Fund seems large but represents only about half the state's biennial budget. Sovereign wealth funds built up through production of fossil fuels in Alaska and other countries hold much greater promise of ensuring that future residents benefit from the natural resources produced during our lifetimes.

**5. Create a framework for planning into the future.** While no one has a crystal ball, we need to invest more in research and analysis about future energy revenues. Currently, the Consensus Revenue Estimating Group projects state revenues twice a year, looking toward the next budget. But we need to be looking five, ten, twenty years down the road to make sure revenues will meet needs.

Wyoming's financial footing is fundamentally sound. But with additional investment in reporting and planning, we can better ride out the booms and busts and help ensure economic stability and opportunity for decades to come.