



# 2010 State of

# WORKING WYOMING

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## THE STATE BUDGET AND JOBS

### Reliance on Mineral Extraction Revenues

Wyoming's large area and small population present unique problems for providing programs and services. State residents need basic infrastructure—roads, sewers, water systems, hospitals, fire protection, etc.—and a lot of it over a 98,000-square-mile area. But with a population of just over 500,000, there are not many people to pay for it.

During the past few decades, Wyoming has solved this problem by relying heavily on revenues from mineral extraction, including coal, oil and gas, trona, uranium, bentonite, and other minor minerals. The Legislature enacted the first severance tax in 1969. In 1974 Wyoming voters approved a constitutional amendment establishing the Permanent Wyoming Mineral Trust Fund (PWMTF) and filling it with a 1.5% severance tax on “... coal, petroleum, natural gas, oil shale, and such other minerals as may be designated by the Legislature.” [1]

The corpus of the PWMTF is inviolate (although it can, and has, been loaned to political subdivisions of the state). The interest earned on the corpus flows to the state's General Fund.

In addition, revenues from severance taxes and federal mineral royalties flow directly to specific programs and accounts, such as the Legislature's “rainy day” accounts; the University of Wyoming; local government operations; city, town and county capital construction; highways; county roads; water development; and K-12 schools and community colleges. [2]

There is a price for relying on mineral revenues: the boom and bust economy. As the price of minerals fluctuates, so do state revenues. Budget surpluses are followed (sometimes in a surprisingly short time) by budget shortfalls, pulling state and local government services back and forth between “cut back” and “catch up.”

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The cut back/catch up cycle also affects important economic sectors such as construction. It is difficult for local contractors to maintain a skilled workforce and sufficient equipment when state contracting ebbs and flows. It also adversely affects local employers providing services such as home health, who are particularly important in rural areas.

## How Much is Enough?

Wyoming decisionmakers were ahead of their times in establishing the PWMTF and the rainy day accounts. Oddly enough, though, the state has never attempted to project how much will be needed in savings to sustain needed programs and services once the mineral revenues begin to drop off.

Currently, the PWMTF has a balance of about \$4 billion, which sounds like a lot of money. But the state's two-year budget now stands at \$8 billion. Even though that includes about \$1.5 billion in federal funds, clearly the interest generated on the PWMTF is not going to replace the current stream of direct mineral revenues. [3]

The same is true of the rainy day accounts. While the hundreds of millions saved look like a lot of money, a sharp drop in mineral prices and/or production could mean a substantial drawdown of these savings in just one two-year budget cycle.

Please see the ESPC's Five-Point Plan, beginning on page 5, for ideas on how to address this situation.

## The Link Between Jobs and Government Spending

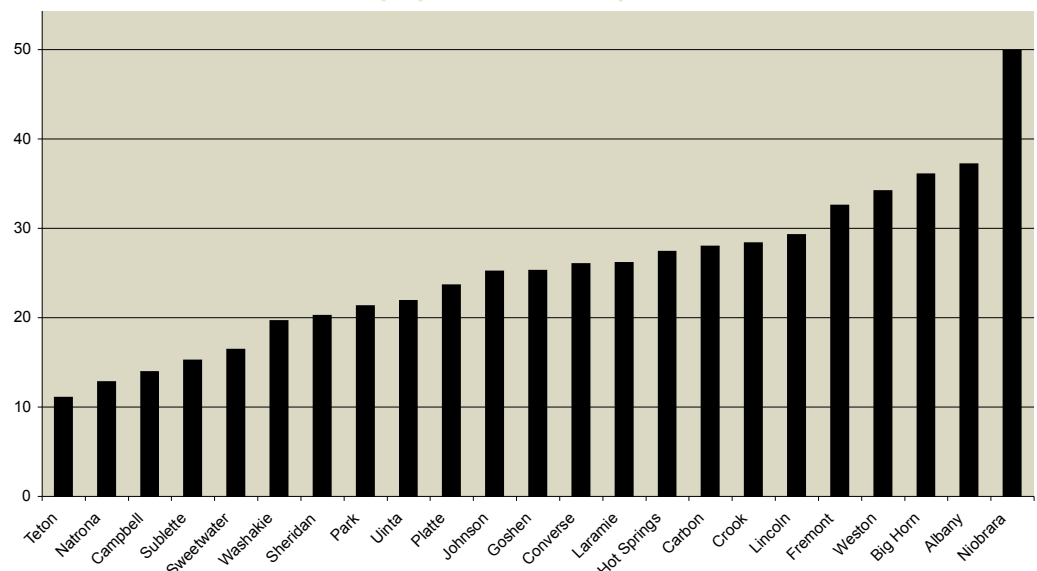
Many people have suggested an obvious solution: if revenues are down, then state (and local) governments should simply spend less. But the connection between the economic activity of state and local governments and the rest of the economy is particularly pronounced in Wyoming. Employment provided directly by state and local governments (including school districts) is an integral part of local economies, as shown by the table below.

The data tell only part of the story, because a significant number of private sector jobs also depend on government spending for highways, water development, school facilities, and the like. The Wyoming Business Council's "GRO-Biz" program is focused on helping businesses grow by securing government contracts.

Government programs and services always should be provided in the most efficient manner possible. However, Wyoming decisionmakers also should be aware that because of the interconnected nature of our state's economy, cutbacks in government spending also will affect non-governmental employers and worsen statewide economic conditions.

Several local governments plan layoffs in 2010 as a result of reduced state support for cities, towns and counties in the 2011-12 state budget, coupled with declining sales tax revenues.

Percent of Total Employment Provided by State & Local Governments



Equality State Policy Center  
graph compiled from data  
at [http://wydoe.state.wy.us/  
lmi/09Q1\\_QCEW/toc.htm](http://wydoe.state.wy.us/lmi/09Q1_QCEW/toc.htm)

# WAGES AND FAMILY SELF-SUFFICIENCY



*Table 2: Wyoming Average Weekly Wage by Industry, 2009*

	Second Quarter 2009
Total, All Industries	\$768
Total Private	\$735
Agriculture	\$484
Mining	\$1,345
Utilities	\$1,540
Construction	\$843
Manufacturing	\$940
Wholesale Trade	\$956
Retail Trade	\$468
Transportation & Warehousing	\$781
Information	\$700
Finance & Insurance	\$844
Real Estate & Rental & Leasing	\$663
Professional & Technical Services	\$915
Mgmt. of Companies & Enterprises	\$1,953
Administrative & Waste Services	\$524
Educational Services	\$507
Health Care & Social Assistance	\$704
Ambulatory Health Care Services	\$999
Hospitals	\$853
Nursing & Residential Care Facilities	\$513
Social Assistance	\$391
Arts, Entertainment, & Recreation	\$305
Accommodation & Food Services	\$289
Other Services	\$628
Total Government	\$871
Federal Government	\$1,062
State Government	\$931
State Government Education	\$929
Local Government	\$819
Local Government Education	\$888
Hospitals	\$905

<sup>a</sup>Preliminary.

Source: Quarterly Census of Employment and Wages, developed through a cooperative program between Research & Planning and the U.S. Bureau of Labor Statistics.  
Extract date: October 2009

Another key to reducing government spending is to build and maintain economic self-sufficiency for Wyoming families and individuals. The costs of safety-net programs such as Medicaid are driven by low incomes, which in turn are driven by low employment and wage rates.

Wyoming is not immune from national economic conditions; the state's unemployment rate in 2009 was the highest in 22 years. [4] This was particularly hard to take given the growth trends through the previous three years.

While per-person income in Wyoming tends to the high side among the 50 states particularly in boom times, this does not mean that every person in Wyoming is earning that income. As Table 2 shows, average weekly wages vary significantly by the type of job.

Moreover, the availability of benefits varies hugely by the size and type of the business. Table 3 shows the availability of benefits by the number of employees. Many small employers obviously are unable to offer significant benefits. This is particularly true in

certain industries, e.g., employees in the leisure/hospitality sector are much less likely to be offered health insurance than employees in the mining sector.

*The Self-Sufficiency Standard for Wyoming*, a report prepared under the auspices of the Governor's Office, shows the income needed by a variety of family configurations—e.g., two adults, one preschooler, one school-age child—to cover basic household expenses without any government supports.

Almost without exception, the household incomes needed to meet basic needs are significantly higher—usually about double—the federal “poverty line,” which is used to determine eligibility for public assistance programs such as food stamps or Medicaid. In other words, Wyoming families need incomes about twice as high as the poverty level to cover food, housing, child care, transportation, health care, taxes, and other necessities such as clothing.[5]

# 2010 WORKING WYOMING

## Minimum Wage

A fulltime job at federal minimum wage (\$7.25/hour) generates approximately \$15,000/year in gross pay, which does not provide a self-sufficiency income for even one person in most of Wyoming. Two parents working fulltime minimum wage jobs fall far short of a self-sufficiency income for a family.

The situation is even worse for tipped employees. Wyoming's minimum wage for tipped employees is only \$2.13/hour with a "tip offset" – that is, the employer is supposed to make up the difference between \$2.13/hour and \$5.15/hour (the minimum wage for tipped employees) if tips are insufficient. A bill to raise minimum wages failed introduction in the 2010 legislative session. [6]

Equality State Policy Center interviews with wait staff at different businesses indicate that the tip offset is either ignored or calculated in such a way as to leave the employee short of \$5.15/hour. Because the only enforcement of the law is by employee complaints, it rarely occurs because employees fear a complaint will cost their jobs.

## Gender Wage Gap

Wyoming continues to top the nation in gender wage gap—the difference in earned income between men and women working fulltime, year-round. In 2008, median earnings for women in the U.S. were 78% of median wages for men; for Wyoming women, this percentage dropped to 64%. [7]

Many blame Wyoming's gender wage gap on the nature of its economy: the better-paying industries, such as mining and construction, are historically male-dominated. While this undoubtedly is a factor, it is not the whole explanation. Reporting required for the tax exemption for purchases of manufacturing equipment showed a potentially significant gender wage gap just within the manufacturing sector. [8]

## WORKERS' COMPENSATION AND WORKER SAFETY

Following a multi-year campaign by groups and individuals concerned about worker safety on the job, the 2009 Legislature enacted substantial improvements in Wyoming's workers' compensation system for job-related injuries. Compensation levels that already were minimal were set in statute and not adjusted over the years, meaning that workers injured early in their working lives were left in poverty after inflation ate their compensation. [9]

Wyoming leads the nation, per capita, in worker deaths on the job. A worker safety task force operating under the Governor's office recommended creating a database of worker injuries and fatalities to better pinpoint causes of accidents, a tactic borrowed from Alaska, which successfully lowered its formerly high worker death rate. A bill to increase state Occupational Health and Safety Administration penalties for fatalities on the job failed in the 2010 legislative session. [10]

Table 3: Availability of Benefits by Number of Employees

Benefit Type	Number of Employees				
	1-4	5-9	10-19	20-49	50+
Child Care	1.7%	3.5%	3.8%	6.3%	21.3%
Dental Plan	23.1%	29.1%	43.2%	64.5%	85.2%
Dependent Health Insurance	30.1%	34.5%	57.3%	73.0%	93.1%
Short-Term Disability	11.4%	11.3%	18.4%	29.7%	47.5%
Educational/Tuition Assistance	23.6%	26.2%	26.7%	33.8%	63.9%
Flexible Spending Account	10.3%	11.9%	20.2%	33.2%	71.0%
Health Insurance	36.7%	45.1%	65.8%	78.4%	94.6%
Hiring Bonus	4.5%	7.4%	8.4%	19.9%	35.6%
Life Insurance	22.6%	28.9%	40.5%	66.9%	92.2%
Long-Term Disability	9.7%	10.2%	16.2%	28.9%	60.3%
Operate in Shifts	6.7%	8.7%	14.0%	24.3%	50.7%
Shift Differentials	36.1%	27.6%	25.8%	33.4%	62.3%
Paid Holidays	54.6%	63.0%	65.2%	70.7%	82.9%
Paid Personal Leave	25.2%	25.4%	28.6%	34.6%	49.2%
Paid Sick Leave	26.8%	23.7%	28.9%	35.8%	53.1%
Paid Vacation	51.3%	57.4%	67.6%	73.5%	76.8%
Retirement Plan	33.4%	43.4%	58.6%	73.9%	94.4%
Vision Plan	11.1%	15.7%	24.5%	42.6%	69.8%

# 2010 WORKING WYOMING



## A FIVE-POINT PLAN FOR FINANCIAL STABILITY

### Planning for the Future

We at the Equality State Policy Center believe that it is possible to have both a healthy state economy and a level of government programs and services that meets state residents' needs. State policy-makers should take a balanced approach that keeps more options on the table. We can improve state planning and budgeting to even out the booms and busts brought by dependence on mineral revenues.

The Wyoming Legislature spends a great deal of time on budgeting, but within a narrow framework. Legislative scrutiny goes almost exclusively to agencies funded from the General Fund. The earmarked accounts receive little attention. Worse, almost no effort goes into thinking about how revenues and needs will match up – or not – a decade or two from now.

To encourage thinking about Wyoming's future revenue needs, the ESPC proposes a five-point plan to improve our state's financial stability and transparency.

### #1 Raise severance taxes on coal, oil and gas.

The mineral severance tax recognizes that mineral extraction is a one-way street. Once the coal, oil, gas, trona, and uranium are gone, they're gone forever. The severance tax, imposed on the privilege of "severing" the mineral from Wyoming, replaces these non-renewable assets with cash assets for the future.

Even if climate change policies reduce the use of coal to produce electricity, the market for Wyoming coal will remain strong for many years. Further, Wyoming's vast stores of natural gas – a preferable fossil fuel from a climate change standpoint – will find markets far into the future, possibly coupled with wind energy in packages of power exported to states with renewable energy portfolios.

Most of the oil and much of the natural gas extracted in Wyoming over the past 120 years left the state before there was a severance tax; the technological innovations that have opened new natural gas reserves and increased production from old oil fields give us the opportunity to recoup those lost revenues.

Wyoming's coal industry competed successfully when the state's severance tax stood at 10.5%, compared to today's rate of 7%. It should be restored to 10.5%. Similarly, the 6% severance tax rate on oil and gas could be increased without any significant effect on jobs or production [11], bringing hundreds of millions of dollars annually into Wyoming's savings for the future.



# A FIVE-POINT PLAN FOR FINANCIAL STABILITY



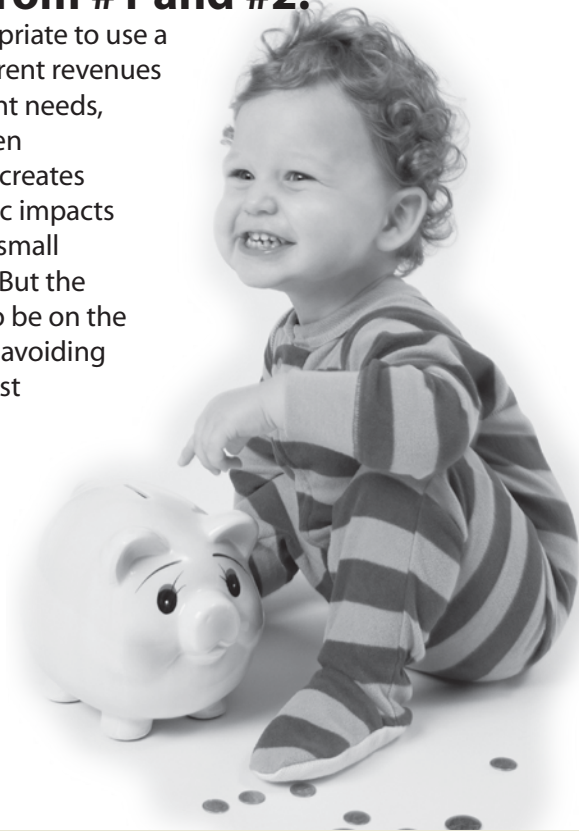
## #2 Institute an electrical generation tax or similar to capture revenues from renewable sources of energy.

Although Wyoming and the nation will continue to rely for years to come on fossil fuels, renewable energy sources are making headway, and Wyoming is well-suited to development of both wind and solar energy production. Wind towers are sprouting seemingly everywhere, with many of the same impacts the state has experienced from fossil fuel development—influxes of workers and new environmental issues.

Wind producers pay property taxes on their land and towers, and will be paying sales and use tax on the purchases of their equipment when a tax exemption expires at the end of 2010. However, the properties will depreciate and will not be providing a significant source of continuing revenues. The 2010 Legislature enacted an excise tax on production of energy from wind beginning in 2012, with the idea that they will continue to study the issue. [12] Alternatively, a power generation tax could produce a continuing revenue stream and help maintain more even competition among various energy producers.

## #3 Save most of the money from #1 and #2.

It is appropriate to use a portion of current revenues to meet current needs, especially when development creates socioeconomic impacts in Wyoming's small communities. But the focus needs to be on the future and on avoiding boom-and-bust budgeting.



## #4 Use responsible and transparent budgeting tools like tax expenditure reporting.

Governments “spend” money two ways: directly, and by giving tax breaks that result in not collecting the money in the first place. Tax breaks, in turn, come in two forms: tax exemptions, where an item or service is recognized as taxable but is specifically exempted for some reason; and tax exclusions, where an item or service is simply not taxed.

For example, Wyoming’s sales tax is imposed on goods—with numerous exemptions—but not on services, which is a tax exclusion. In addition to numerous sales tax exemptions, Wyoming law also provides exemptions to property taxes.

The sad thing about the exemptions and exclusions in Wyoming’s tax laws is that there is almost no tracking or reporting to show how much they cost, year after year. Nor is there any analysis of whether a given tax break is effective in accomplishing the goals it was intended to meet.

Some exemptions, such as the property tax exemption for veterans, do not have a fiscal goal; they simply are intended to recognize and reward a particular activity, such as military service by state residents.

But others, such as the sales tax exemption for purchases of agricultural equipment, were advocated as economic development tools that would help sustain Wyoming businesses. Has that, indeed, proved true?

We have no idea. The tax break could be working fabulously, or it could be a complete failure, or something in between. But we have to keep in mind that, particularly in times of lower revenues, a tax exemption or exclusion means that the tax burden shifts to the rest of us. Tax breaks need to prove themselves and Wyoming’s citizens and lawmakers need the tools to evaluate them.

## #5 Create a framework for financial planning farther into the future.

Currently, the Consensus Revenue Estimating Group (CREG) estimates state revenues twice a year, looking toward the next budget. This is the estimate relied upon by the Governor and the Legislature. The group also projects some income streams for five-year periods, but these projections are based largely on historical trends, not new analysis.

The Equality State Policy Center believes the CREG process needs to be expanded. Our state needs research and analysis of likely state income and spending scenarios for five, ten, twenty, or more years down the road.

For example, we should know how much money we can reasonably expect the Permanent Wyoming Mineral Trust Fund to generate in interest, and how much we should be keeping in reserve in the rainy day funds to meet future state needs, rather than just saving here and there and hoping it is enough.

We need projections for low, middle and high mineral extraction scenarios, and how those scenarios will affect local and state government revenues. Similarly, we need to project what state and local government budgets might look like in the future and estimate whether revenues will match up with needs.

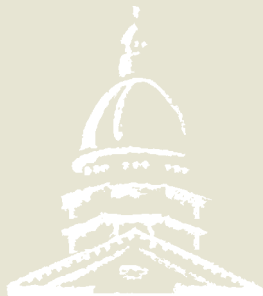
No one has a crystal ball to predict the future. But by conducting more sophisticated research and analysis for different possibilities, Wyoming could do a better job of saving and investing its resources.



# PLEASE SUPPORT THE ESPC

The Equality State Policy Center (ESPC) is a broad-based coalition of Wyoming organizations. The ESPC utilizes research, public education and advocacy to maintain accountability in state government and to substantially increase citizen participation in, and influence over, public policy decision-making.

A nonprofit corporation, the ESPC is built upon donations from interested citizens like you. Please consider making a contribution by mail or through our website, [www.equalitystate.org](http://www.equalitystate.org).



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## ENDNOTES

- [1] Wyoming Constitution, Article 15, Section 19
- [2] Wyoming State Government Revenue Forecast, Fiscal Year 2010 – Fiscal Year 2014, Consensus Revenue Estimating Group (CREG), January 2010 [http://eadiv.state.wy.us/creg/GreenCREG\\_Jan10.pdf](http://eadiv.state.wy.us/creg/GreenCREG_Jan10.pdf)
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- [4] Wyoming Department of Employment, Research & Planning, Labor Force Trends, December 2009, Vol. 46, No. 12, <http://doe.state.wy.us/LMI/1209/a1.htm>
- [5] The Self-Sufficiency Standard for Wyoming, by Diana Pearce, prepared for The State of Wyoming, Office of the Governor, in conjunction with Wider Opportunities for Women Family Economic Self-Sufficiency Project, Winter 2005, updated at [http://wyomingworkforce.org/docs/WY07\\_All%20Families\\_12-20-07\\_SF.xls](http://wyomingworkforce.org/docs/WY07_All%20Families_12-20-07_SF.xls)
- [6] HB 21, Minimum Wage, text at <http://legisweb.state.wy.us/2010/Introduced/HB0021.pdf> and vote at <http://legisweb.state.wy.us/2010/Digest/HB0021.htm>
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- [12] HB 101, Electricity Generated From Wind – Taxation, text at <http://legisweb.state.wy.us/2010/Enroll/HB0101.pdf> and vote at <http://legisweb.state.wy.us/2010/Digest/HB0101.htm>

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