

Office of State Lands and Investments
Funding Wyoming Public Education

122 West 25th Street
Cheyenne, WY 82002
Phone: (307) 777-7331
Fax: (307) 777-5400
slfmail@state.wy.us



Dave Freudenthal
Governor

Lynne Boomgaarden
Director

Addressing Infrastructure Needs of Local Government Entities: An Analysis of Mineral Royalty Grant and Countywide Consensus Grant Funding for Capital Projects for BFY 1999/2000 through BFY 2007/2008 and for BFY 2009/2010 through October 2008

A report prepared by the Office of State Lands & Investments for the Select Committee on Local Government Financing

October 2008

Executive Summary: This report is an informational update to previous reports dated December 2007 and June 2008 that have been provided to the Committee. This report focuses on funding for the infrastructure capital project needs of Wyoming's towns, cities, counties, special districts and joint powers boards for BFY 1999/2000 through BFY 2007/2008 and for BFY 2009/2010 through October 2008. Trend analysis was done for the following broad categories on an annual basis: Healthcare, Roads/Streets/Bridges, Water/Sewer/Storm Water Drainage, Public Safety and Other (local government building projects primarily). Trend analysis for BFY 2007/2008 and BFY 2009/2010 through October 2008 separates funding by countywide consensus from that of the State Loan and Investment Board for the same broad categories. Data in attached graphics are presented as percentages of available funding within fiscal bienniums 1999/2000 through 2007/2008 and for BFY 2009/2010 through October 2008. Lastly, this report updates the status of grant awards by the State Loan and Investment Board through October 2008 for BFY 2009/2010.

Mineral Royalty Grant Awards for BFY 1999/2000 Through BFY 2007/2008 and for BFY 2009/2010 Through October 2008

At the outset it is important to clarify what legislative funding this report addresses. Legislative funding for local government entities historically, and to the present, has consisted of both direct distribution funding and grants. Total legislative funding for local government entities for the 2009/2010 biennium amounts to \$383.4M. Of this amount \$149M was appropriated by the Legislature in the form of direct distribution funding to local government entities divided equally for distribution on August 15, 2008 and August 15, 2009. This report does not address direct distribution funding. This report does address the remaining \$234.4M in grant funding appropriated by the Legislature for the 2009/2010 biennium. That grant funding is comprised of funds from both the traditional source of Wyoming's share of federal mineral royalties (\$33.4M) and from the State's general fund.

At the Select Committee's last meeting on July 7, 2008 Senator Nicholas requested that the Office of State Lands and Investments compile mineral royalty grant data for the past ten (10) years. We have done so for fiscal bienniums 1999/2000 through 2007/2008. In addition, we compiled grant award information through October 2008 for fiscal biennium 2009/2010.

The data in this report is compiled on a percentage breakdown basis per Senator Nicholas' request. For FY 1999 through FY 2004 grant funding was comprised primarily of Wyoming's share of federal mineral royalties. Beginning with FY 2005 the Legislature began supplementing grant funding for local government entities with general fund appropriations. The Legislature's initial general fund appropriation was \$28M which supplemented the \$35M from the local government capital construction account that the Legislature funded at the start of the 2005/2006 biennium. [*Session Laws of Wyoming, 2005, 200 Series Mineral Royalty Grant Program Funding*]

Grant funding for the 2009/2010 biennium is at the highest level in the history of the mineral royalty grant program at \$234.4M. Grant funding for the 2009/2010 biennium is comprised of: 1) \$191M for countywide consensus capital projects, 2) \$10M for emergency capital projects, 3) \$32.4M for large unfunded or partially funded capital construction projects and 4) \$1M for investment grade energy audits of buildings and operations.

Legislative funding for the 2007/2008 and 2009/2010 bienniums established the countywide consensus process as the primary grant funding mechanism under the State Loan and Investment Board program. The Legislature first appropriated pilot funding for the countywide consensus process in 2006 for mineral impact counties. Funding for countywide consensus lists was expanded statewide by the Legislature in 2007 and has remained so to the present.

Funding for the 2007/2008 and 2009/2010 bienniums shifted more dollars to the countywide consensus process and fewer dollars to the historical direct application process with the State Loan and Investment Board. The Legislature appropriated \$197,933,818 for the mineral royalty grant program for the 2007/2008 biennium. That appropriation was nearly three times the legislative appropriation of \$67,401,364 for the program for the 2005/2006 biennium. Other legislative appropriations tied to the ten (10) year time period are as follows: \$42.5M for the

2003/2004 biennium, \$38.5M for the 2001/2002 biennium and \$37.3M for the 1999/2000 biennium.

In considering percentage increases or decreases in the attached graphs please bear in mind how those percentages relate to grant dollars appropriated for the bienniums presented. [See attached Bar Graphs 1 - 4] For example, Graphs 1 and 2 separate bar graph data into two categories: MRG (1) and MRG (2). The MRG (1) category covers BFY 1999/2000 through BFY 2003/2004 in which program funding was primarily from the State's local government capital construction account. The MRG (2) category covers BFY 2005/2006 through BFY 2009/2010 in which program funding is comprised of the State's local government capital construction account plus general funds.

Graphs 3 and 4 illustrate in bar graphs grant awards in percentages and dollars based on whether the grant award stemmed from the countywide consensus process or from action by the State Loan and Investment Board. Graphs 3 and 4 present data for BFY 2007/2008 and for BFY 2009/2010. Of the total legislative appropriations for these bienniums more dollars were appropriated for the consensus process than for the traditional direct application process with the State Loan and Investment Board (SLIB). Graphs 3 and 4 provide data to compare consensus versus SLIB grant award priorities for the five (5) broad funding categories detailed in the paragraph that follows.

We further understood Senator Nicholas' request for data to be in broad funding categories. Accordingly, our office compiled data for each biennium in the following five (5) categories: 1) Healthcare, 2) Roads/Streets/Bridges, 3) Water/Sewer/Storm Water Drainage, 4) Public Safety, and 5) Other (local government building projects primarily). [See attached Bar Graph 1 - % of SLIB Grants & Consensus Funding by Broad Categories BFY 1999/2000 – BFY 2009/2010]

Healthcare

At the Select Committee's meeting on July 7, 2008 Senator Nicholas asked our office to work with the Wyoming Hospital Association to compile data on funding for healthcare projects comparing the traditional SLIB process with the current consensus process. Our office worked with both Dan Perdue and Steve Bahmer of the Association in compiling the data and graphics in this report for the Committee's review. Our office also worked with staff from the Legislative Services Office (LSO) to this end and involved LSO in the review of this report and supporting data and graphics.

The healthcare category is comprised of grant funding for ambulance purchases by local government entities and for other types of capital projects by local government hospitals, public health facilities and nursing homes. The healthcare category is color coded blue for bar graphs 1 and 2 attached. [See attached Bar Graph 1 - % of SLIB Grants & Consensus Funding by Broad Categories BFY 1999/2000 – BFY 2009-2010 and Bar Graph 2 - % of SLIB Grants & Consensus Funding by Entity for BFY 1999/2000 – BFY 2009/2010]

For the time period indicated in Graphs 1 and 2, sixty-one (61) ambulances totaling \$3,602,087 were funded for local government entities throughout Wyoming. Of this number, all but seven

(7) were directly funded by the State Loan and Investment Board. The seven (7) not directly funded by the State Loan and Investment Board were funded via the countywide consensus process. It should be noted that funding for ambulances in some instances means that the grant award entity is an incorporated municipality versus a medical services special district or county memorial hospital.

Another important aspect of the healthcare category is for remodels, renovations and expansions of government hospitals and public health facilities mentioned above. Per Graph 1, funding for such projects for the time period amounted to \$45,497,951. Of this amount \$4,893,344 was funded via countywide consensus lists and the remainder was funded directly by the State Loan and Investment Board. As noted above, the ability to fund such projects via the countywide consensus process has only been in place since 2006.

The last component of the healthcare category in Graph 1 includes funding for capital projects for primarily nursing homes and senior citizen centers. Funding for these projects amounted to \$8,506,466, of which \$362,465 was funded via countywide consensus, and the remainder was funded directly by the State Loan and Investment Board.

From BFY 1999/2000 through BFY 2003/2004 grant funding for healthcare capital projects steadily increased. In BFY 2003/2004 grant funding for healthcare capital projects comprised almost 30% of the State Loan and Investment Board's funding for that biennium. In terms of dollars the Board's funding for healthcare was roughly \$12,711,750 of the Board's \$42.5M appropriation for that biennium. For BFY 2005/2006 through BFY 2009/2010 (as of October 2008) grant funding for healthcare capital projects have steadily declined as reflected in Graph 1. BFY 2009/2010 grant funding for healthcare capital projects is lagging well behind the four (4) other broad categories. This is the case whether one considers countywide consensus or SLIB as the source of grant funding. [See attached Bar Graph 4 - % of 2009/2010 Biennium Funding Awarded by Consensus & SLIB]

Roads/Streets/Bridges

The category for roads, streets and bridges is color coded red in Graph 1 attached. Grant funding in this category has increased to levels during the 2007/2008 and 2009/2010 bienniums that are second only to funding in this category during BFY 1999/2000. [See attached Bar Graph 1 - % of SLIB Grants & Consensus Funding by Broad Categories BFY 1999/2000 – BFY 2009/2010] The Legislature has infused significant amounts of general fund dollars into these bienniums in the form of countywide consensus block grants. Local government entities via the countywide consensus process have regarded funding for roads, streets and bridges as their second highest priority as reflected in Graphs 3 and 4 attached. [See attached Bar Graph 3 - % of 2007/2008 Biennium Funding Awarded by Consensus and SLIB and Bar Graph 4 - % of 2009/2010 Biennium Funding Awarded by Consensus & SLIB]

Water/Sewer/Storm Water Drainage

The category for water, sewer and storm water drainage capital projects is color coded green in Graph 1 attached. Projects in this category typically involve replacing cast iron drinking water

pipe with PVC, replacing or lining clay tile or concrete sewer pipe with PVC or various types of storm water drainage projects. As reflected in Graph 1, funding in this category has led the pack in four (4) of the five (5) bienniums presented and continues to do so in the 2009/2010 biennium (through October 2008). [See attached Bar Graph 1 - % of MRG Grants by Broad Categories BFY 1999/2000 – BFY 2009/2010]

For the 2007/2008 biennium consensus list funding for water, sewer and storm water drainage capital projects was the statewide priority at 26% of total grant funds awarded. [See attached Bar Graph 3 - % of 2007/2008 Biennium Funding Awarded by Consensus and SLIB] Board funding for the same biennium for water, sewer and storm water drainage capital projects also placed this category of projects at the top at 13.55%.

Thus far in FY 2009 funding for water, sewer and storm water drainage capital projects is slightly over 50% of grants awarded to date. Funding for this category of projects for FY 2009 to date easily outdistances funding for roads/streets and bridges in second at 22.81%. For the 2007/2008 biennium, and the 2009/2010 biennium (as of October 2008), the countywide consensus process has funded water, sewer and storm water drainage capital projects at roughly twice the percentage rate that the Board has funded this category of projects. [See attached Bar Graph 3 - % of 2007/2008 Biennium Funding Awarded by Consensus and SLIB and Bar Graph 4 - % of 2009/2010 Biennium Funding Awarded by Consensus and SLIB] This action via the countywide consensus process indicates the priority status of these types of capital projects locally. In turn, the Board has made significant use of its legislative appropriations in the current biennium and the 2007/2008 biennium to award grants that supplement consensus funding to move projects either to full funding or closer to full funding.

Public Safety

The category for public safety capital projects is color coded purple in Graph 1 attached. Public safety capital projects include funding for: facilities for law enforcement, corrections and fire departments or districts and emergency vehicles (fire departments or districts and law enforcement). Grant funding for public safety capital projects has once led the pack in terms of percentage of grants awarded within a biennium. That happened in the 2003/2004 biennium. Grant funding for public safety capital projects markedly declined in the 2005/2006 biennium and has continued to decline slightly since that time.

Other

The last category concerns grant funding for other types of capital projects that don't fit the broad categories previously addressed. This category is color coded white in Graph 1 attached. This category primarily includes the following types of capital projects: construction, remodels and upgrades of maintenance shops, libraries, government buildings, town halls and community centers. This category also includes funding for a small number of non-emergency vehicle purchases, most of which occurred in FY 2007, via the countywide consensus process.

Percentage of Grants Awarded by County, Joint Powers Boards, Special Districts and City/Town

Our office also compiled data by entity to reflect which types of entities have received the greatest percentage of funding for the past five (5) bienniums and into FY 09 (as of October 2008). [See attached Bar Graph 2 - % of SLIB Grants & Consensus Funding by Entity for BFY 1999/2000 – BFY 2009/2010] This graph illustrates some interesting trends. Generally, for the time period indicated in the graph, grant funding for cities and towns (combined category) has outpaced grant funding for counties, followed by special districts and joint powers boards. Grant funding for cities and towns were at their highest levels in BFY 1999/2000 and BFY 2007/2008. Early into FY 2009 grant funding for cities and towns is on pace to exceed its previous highest biennial level in 1999/2000.

Grant funding for counties hit its high water mark in BFY 2003/2004. Grant funding for counties on a percentage basis has declined since that time. In fiscal year 2004 grant funding for special districts exceeded that of the other local government entities, however, when FY 2004 data was combined with FY 2003 data for the biennial roll up special districts placed third in the biennium in terms of percentage of grant funding. Since that time grant funding for special districts has declined in the 2005/2006 and 2007/2008 bienniums. Thus far in FY 2009 the percentage of grant funding for special districts has increased to 14.17% over the 7.99% that special districts received in grant awards for the 2007/2008 biennium. Grant funding for special districts was at its lowest level in the 2007/2008 biennium for the five bienniums analyzed.

Grant funding for joint powers boards has consistently lagged behind grant funding for all other governmental entities throughout the time period analyzed. Thus far in FY 2009 (through October 2008) grant funding for joint powers boards projects are less than three percent (3%) of the total of grants awarded.

Updated Status of Grant Awards by SLIB for the 2009-2010 Biennium

At the Select Committee's last meeting on July 7, 2008 it accepted Director Boomgaarden's offer to provide an updated status of grants awards prior to its next meeting. As of October 9, 2008 the State Loan and Investment Board has awarded grants for emergency capital projects and for large unfunded/partially funded capital construction projects as follows:

- 1) \$5,465,950 of the \$10M appropriated for emergency capital projects*, and
- 2) \$30,926,894 of the \$32.4M appropriated for unfunded/partially funded large capital construction projects.**

* From the Board's June 19, 2008, August 7, 2008 and October 9, 2008 meetings eligible applicants submitted emergency capital project grant requests totaling \$15,882,690 for the appropriated \$10M.

** From the Board's August 7, 2008 and October 9, 2008 meetings eligible applicants submitted grant requests for large unfunded/partially funded capital construction projects totaling \$73,229,736 for the appropriated \$32.4M.

In addition, through October 2008 countywide consensus list awards certified by the State Loan and Investment Board totaled \$123,724,976 of the \$191M biennial appropriation in the form of county block grants. Through the Board's first three (3) meetings for 2009-2010 biennial funding twenty-two (22) of Wyoming's twenty-three (23) counties have submitted countywide consensus lists for the Board's certification. Only Laramie County has not submitted a countywide consensus list to date.

Lastly, to date the Board has not considered any applications for the \$1M it set aside for grants to local governments for investment grade energy audits of buildings and operations. The Budget Bill authorized the Board to set aside this amount of funding for this purpose from the appropriation for large unfunded/partially funded capital construction projects. While applications have not yet been received that is expected to change. Our office has received information that several local government entities in Fremont County are working toward submitting applications for the Board's December 2008 meeting. It is our understanding that these local government entities earlier this month selected a single energy service company to conduct audits throughout Fremont County. In turn, our office has had contact with the energy service company selected as to the application process.