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## Revenue

### **Revenue Sources**

Wyoming has five major revenue sources: sales and use taxes, severance taxes, federal mineral royalties (FMRs), ad valorem taxes (property taxes) and investment income. The largest source of revenue for State general operations is sales and use tax. Wyoming imposes a four percent (4%) statewide sales and use tax, of which 69 percent is directed to the General Fund and the remainder is distributed to counties and municipalities. The General Fund is also supported by severance taxes. The largest single source of revenue for K-12 education is property taxes. Wyoming imposes a total of 43 mills on all assessed property for purposes of K-12 education. Similarly, while the largest source of revenue can vary among individual counties and municipalities, broadly speaking, property taxes lead collections for many counties' general funds and sales and use taxes lead for most municipalities.

However, Wyoming does not fund its operations with 100 percent tax revenue, unlike the vast majority of states. Wyoming is in the unique position of supplementing its tax revenue with investment income from the Permanent Wyoming Mineral Trust Fund (PWMTF) and other permanent funds. This investment income is derived from "legacy" benefits from revenue derived from prior severance taxes. Income is also derived from the state's share of federal mineral royalties (FMRs) from extractive industry production of federal minerals in Wyoming. These two sources of revenue reduce the tax burden on current Wyoming residents to support the range of government services these current residents receive.

The majority of State taxes are authorized in Title 39 of the Wyoming Statutes, with limited exceptions:

- Chapter 13 – Ad valorem (property) taxes
- Chapter 14 – Mine produce taxes (severance taxes)
- Chapter 15 – Sales taxes (statewide and local optional sales taxes)
- Chapter 16 – Use taxes (statewide and local optional use taxes)
- Chapter 17 – Fuel taxes
- Chapter 18 – Cigarette taxes
- Chapter 19 – Inheritance taxes
- Chapter 22 – Wind production taxes
- Title 12, Alcoholic Beverages, Chapter 3, Taxation – Liquor taxes

Additionally, counties and municipalities have sales, use, and property tax imposition authority. Special districts (e.g., hospital districts, irrigation districts, community college districts) have authority to impose mill levies within strict conditions established either in statute or by constitution.

Wyoming's revenues are extremely volatile when compared to other states. LSO completed a crude analysis of Wyoming's revenue volatility in 2014, determining that Wyoming's revenue for traditional State government operations was 14 percent for the GF and BRA and measured volatility was as high as 30 percent for the School Foundation Program (SFP). PEW Research undertook a several-month study to also evaluate the State's revenue volatility for the Joint Revenue Interim Committee in 2015. PEW concluded Wyoming's volatility of all revenue streams was 19 percent – consistent with the analysis of LSO a year earlier, recognizing that PEW's research covered both general operations (GF and BRA) and school funding. Only North Dakota and Alaska were identified as having more revenue volatility. Most other states rely more heavily on sales and use taxes and income taxes compared to severance taxes and

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investment income. Commodity market and financial market volatility contributes to Wyoming's overall revenue volatility, as well. Wyoming's creation of sizeable "rainy day" funds such as the Legislative Stabilization Reserve Account (LSRA) and others<sup>1</sup>, as well as the development of spending policies, is driven in part by the volatility of Wyoming's revenue system.

## **Revenue Distributions**

For several large revenue streams (severance taxes, FMRs, coal lease bonus payments, sales and use taxes, and fuel taxes) prior legislatures elected to establish distribution mechanisms in statute, rather than make individual appropriation decisions on an annual or biennial basis. Historically, these distributions have been rigorously debated. An important threshold in this history was in 1999 through 2001, wherein a Subcommittee of the Revenue-Expenditure Study (1999) and subsequently the Select Committee on De-earmarking (2000-2001) substantively revised the distribution of severance taxes and more modestly revised the distribution of FMRs.

## **Constitutional Revenue Distributions**

Several major revenue streams and the distribution of revenues are governed by the constitution:

- Fuel taxes – Article 15, Section 16
- A portion of severance taxes (1.5 percent) directed to the Permanent Wyoming Mineral Trust Fund (PWMTF) – Article 15, Section 19
- Hathaway and Higher Education investment income – Article 16, Section 20
- Ad valorem (property) taxes for education – Article 15, Sections 15 and 17
- Limits on State, county, and city mill levies (ad valorem taxation) – Article 15, Sections 4, 5, and 6, respectively
- Investment income from school trust funds – Article 7, Section 6
- Distribution and retention of state royalties from school lands and minerals – Article 7, Section 2
- Investment income from the PWMTF to the General Fund (GF) – Article 15, Section 19
- Fines and penalties – Article 7, Section 5

As a result of the above provisions, there are constitutional limitations on the distribution of several major sources of revenue collected by the State. What is *not* included in the constitutional list is left for the Legislature to prescribe. For example, the constitution is silent on the distribution of sales and use tax collections, lottery proceeds, tax collections on beer, wine, spirits, or cigarettes, distribution of investment income not accruing from school trust lands or the PWMTF, or the distribution of federal mineral royalties (FMRs). As a result, the Legislature has taken two approaches to these distributions not unlike other states, although Wyoming's distributions are unique to Wyoming:

1. The first approach is to specify in statute what portion of revenue shall be directed to particular entities, or funds. For example, the Legislature has elected to direct 31 percent of the statewide sales and use tax to counties (and subsequently cities and towns within the counties) and 69 percent to the state General Fund.
2. The second approach is to annually or biennially appropriate state funds often deposited into the General Fund (and occasionally other state accounts). The Legislature can appropriate these General Funds (and balances in other accounts) to political subdivisions as well, e.g., state aid for county prosecuting attorneys, direct distribution to local governments, or state agencies Department of Transportation or the University of Wyoming. Based upon history, once a distribution

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<sup>1</sup> PWMTF Reserve Account, CSPLF Reserve Account, Higher Education Excellence Reserve Account, Strategic Investments and Projects Account (SIPA), among others.

methodology is agreed to, those percentages and formulas have tended to remain in place for multiple decades.

**Statutory Revenue Distributions**

Structurally, within the statutes Section 111 is the section within each Article of Title 39 (Taxation and Revenue) wherein the distribution of revenues collected is specified. For example, the 31 percent of the Statewide sales tax to counties, cities, and towns is found in W.S. 39-15-111.



# Pocket Guide Revenue Snapshot

FY 2021-22 Revenue Estimates<sup>(1)</sup>

(\$ millions)

As of April 26, 2021

<b>Traditional State Revenues</b>	<b>Total</b>
Begin Bal (incl Statutory Reserve)	\$238.7
Reversions, Furlough Savings, CARES	\$118.3
Severance Taxes <sup>(1)</sup>	\$251.3
Sales Taxes <sup>(1)</sup>	\$916.8
Other Sources	\$186.0
Penalties and Interest	\$8.0
Investment Earnings (PWMTF)	\$391.8
Investment Earnings (Pooled Income)	\$89.3
Sales/Service Charges	\$124.0
Federal Mineral Royalties <sup>(1)</sup>	\$339.4
<b>Total <sup>(1)</sup></b>	<b>\$2,663.6</b>
<b>School Foundation &amp; Capital Construction</b>	
Beginning Balance	\$254.0
Federal Mineral Royalties <sup>(1)</sup>	\$307.5
Property Tax Mill Levy <sup>(1)</sup>	\$485.2
Investment Earnings	\$398.7
State Mineral Royalties, Leases, Bonuses	\$45.3
School District Recapture	\$146.4
Transfers (from LSRA & GF)	\$492.7
Other	\$98.4
<b>Total</b>	<b>\$2,228.2</b>
Anticipated Other Funds (OF)	\$2,469.0
Anticipated Federal Funds (FF)	\$1,702.5
<b>Total Estimated Revenues <sup>(2)</sup></b>	<b>\$9,063.3</b>

(1) Does not include statutorily dedicated or earmarked revenues from state sales & use taxes (\$408M); severance tax (\$458M); FMRs (\$235); coal lease bonuses (\$1M); fuel taxes (\$300M); as well as any local taxes, including property taxes.

(2) Does not include available LSRA and PWMTF Reserve Account cash balances.

Note: Where applicable, figures based on most recent Consensus Revenue Estimating Group (CREG) forecast.

## **Primary Funds Supporting Legislative Appropriations**

The State of Wyoming has more than 600 accounts from which to draw upon. The vast majority of these accounts are rather modest in size and designed to account for revenues and expenditures for a limited, specific purpose. The principle account from which the Legislature appropriates for the general operations of state government include the General Fund (GF). The Legislature appropriates from the School Foundation Program account (SFP) and School Capital Construction Account (SCCA) for K-12 school district operations and facilities, respectively. Finally, in the current fiscal structure, the Budget Reserve Account (BRA) simply acts as a backstop, or secondary general fund for the GF.

In addition to the above general operating accounts, the Legislature has recently relied upon the Strategic Investments and Projects Account (SIPA), which supports capital construction and other “one-time” expenditures. The Legislative Stabilization Reserve Account (LSRA) serves as the state’s primary expendable savings, or “rainy day” account. The Legislature has also created specific-use reserve accounts to serve as a reserve for volatile revenues supporting specific expenditures. Examples include the Permanent Wyoming Mineral Trust Fund Reserve Account (PWMTF RA), Common School Permanent Land Fund Reserve Account (CSPLF RA), and School Foundation Program Reserve Account (SFPRA).

There are hundreds of individual enterprise, special purpose, and other accounts used for specific expenditures. The funds are invested by the State Treasurer and accounted for by the State Auditor. Notable accounts in this category including Water Development Accounts I, II, and III and the Tobacco Settlement Trust Fund Income Account. A more comprehensive listing of state accounts, legal citation, balance, and purpose can be found in the Resource Index.

### **LSO Fiscal Profile**

The LSO Budget/Fiscal staff periodically publish the LSO Fiscal Profile, also known internally as the "Goldenrod". The report, printed on gold color paper and published on-line, presents a fiscal summary for selected, expendable accounts most widely used by the Legislature, including the GF, BRA, SFP, and SCCA. In addition, the report details state revenues to and disbursements from the SIPA, LSRA, PWMTF RA, CSPLF RA, SFPRA, and each Water Development Account. At times, other accounts may be added for the Legislature to monitor revenues deposited to or expenditures made from a specific account. The LSO Fiscal Profile for each of these accounts follows the same structure. Each account’s detail begins with the beginning cash balance, followed by projected revenues and transfers. Next, the LSO Fiscal Profile details proposed or approved appropriations. Finally, each of the accounts detail concludes with a projected ending balance for the biennium in question.

The LSO Fiscal Profile is updated occasionally throughout the year with each release of a new CREG forecast. During legislative sessions the LSO Fiscal Profile is released at least weekly, if not more often, to reflect the expected revenue and expenditure changes resulting from legislative action. During the Legislative Session, separate columns track proposals and positions by various actors, e.g., Governor, Joint Appropriations Committee, House, Senate, and Joint Conference Committee on the budget. The most recent Fiscal Profile, accompanied by an in-depth explanation, can be found in the Resources Index.

### **Permanent Funds**

In addition to the operating accounts discussed above, Wyoming has two principal permanent funds: the Permanent Wyoming Mineral Trust Fund (PWMTF) and the Permanent Land Fund (PLF). There are also several other constitutional and statutory permanent funds such as the Hathaway Student Scholarship Endowment Fund and the Excellence in Higher Education Endowment Fund.

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### **Permanent Wyoming Mineral Trust Fund**

The PWMTF was established in 1974 by Article 15, Section 19 of the Wyoming Constitution and shall remain inviolate. All income from fund investments of the PWMTF is constitutionally directed to the GF, although once deposited into the GF, monies can be directed to other accounts.

The PWMTF receives revenues from a constitutional 1.5 percent severance tax on oil, gas, and coal. The Legislature may not divert the flow of these taxes to another account without a constitutional amendment. At times, the Legislature has added to the constitutionally dedicated severance tax amount with additional severance tax receipts. Most recently, in 2005, the Legislature adopted Senate File 25 (2005 Wyoming Session Laws, Chapter 80) which diverted an amount equal to two-thirds of the distribution required by the Wyoming Constitution from the Severance Tax Distribution Account to the PWMTF before any other distributions are made. This diversion is commonly referred to as the “one percent severance tax diversion,” since two-thirds of one and one-half percent is one percent. In 2016, the Legislature temporarily redirected the one percent severance tax diversion away from the PWMTF to allow for potential expenditure of these revenues given a downturn in tax collections. This diversion has been continued to various accounts through FY 2022. (2018 Wyoming Session Laws, Chapter 134, Section 314 and 2020 Wyoming Session Laws, Chapter 80, Section 314)

### **Permanent Land Fund and Permanent Land Income Fund**

The Act of Admission awarded Wyoming certain lands designated for specific purposes. The Permanent Land Fund (PLF) was established by Statute to hold the proceeds from these lands. The expenditure of monies derived from those lands are also restricted by the Act of Admission. Proceeds, or revenues that flow into the PLF, may come from the sale of the lands, the production or sale of minerals, or revenue generated from any depletable resource from the designated lands. The income from the investment of these funds and the income received from the surface leasing of the lands is deposited to various accounts within the Permanent Land Income Fund (PLIF) and is available for expenditure, although typically for restricted purposes.

W.S. 9-4-310(a) establishes twelve separate funds within the PLF to account for the revenue received from the specifically designated lands. These historically named accounts within the PLF are:

- Miner’s hospital account
- Public buildings account
- Fish hatchery account
- Common school account
- Deaf, dumb, and blind account
- Carey act account
- Omnibus account
- Wyoming state hospital account
- Poor farm account (Wyoming Life Resource Center)
- Penitentiary account
- University account
- Agricultural college account

Monies in the Agriculture College, the University, and the Common School accounts, cannot be appropriated by the Legislature without a constitutional, federal law amendment or both. Historically, the Legislature has not appropriated monies from the other PLF accounts frequently. However, the Legislature may appropriate from these accounts for the specific purpose for which the account is intended as designated by the Act of Admission.

The investment income and income received from surface leases are deposited into the PLIF, which has five statutory funds to account for generated income. They are:



- Miner’s Hospital account
- Common School account
- Omnibus account
- University account
- Agriculture College account

Monies in the Miner’s Hospital income account can only be expended by legislative appropriation for the Miner’s Hospital. Monies in the Common School Land Income Account are distributed to the School Foundation Program account for the operational support of local K-12 school districts. Funds in the Omnibus income account can be spent for the state's institutions by legislative appropriation or unanimous decision of the State Loan and Investment Board, and monies in the University and Agriculture College income accounts can be spent by the University Board of Trustees.

## **Accounting Fund Structure and Descriptions**

Since 1994, the State has accounted for its many different government funds and accounts in an aggregated manner. (See W.S. 9-4-204(s) and (t).) According to Generally Accepted Accounting Principles (GAAP) the basic structure of the fund system consists of three main fund "types" or “classes” with each fund type consisting of several different "funds" and within each "fund" there can be many "sub-funds." Although the Legislature does not typically incorporate the fund types in policy discussions, for accounting purposes, the fund types are:

### **I. Governmental Fund Type**

- A. General fund
- B. Special revenue fund
- C. Capital projects fund
- D. Debt service fund

### **II. Proprietary Fund Type**

- A. Enterprise fund  
(For example, liquor commission account, workers' compensation account, etc.)
- B. Internal service fund  
(For example, motor vehicle depreciation account, employees group insurance account, etc.)

### **III. Fiduciary Type Funds**

- A. Private-purpose trust funds, to account for any trust arrangement not properly reported in a pension trust or an investment trust under which principal and income benefit individuals, private organizations or other governments
- B. Investment trust fund, to account for legally separate governments pooling their resources in an investment portfolio for the benefit of all participants
- C. Pension trust fund
- D. Agency fund

