FISCAL NOTE

	FY 2022	FY 2023	FY 2024
NON-ADMINISTRATIVE IMPACT			
Anticipated Revenue increase/(decrease)			
SCHOOL FOUNDATION FUND	$24,600,000	$26,100,000	$27,900,000
PERM. MINERAL TRUST FUND	$11,050,000	($23,300,000)	($24,700,000)
LEGISLATIVE STAB. RES. ACCT.	($33,050,000)	$0	$0

	FY 2022	FY 2023	FY 2024
NON-ADMINISTRATIVE IMPACT			
Anticipated Expenditure (decrease)			
SCHOOL FOUNDATION FUND	($45,600,000)	($39,300,000)	($43,800,000)

Source of revenue increase and (decrease) and expenditure (decrease):

K-12 Funding Model Impact

This bill enacts the education resource block grant model’s (funding model) formulae as used in fiscal year (FY) 2021, but modifies the calculation of the funding model in two ways: 1) reduces the computation of the foundation program amount by $66.0 million in FY 2022 and each year thereafter; and 2) the funding model's average daily membership (ADM) excludes school year 2020-21 ADM from the three-year average calculation for the next three years. The estimated impact from the ADM change is an expenditure increase of $8.2 million in FY 2022, $5.0 million in FY 2023 and $0 in FY 2024, assuming flat ADM for the next three years. The estimated absolute impact of the changes to the funding model's foundation program amount is a K-12 funding decrease of $48.2 million in FY 2022, $42.1 million in FY 2023 and FY $47.0 million in FY 2024. The increased revenues to the School Foundation Program Account (SFP) occur in the form of increased recapture payments and decreased expenditures from the SFP occur in the form of decreased entitlement payments.

PWMTF Investment Earnings

Beginning in FY 2022, this bill changes the distribution of investment earnings greater than 2.5 percent of the previous five-year average market value of the Permanent Wyoming Mineral Trust Fund (PWMTF) up to the spending policy (5 percent for FY 2022, 4.75 percent for FY 2023, and 4.5 percent for FY 2024 and each year thereafter). Current law provides for amounts in excess of 2.5 percent to be distributed equally to the Strategic Investments and Project Account (SIPA) and the Legislative Stabilization Reserve Account (LSRA). This bill would change the distribution from the LSRA to the SFP.

The January 2021 Consensus Revenue Estimating Group (CREG) forecast investment earnings of 2.31 percent of the previous five-year average market value of the PWMTF for FY 2022 through FY 2026, therefore this change in the bill would have no fiscal impact. However, if investment earnings exceed 2.5 percent of the previous five-year average market value of the PWMTF, the estimated maximum amount that would be distributed equally to both the SIPA and the SFP would be $98.9 million in FY 2022, $90.2 million in FY 2023, and $81.2 million in FY 2024. This would result in a revenue increase to the SFP and a corresponding revenue decrease to the LSRA.

Severance Taxes

This bill redirects the additional one percent severance tax under W.S. 39-14-801(b) from the One Percent Severance Tax Account in FY 2022 to be deposited two-thirds (2/3) to the PWMTF and one-third (1/3) to the SFP. Current law provides for the One Percent Severance Tax Account to be distributed equally to the PWMTF and the LSRA during FY 2022. Additionally, under current law for FY 2023 and each year thereafter, the additional one percent severance tax will be deposited in the PWMTF. For FY 2023 and each year thereafter, this bill deposits one-third (1/3) of the additional one percent severance tax into the SFP and two-thirds (2/3) to the PWMTF.

This change results in an estimated $66.1 million revenue decrease to the One Percent Severance Tax Account in FY 2022 (an estimated $33.05 million revenue decrease to the LSRA and an estimated $11.05 million net revenue increase to the PWMTF) and estimated revenue increases to the SFP of $22.0 million, $23.3 million, and $24.7 million in FY 2022, FY 2023, and FY 2024, respectively. The revenue increases to the SFP in FY 2023 and FY 2024 would have a corresponding revenue decrease to the PWMTF.

Sales and Use Tax Increases

This bill imposes an additional statewide one percent sales and use tax as if the statewide tax rate was increased from 4 percent to 5 percent once the State Treasurer certifies to the Department of Revenue the balance in the LSRA is less than $650.0 million. This new tax is distributed 69 percent to the SFP and 31 percent to the Office of State Lands & Investments to be allocated to cities, towns, and counties. Based upon Legislative Service Office long-term fiscal profile estimates, the one percent sales and use tax could be imposed as early as FY 2025.

Incorporating all of the changes from this bill, a corresponding expenditure decrease would also occur from the Legislative Stabilization Reserve Account (LSRA) pursuant to W.S. 9-4-219(b) that requires an amount to be transferred to the SFP from the LSRA to restore the SFP's fund balance to $100 million. The expenditure decrease would be equal to the sum of the expenditure decrease and revenue increase within the SFP.

Assumptions:

The above estimates were determined through the use of forecast funding models utilized by the Legislative Service Office and are based on the most recent available data for the 2020-2021 school year. Further, the estimates incorporate the January 2021 CREG forecast.

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