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## Revenue

### **Revenue Sources**

Wyoming's five major revenue sources are: sales and use taxes, severance taxes, federal mineral royalties (FMRs), ad valorem taxes (property taxes) and investment income. Typically, the largest source of revenue for state general operations is sales and use taxes. Wyoming imposes a four percent statewide sales and use tax, of which 69 percent is directed to the General Fund (GF) and the remainder is distributed to counties and municipalities. The GF is also supported by severance taxes. The largest single source of revenue for public K-12 education is ad valorem taxes. Wyoming imposes a total of 43 mills on all assessed property for purposes of K-12 public 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), other permanent funds, and nonpermanent reserves. In the case of the PWMTF, the investment income is derived from "legacy" benefits from revenue derived from prior severance taxes. Revenue for both the general operations of government and public K-12 education is also derived from the state's share of FMRs from extractive industry production of minerals on federal lands in Wyoming. These two sources of revenue reduce the tax burden on current Wyoming residents to support the range of government services current residents receive.

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

- Chapter 13 – Ad valorem taxation (property taxes)
- Chapter 14 – Mine product taxes (severance taxes)
- Chapter 15 – Sales tax
- Chapter 16 – Use tax
- Chapter 17 – Fuel tax
- Chapter 18 – Cigarette taxes
- Chapter 19 – Inheritance taxes
- Chapter 22 – Tax Upon Production of Electricity from Wind Resources
- Chapter 23 – Tax Upon Production of Electricity from Nuclear Reactors
- Title 12, Alcoholic Beverages, Chapter 3, Taxation (liquor taxes)

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

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Wyoming's revenues are particularly volatile when compared to most other states. The Legislative Service Office (LSO) completed an 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 Budget Reserve Account (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 exceeded and reinforced the analysis of LSO a year earlier, recognizing that PEW's research covered both general operations (GF and BRA) and K-12 education 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 corporate and individual income taxes compared to Wyoming's reliance on severance taxes and investment income. Commodity market and financial market volatility contributes to Wyoming's overall revenue volatility. Wyoming's creation of sizeable "rainy day" funds, such as the Legislative Stabilization Reserve Account 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, 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 from 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 Wyoming Constitution:

- Fuel taxes – Article 15, Section 16
- A portion of severance taxes (1.5 percent) directed to the PWMTF – Article 15, Section 19
- Hathaway and Higher Education investment income – Article 15, Section 20
- Ad valorem taxes for education – Article 7, Section 9 and 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 GF – Article 15, Section 19
- Fines and penalties – Article 7, Section 5

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<sup>1</sup>Other reserve accounts include the PWMTF Reserve Account, Common School Permanent Fund Reserve Account, Excellence in Higher Education Endowment Reserve Account, Strategic Investments and Projects Account, and School Foundation Program Reserve Account, among others.

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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 liquor or cigarettes, distribution of investment income not accruing from school trust lands or the PWMTF, or the distribution of 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 municipalities and 69 percent to the state GF.
2. The second approach is to annually or biennially appropriate state funds often deposited into the GF (and occasionally other state accounts). The Legislature can appropriate these funds within the GF (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, the Department of Transportation, or the University of Wyoming. At least for the past two decades, once a distribution methodology is agreed to, those percentages and formulas have tended to remain in place for multiple biennia.

### ***Statutory Revenue Distributions***

Structurally, within Title 39 (Taxation and Revenue), Section 111 is the section within each Article 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**  
**BFY2023-24 Revenue Estimates<sup>1,2</sup>**  
**(\$ millions)**  
**As of April 18, 2023**

<b>Traditional State Revenues</b>	<b>Total</b>
Beginning Balance (including Statutory Reserve)	\$113.2
Reversions	\$100.2
Severance Taxes	\$744.3
Sales and Use Taxes <sup>1</sup>	\$1,218.0
Other Sources	\$394.9
Investment Earnings (PWMTF)	\$525.8
Investment Earnings (Pooled Income)	\$138.5
Federal Mineral Royalties (FMRs) <sup>1</sup>	\$597.8
Net Transfers	\$50.4
<b>Total<sup>1</sup></b>	<b>\$3,883.1</b>
<b>School Foundation &amp; Capital Construction</b>	
Beginning Balance	\$115.3
Reversions	\$38.5
FMRs <sup>1</sup>	\$543.0
Property Tax Mill Levy <sup>1</sup>	\$736.2
Investment Earnings	\$428.9
School District Recapture	\$691.1
Transfers	\$4.0
Other	\$103.8
<b>Total</b>	<b>\$2,660.8</b>
Anticipated Other Funds (OF) <sup>3</sup>	\$3,755.6
Anticipated Federal Funds (FF) <sup>3</sup>	\$2,054.0
<b>Total Estimated Revenues<sup>4</sup></b>	<b>\$12,353.5</b>

<sup>1</sup> Does not include statutorily dedicated or earmarked revenues from state sales & use taxes (\$547M); severance taxes (\$923M); FMRs (\$235M); fuel taxes (\$152M); as well as any local taxes, including property taxes.

<sup>2</sup> Where applicable, figures based on the January 2023 Consensus Revenue Estimating Group (CREG) forecast.

<sup>3</sup> Other Funds includes American Rescue Plan Act funds.

<sup>4</sup> Does not include available Legislative Stabilization Reserve Account, PWMTF Reserve Account and Common School Permanent Fund Reserve Account cash balances.



## **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 principal account from which the Legislature appropriates for the general operations of state government is 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 revenue source for the GF.

In addition to the above 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 intermediate 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), the Common School Permanent Fund Reserve Account (CSPLF RA), and the School Foundation Program Reserve Account (SFP RA).

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 include the three Water Development Accounts and the Tobacco Settlement Trust Fund Income Account. A more comprehensive listing of state accounts, legal citation, cash 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 online, 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, SFP RA, 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. For example, during the 2022 Budget Session, a section on the American Rescue Plan Act fund was added to the LSO Fiscal Profile. 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 account’s detail concludes with a projected ending balance for the biennium.

The LSO Fiscal Profile is updated occasionally throughout the year with each release of a new Consensus Revenue Estimating Group 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 or groups of policymakers (e.g., Governor, Joint Appropriations Committee, House, Senate, and Joint Conference Committee) on the budget. The October 2022 LSO Fiscal Profile, which was released in tandem with the October 2022 Consensus Revenue Estimating Group report, accompanied by an in-depth explanation, can be found in the Resource Index.

## **Permanent Funds**

In addition to the operating accounts previously discussed, 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, the Excellence in Higher Education Endowment Fund, and the Wyoming’s Tomorrow Scholarship Endowment Fund.

### ***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 further directed to other accounts, saved, or appropriated to support the general operations of state government.

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. For example, 2005 Wyoming Session Laws, Chapter 80 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.” 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 fiscal year (FY) 2022 (2018 Wyoming Session Laws, Chapter 134, Section 314 and 2020 Wyoming Session Laws, Chapter 80, Section 314). In 2021, the Legislature modified the statute governing the disposition of the one percent severance tax diversion. Specifically, for FY 2023 through FY 2028 the proceeds shall be deposited equally to the PWMTF and Common School Account within the Permanent Land Fund (CSPLF). Thereafter, the proceeds shall be deposited in a ratio of two-thirds to the PWMTF and one-third to the CSPLF (2021 Wyoming Session Laws, Chapter 144).

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

The Act of Admission awarded Wyoming certain lands designated for specific purposes. The Legislature established the PLF 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.

Pursuant to W.S. 9-4-310(a), twelve separate funds within the PLF are established to account for the revenue received from 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 amendment, federal law amendment, or both. Historically, the Legislature has appropriated monies from the other PLF accounts on a situational basis. 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

Funds in the Miner’s Hospital income account can only be expended by legislative appropriation for the Miner’s Hospital. Funds in the Common School Land Income Account are distributed to the SFP 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. Funds in the University and Agriculture College income accounts can be spent by the University’s 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 (W.S. 9-4-204(s) and (t)). According to Generally Accepted Accounting Principles, 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
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## **Consensus Revenue Forecasting**

### **CREG Origins, Composition, and Process**

The Consensus Revenue Estimating Group (CREG) is charged with developing forecasts of the main sources of state revenue and calculating the distribution of the projected revenue among major accounts and recipients. CREG was formed in 1983 through an agreement between Governor Ed Herschler and the Management Council of the Wyoming Legislature. The intent was to provide consistent revenue forecasts that could be relied upon by the executive and legislative branches in the state budgeting process. The primary structure of the revenue forecast effort has not substantively changed since the proposal made by Governor Herschler: two meetings in the fall to develop a consensus revenue forecast, which serves to inform the Governor's budget consideration, followed by a meeting in January to update the fall forecast with the most timely developments impacting state revenues. The January meeting informs the Legislature's deliberations on budget actions. Thirty-three years after inception, the Legislature codified the broad definition of CREG in the 2016 Budget Session (2016 Wyoming Session Laws, Chapter 118; W.S. 9-2-1002(a)(xxi)).

Prior to the formation of CREG, the two branches of government produced and relied upon separate revenue estimates. As might be expected under such a structure, disparity between estimates arose, and time that could have been focused on governmental spending and revenue policies was instead focused on the level of revenue forecasts themselves. Among the purposes of the CREG formation, was the reduction of those revenue disagreements between the branches.

CREG is comprised of members from various professional fields and governmental agencies. From 1983 through 1986, the membership totaled seven. Since 1988, the group has consisted of nine members, though the agencies and officials represented has occasionally changed. Currently, the Legislative Service Office's (LSO) Budget/Fiscal Administrator and the Director of the State Budget Department serve as the co-chairmen of CREG. While the position representing the legislative branch as co-chairman has remained consistent, the executive branch co-chairman has been the Administrator of the Division of Economic Analysis within the Department of Administration and Information, the Director of the Department of Revenue, or in the fall of 2018, a contract consultant from the Governor's Office. The body of the group has also been modified to benefit from expertise or address specific conditions. In 2022, in addition to the co-chairmen, CREG is comprised of the Director of the Wyoming Oil and Gas Commission, the Director of the Wyoming Geological Survey, the Director of the Department of Revenue, a University of Wyoming Economics Professor, the Deputy Director of the Office of State Lands and Investments, and representatives from the State Auditor's Office and the State Treasurer's Office.

Following the traditional calendar for meetings, the process of developing these state revenue forecasts begins in August when the members of the minerals subgroup of CREG begin preparing estimates of mineral valuations. This subgroup is composed of the Director of the Wyoming Oil and Gas Commission, the Director of the Wyoming Geological Survey, the Supervisor of the Mineral Tax Valuation Division of the Department of Revenue, and the CREG co-chairmen. In late September or early October, the minerals subgroup meets and prepares projections of mineral valuation. These forecasts traditionally follow a "bottom-up" approach, and include forecasts of prices, production, assessed valuation percentage, percentage of production on federal lands, and incentive production for

all major minerals and even subcategories of minerals, e.g., surface and underground coal production. All members of CREG are advised of and welcome to participate in the minerals subgroup. The entire CREG group meets in mid-October to review the minerals subgroup's valuation estimates and to forecast the balance of the revenue components. After the consensus forecasts are complete, staff from LSO and the Economic Analysis Division compile the information into the annual CREG report.

If necessary, the October CREG forecasts are revised in January, the only other regularly scheduled meeting of the group. Unusual circumstances occasionally require CREG to hold a special meeting to revise its projections, as was the case at the onset of the coronavirus in the spring of 2020. In cases such as this, a special report is issued outlining the content of the meeting and any revisions that were made to the forecasts. Under the budget shortfall measures outlined in statute, the Governor can also call on CREG to review its revenue forecast and determine if adjustments should be made (W.S. 9-2-1014.2(b)(i)).

CREG projections are not only referenced by the Governor and the Legislature for state revenue and budget considerations, but also inform others, such as bond rating companies, in decisions concerning the state's water accounts, some revenue streams benefiting the highway fund, and to a lesser extent, revenue streams flowing to cities, towns, and counties.

## **CREG Report Contents**

In the CREG report, major revenue sources to the General Fund (GF) are detailed including sales and use taxes, investment income from the State Agency Pool and Legislative Stabilization Reserve Account to be deposited to the GF, investment income from the Permanent Wyoming Mineral Trust Fund, and severance taxes. Other revenue sources projected include charges for sales and services, franchise taxes, licenses and permits, and other smaller, more varied sources of revenue to the GF.

The severance tax forecast details projected production, price and expected severance tax receipts for each major mineral including oil, natural gas, coal, and trona. The federal mineral royalty forecast also details projected production, price, and expected royalties for applicable Wyoming production and details the expected distribution of royalties to each fund or account that receives the royalties. This portion of the report also includes a projection of any federal coal lease bonus income.

The last sections of the report focus on income generated primarily for purposes of supporting K-12 education. They include revenue from the investment of the Common School Account within the Permanent Land Fund, income anticipated from state royalties, leases, and bonus payments, as well as projections for total state assessed valuation based on mineral price and production estimates and forecasts of assessed valuation for all other types of property.

There are other significant sources of revenue to the state that are not projected by CREG. These include sources that are typically earmarked by state or federal law. Examples of these sources are federal funds, other taxes such as fuel and local property taxes, and revenues from licenses, permits, and other regulatory fees such as motor vehicle registrations, game and fish licenses, university tuition and fees, and workers' compensation insurance premiums.

In the May 2020 CREG report, at the request of members of the Joint Appropriations Committee, the CREG forecast added two additional scenarios to the base projection. In light of the volatility of Wyoming revenue and uncertain economic environment surrounding the fiscal impacts associated or exacerbated by the coronavirus, CREG included a high and low revenue projection, and associated data elements. CREG will continue to assess the methods and benefits of such expanded analysis.

