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January 2008 CREG Revenue Forecast

CHEYENNE — The Consensus Revenue Estimating Group (CREG) met on January 4, 2008. The attached revenue report, which resulted from that meeting, provides revised revenue forecasts and assumptions.

General Fund: Revisions were made to the primary categories of General Fund (GF) revenue in this January report including mineral revenues (both severance tax monies and federal mineral royalties), sales and use tax collections and investment income. The overall effect of these revisions was to lower GF projections over the fiscal years 2008 through 2010 in comparison to the October 2007 estimates. Projections of income from all other sources were left unchanged from the October 2007 CREG forecast.

Sales and use tax estimates were revised upward as the state continued to adjust to the slower pace of energy activity. According to **Jim Robinson**, senior economist for the **Economic Analysis Division**, "Oil and gas employment has dropped in year-over-year comparisons but the decline was not as severe as anticipated when CREG met last fall." For this reason, **\$21.6 million was added** to the FY 2008-10 projections as an adjustment.

Severance tax monies were increased to reflect higher than anticipated oil prices, due primarily to rising crude prices in the international markets. Also, natural gas production estimates were raised from the levels forecasted last October. Both changes resulted in a **\$16.9 million increase** to the FY 2008-10 estimates of the GF share of severance tax dollars.

Expected revenues from investment income were **decreased by \$53.8 million** over the 2008-10 period. Both "pooled investment income" and income from the Permanent Wyoming Mineral Trust Fund (PWMTF) were projected to fall because of lower interest rates and smaller pooled fund balances than were forecasted in October 2007.

FY 2008-10 General Fund Revenue Forecast Comparison

Revenue Source	October 2007 Forecast FY 2008-10	January 2008 Forecast FY 2008-10	Difference
Sales and Use Tax	\$1,442.2 M	\$1,463.8 M	+\$21.6 M
Severance Tax	\$606.8 M	\$623.7 M	+\$16.9 M
Investment Income	\$808.5 M	\$754.7 M	-\$53.8 M
All Other	\$354.9 M	\$354.9 M	\$0.0 M
Total General Fund	\$3,212.4 M	\$3,197.1 M	-\$15.3 M

The net effect of all revisions to the GF revenue forecast is an overall decrease of \$7.8 million in FY 2008 and a decrease of \$7.5 million FY 2009-10, for a **net decrease of \$15.3 million** over the FY 2008-10 time frame.

Severance Taxes and Federal Mineral Royalties: For calendar year 2007, the price of Wyoming crude oil was raised by \$6.00/bbl to \$58.00/bbl to reflect the latest available actual price information. This price was held constant through the forecast period, resulting in increases of \$5.00/bbl in 2008, \$4.00/bbl in 2009, and \$3.00/bbl in the remaining years compared to price estimates made last October.

Natural gas production was raised by 117.3 million mcf in calendar year 2007 based on the latest available actual production data. Production estimates for the rest of the forecast period were increased by 3.0% per year. Natural gas prices were left unchanged from October 2007 forecast levels, with the exception of the calendar year 2007 price.

The above changes in the estimates of mineral prices and production from the October 2007 forecast levels resulted in additions of \$29.1 million in FY 2008, \$29.3 million in 2009, and \$30.3 million in FY 2010 to the severance tax totals. These same changes to price and production resulted in increases of \$21.6 million in FY 2008, \$22.3 million in FY 2009, and \$24.0 million in FY 2010 in total federal mineral royalties, when compared to the October 2007 forecast.

Coal Lease Bonuses: The only change made to projections of coal lease bonuses was for the 2.0 % reduction in the state's share of revenues in FY 2008 which in turn reduces the distribution to the School Capital Construction Account. No additional coal lease sales are expected to take place until February 2008. In abiding with CREG policy, no bonus payments are profiled until the sale is final and the state's share of that payment is received by the State Treasurer's Office, therefore, the following coal lease bonus estimates reflect only those lease sales that have taken place and for which payment is due.

Distribution of Coal Lease Bonus Revenues FY 2008-12
(millions of dollars)

Fiscal Year	Cities and Towns – Capcon	Highway Fund *	Community Colleges	School Capital Construction	Total
2008	\$5.6	\$1.9	\$1.6	\$157.5	\$166.6
2009	\$5.6	\$1.9	\$1.6	\$160.9	\$170.0
2010	\$0.1	\$0.0*	\$0.0*	\$ 0.1	\$ 0.2
2011	\$0.1	\$0.0*	\$0.0*	\$ 0.1	\$ 0.2
2012	\$0.1	\$0.0*	\$0.0*	\$ 0.1	\$ 0.2

* In FY10-12, Highway Fund will receive roughly \$30,000 and Community Colleges will receive roughly \$24,000.

The complete January 2008 CREG forecast along with this press release are available at the EAD website. Go to – <http://eadiv.state.wy.us> and click on **Publications**. Monthly spot prices for natural gas, crude oil, and coal can be found in the publication, **Wyoming Insight**, also available at the EAD website.