Wyoming Economic Outlook

And the boom goes on...

Prediction: Oil prices at or above $50 a barrel for years

Tough

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American Association of Petroleum Geologists (Rocky Mountain Section)

2006 Conference

Billings, Montana

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Why is mineral production important to Wyoming?

- Mineral income currently makes up close to two-thirds of total revenue.

- Mineral income is obtained from:
  - Severance taxes ($727 million in FY05).
  - Federal mineral royalties ($629 million in FY05).
  - Mineral property taxes ($600 million in FY05).
  - Coal lease bonuses ($217 million in FY05).
How mineral income is used:

- **Severance taxes**: general fund & permanent mineral trust fund.
- **Federal mineral royalties**: school foundation & state highways.
- **Property taxes**: school foundation.
- **Coal lease bonuses**: capital construction for schools and county and local governments.
Wyoming Tax Facts

- Wyoming ranks 2\textsuperscript{nd} and 3\textsuperscript{rd} highest, respectively, in per capita state and local government revenue and expenditures.
- Yet, household tax burden ranks among the lowest in nation.
- No personal/corporate income tax, low property taxes.
- Bulk of tax burden is exported out of state in the form of mineral taxes, which residents do not pay.
Direct Tax Collections and Public Service Costs: 2005

For a 4-person family with income of $50,000 and own home valuing $140,000

### Personal Tax Collections

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Tax</td>
<td>$1,000</td>
</tr>
<tr>
<td>Vehicle Registration</td>
<td>$1,000</td>
</tr>
<tr>
<td>Alcohol</td>
<td>$120</td>
</tr>
<tr>
<td>Cigarettes</td>
<td>$10</td>
</tr>
<tr>
<td>Gasoline</td>
<td>$500</td>
</tr>
<tr>
<td>Retail Sales</td>
<td>$1,620</td>
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</table>

**TOTAL:** $3,410

### Public Service Costs

<table>
<thead>
<tr>
<th>Service Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Services</td>
<td>$5,850</td>
</tr>
<tr>
<td>K12 Education</td>
<td>$4,100</td>
</tr>
<tr>
<td>Special District</td>
<td>$4,360</td>
</tr>
<tr>
<td>City/Town</td>
<td>$4,360</td>
</tr>
<tr>
<td>County</td>
<td>$5,090</td>
</tr>
</tbody>
</table>

**TOTAL:** $25,760

Prepared by Wyoming Economic Analysis Division
Current Economic Conditions

**Upside - Energy continues to bolster the economy!**

- Net population in-migration last 4 years.
- Jobs, jobs, jobs!!!
  - 8,800 (3.4%) between April 2005 to April 2006.
  - 3,100 (14.2%) in Nat. Res. & Mining from April 2005 to April 2006.
  - 3.2% unemployment; U.S. at 4.7%.
- Year-over-year income growth continues in 2005.
  - TPI increased 8.0% to $18.7 billion; ranked 4th in U.S.
  - PCI increased 7.3% (1st in U.S.) to $36,778.
- Consumer spending continues to climb.
  - Retail sales taxes up 14% from year ago.
- State revenue out-pacing forecast.
  - General Fund ahead 7.4% ($65 million).
  - GSP increased 7.6% to $24 billion; ranked 12th in U.S. (6.7%).
Current Economic Conditions

- **Downside**: Influx of workers stress communities.
  - Increases traffic, domestic violence, drug use, 911 emergency services.
  - Housing shortage: escalating property values, affordable housing becoming non-existent.
  - Lodging shortage – accommodations for travelers short supply.

- Population: low growth and net in-migration.
  - Transient versus permanent population.

- Uneven growth: energy boom is spreading wealth unevenly across state.

- Low industrial diversification.

- Workforce availability: strong regional competition for construction labor/ in-state competition from growing mining industry.

- 4Q05 inflation hits 5%; U.S. at 3.4%
Energy Price Sensitivity

- **Crude Oil** → [ $0.25 per bbl. change ]
  \[ \pm \$1.6 \text{ million revenue change.} \]

- **Coal** → [ $0.25 per ton price change ]
  \[ \pm \$13.6 \text{ million revenue change.} \]

- **Natural Gas** → [ $0.25 per mcf change ]
  \[ \pm \$50.7 \text{ million revenue change.} \]

Note: revenue sources include severance taxes, federal mineral royalties, and the school foundation portion of ad valorem taxes (based on FY06 projections). Source: January 2006 CREG Forecast and Legislative Services Office.
Wyoming State Fiscal Profile

Shortfall or Surplus (in millions of current dollars)

Projected biennium balance on January 1 of each year
Appropriations from General Fund and Other Reserve Accounts
(in millions of current dollars)

Source: LSO (through 2006 Budget Session)
Prepared by Wyoming Economic Analysis Division
Wyoming Population and Net Migration: 1970 to 2005

Net Migration = Inmigration - Outmigration

Source: U.S. Census Bureau

Prepared by Wyoming Economic Analysis Division
Non-Farm Employment by Industry (NAICS) for Wyoming
1970 to 2005

Employment by Industry (NAICS) for Wyoming and U.S.: 2004

(Includes: full and part-time wage and salary jobs, and proprietors employment.)

**U.S.**

- Agriculture: 2.3%
- Mining: 6.0%
- Construction: 8.7%
- Manufacturing: 13.9%
- Wholesale & Retail Trade: 5.7%
- Transportation, Warehousing, and Utilities: 8.8%
- Information: 14.7%
- Financial Activities: 3.5%
- Professional & Business Services: 11.9%
- Educational and Health Services: 8.4%
- Leisure & Hospitality: 0.5%
- Other Services: 2.3%
- Government: 13.4%

**Wyoming**

- Agriculture: 4.3%
- Mining: 6.8%
- Construction: 7.8%
- Manufacturing: 3.1%
- Wholesale & Retail Trade: 10.9%
- Transportation, Warehousing, and Utilities: 19.3%
- Information: 4.1%
- Financial Activities: 6.9%
- Professional & Business Services: 13.8%
- Educational and Health Services: 8.3%
- Leisure & Hospitality: 7.9%
- Other Services: 1.4%
- Government: 4.1%

**Ranking in U.S.**

- Mining - 1st
- Construction - 2nd
- Leisure & Hospitality - 4th
- Government - 4th
- Manufacturing - 49th
- Prof. & Business Services - 48th
- Education & health Services - 49th

Source: U.S. Bureau of Economic Analysis

Prepared by Wyoming Economic Analysis Division
Earnings by Industry (NAICS) for Wyoming and U.S.: 2004

Note: Earnings include wage and salary disbursements, employer contributions for employee pension and insurance funds, employer contributions for government social insurance, and proprietors' income.

Source: U.S. Bureau of Economic Analysis

Prepared by Wyoming Economic Analysis Division
Gross State Product by Industry (NAICS) for Wyoming and U.S.: 2004

Note: GDP is often referred to as its "value added", is equal to its gross output (sales or receipts and other operating income, plus inventory change) minus its intermediate inputs (consumption of goods and services purchased from other industries or imported).

Source: U.S. Bureau of Economic Analysis

Prepared by Wyoming Economic Analysis Division
The Diversification Issue

“Wyoming’s never going to be another Silicon Valley.”

“… you’ve got to dance with the one that brung ya.”

- Rep. Dick Wallis, October 1993
Industrial Diversification Index

- Comparison of employment diversification derived by measuring differences in employment share by industry at the state level compared with the same at the U.S. level.

- The lower the index value the closer the industry mix is to U.S. industry mix.
Industrial Diversification Index
2005

- Missouri 0.37
- Utah 1.61
- Nebraska 2.04
- Idaho 2.14
- Colorado 4.20
- So. Dakota 4.83
- No. Dakota 6.41
- Montana 11.96
- Louisiana 11.38
- New Mexico 15.53
- Hawaii 15.75
- W. Virginia 26.71
- Alaska 35.94
- Nevada 46.74
- Wyoming 159.73
## Wyoming Industrial Diversification Index

<table>
<thead>
<tr>
<th>Year</th>
<th>Index</th>
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<tbody>
<tr>
<td>1970</td>
<td>187.69</td>
</tr>
<tr>
<td>1980</td>
<td>265.75</td>
</tr>
<tr>
<td>1990</td>
<td>103.25</td>
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<tr>
<td>1995</td>
<td>96.98</td>
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<tr>
<td>2000</td>
<td>110.11</td>
</tr>
<tr>
<td>2005</td>
<td>159.73</td>
</tr>
</tbody>
</table>
Employment vs. Industrial Diversification for Wyoming:
1970 to 2005

Mining Employment vs. Industrial Diversification for Wyoming: 1970 to 2005

Average Wage Per Job by Industry for U.S. and Wyoming: 2004

Source: U.S. Bureau of Economic Analysis
Investing in the future...

**Education is top priority:**
- $400 million Hathaway Scholarship Program.
- $105 million endowed professorships
- $2 billion K-12 education funding.

**Other:**
- $564 million Permanent Wyoming Mineral Trust Fund.
- $100 million tax cut (sales tax on groceries.)
- $40 million Wildlife Trust Fund (conservation grants, habitat improvement.)
- Infrastructure increased bonding authority from $1 billion to $3 billion.
- Capital improvements – schools, prison, state buildings.
The Road Ahead

► Energy production is the key in the near-term.
  - Low business costs/ favorable tax structure to continue.
  - Employment, earnings will remain strong.
► Low industrial diversification will continue to hamper payroll growth potential.
► Tight labor market will continue to temper economic growth.
► Long-term outlook (through 2014):
  - Population to average 0.6% per year.
  - Employment to average 1.3% per year.
  - (3 out of every 4 jobs created will be in Services & Trade.)
  - Income to average 3.9% per year.