Current Economic Conditions

• Favorable:
  ➢ Energy: production and prices
  ➢ State revenues: primarily being driven by mineral income and sales tax (retail trade).
  ➢ Employment: year-over-year growth, low unemployment
  ➢ Construction: housing, highways, K-12 schools, UW, and prisons.
  ➢ Personal income: the state has done well compared to the region and the U.S.
  ➢ Consumer sentiment: retail sales, housing, and autos
Current Economic Conditions

- Unfavorable:
  - Population: low growth rate and low net-migration.
  - Uneven growth: energy boom is spreading wealth unevenly across state.
  - Undiversified employment base
  - Workforce availability: indications of strong regional competition for construction labor. The construction industry also facing in-state competition from growing mining industry.
  - Drought: continues to impact farms and ranches, and recreational activities.
  - Brucellosis: Wyoming lost its brucellosis-free status in February 2004, negatively impacting cattle ranchers.
  - Inflation is returning.

Population

- Wyoming - more attractive during the economic slowdown following 9/11.
  - Remained relatively insulated.
- Net migration - positive last 3 years.
- Gained (net in-migration) from the states of California, Colorado, Nevada, North Dakota, Texas, and Utah.
- Lost (net out-migration) greatest number of people to Arizona and Idaho.
- After U.S. economy recovers, net migration zero.
- Population is expected to grow at an annual rate of 0.5%.

Source: U.S. Census Bureau
Prepared by Wyoming Economic Analysis Division

Net Migration = Immigration - Outmigration

Wyoming Decennial Population and Projections

Annual Increase from 1960 to 2000: 1.0%

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Median Age

Source: U.S. Census Bureau and Wyoming Economic Analysis Division

Population Distribution by Age Group: %

Source: U.S. Census Bureau
Prepared by Wyoming Economic Analysis Division (http://wdey.state.wy.us)
Issues with an Aging Population

- Wyoming not unique
  - Trend is evident nationally.
- Baby Boomers (born 1946-1964) retiring soon.
  - Large proportion of Wyoming population (30%).
- Disruption/"brain drain" in the workplace.
  - Managers and skilled workers
- Labor shortage?
  - Generation X follows “boomers” with much fewer members.
- Change of thinking on traditional retirement?
  - Most “boomers” want to continue working.
- Demand for health care and social services will increase.

(Number of full and part-time jobs)

Source: U.S. Bureau of Economic Analysis
**Employment Anomalies in Wyoming 2003**

- Wyoming’s largest employer is Government at 25.2% (2nd only to Alaska). National percent is 16.5%.
- Mining employment, at 7.2%, is ranked 1st in U.S. National percent is 0.4%.
- Manufacturing employment is less than 4% (ranked 50th in U.S.). National percent is 11.1%.
- Prof. and Business Services employment, at 6.1%, is ranked 42nd in U.S. National percent is 12.5%.
Number and Percent of Engineers: 2000

Source: U.S. Census Bureau
Prepared by Wyoming Economic Analysis Division

Non-Agr Employment by Industry (NAICS) for Wyoming: 1972 - 2013

Source: Wyoming Economic Analysis Division
Wages in Wyoming

• In 2002, Wyoming’s average annual wage level was $28,975 (42nd in the U.S).
• Percent change between 2002 and 2001 was 3.3% (tied for 6th in the U.S.).
• Colorado, Utah and Nebraska ranked 11th, 35th, and 40th, respectively ($38,005, $30,585, $29,448).
• Idaho, No. Dakota, So. Dakota, and Montana ranked 45th, 48th, 49th, and 50th, respectively.
• The national average was $36,764.


* TCPU = Transportation, communications, and public utilities;  FIRE = Finance, insurance, and real estate

Prepared by Wyoming Economic Analysis Division
## Personal Income

<table>
<thead>
<tr>
<th></th>
<th>2003</th>
<th>2002</th>
<th>% Change Year Ago</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Per Capita PI</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wyoming¹</td>
<td>$32,808</td>
<td>$31,021</td>
<td>+5.8%</td>
</tr>
<tr>
<td></td>
<td>(15)</td>
<td>(16)</td>
<td></td>
</tr>
<tr>
<td>Rocky Mountain</td>
<td>$29,974</td>
<td>$29,379</td>
<td>+2.0%</td>
</tr>
<tr>
<td>U.S.</td>
<td>$31,632</td>
<td>$30,906</td>
<td>+2.3%</td>
</tr>
</tbody>
</table>

¹Numbers in parentheses are U.S. rankings.

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### 2002 Gross State Product by Industry (NAICS) for Wyoming and U.S.

- **U.S.:** $10.4T
- **Wyoming:** $20.3B

Source: U.S. Bureau of Economic Analysis  
Prepared by Wyoming Economic Analysis Division

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Economic Analysis Division – Wyoming State Government  
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**Housing**

- Monthly residential building permits were on the rise in 2004.
- June and July 2004 single-family permits had year-over-year changes of +27.6% and +56.1%, respectively.
- June and July 2004 multifamily permits had year-over-year changes of +325.0% and +310.7%, respectively.
- Price appreciation in housing during 2004 averaged 7.8% compared to 6.3% in 2003.
- Affordable housing is a problem in many areas.

**Mineral Income and State Finances**

"The reason for the volatility is simple: We are a commodity market, and volatility is inherent in competitive commodities."

- R. Skip Horvath, president of the Natural Gas Supply Association
Traditional State Funding

- **Main revenue sources:**
  - Sales and use taxes
  - Property taxes
  - Investment income
  - Federal mineral royalties
  - Severance taxes

- **Three major funds:**
  - General Fund
  - Budget Reserve
  - School Foundation

**Did you know?**

Mineral income as a % of all revenue to the state was:

- FY99-00 38.4%
- FY01-02 59.5%
Energy Multipliers – Price Changes

- **Coal** → [ $0.25 per ton price change ]
  - $13.3 million revenue change.
- **Natural Gas** → [ $0.10 per mcf change ]
  - $19.7 million revenue change.
- **Crude Oil** → [ $1.00 per bbl. change ]
  - $6.1 million revenue change.

Note: revenue sources include severance taxes, federal mineral royalties, and the school foundation portion of ad valorem taxes (based on FY05 projections). Source: January 2005 CREG Forecast and Legislative Services Office.

(in millions of current dollars)

LRI/BRA = Legislative Royalty Impact Assistance Account/Budget Reserve Account.

Total Local and State Assessed Valuation

(in millions of current dollars)

* Other includes other minerals, real and personal property

Wyoming Economic Analysis Division
Wyoming Tax Paradox

- On a per capita basis, Wyoming ranks 2nd and 3rd highest, respectively, in state and local government revenue and expenditures.
- Yet, household tax burden ranks among the lowest in nation.
- No personal income tax.
- Mineral taxes, which residents do not pay, significantly ease tax burdens.
## Direct Tax Collections and Public Service Costs: 2001

### For a 4-person family with household income of $40,000 and own home valuing $100,000

<table>
<thead>
<tr>
<th>Tax Type</th>
<th>Collection</th>
<th>Property Tax</th>
<th>Vehicle Registration</th>
<th>Alcohol</th>
<th>Cigarettes</th>
<th>Gasoline</th>
<th>Retail Sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Sales</td>
<td>$1,320</td>
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<tr>
<td>Gasoline</td>
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<td>Cigarettes</td>
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<tr>
<td>Alcohol</td>
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<tr>
<td>Vehicle Registration</td>
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<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$2,757</strong></td>
<td></td>
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<td></td>
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</table>

<table>
<thead>
<tr>
<th>Public Service Costs</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Source</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>County</td>
<td>$2,400</td>
</tr>
<tr>
<td>City/Town</td>
<td>$3,600</td>
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<tr>
<td>K12 Education</td>
<td>$5,360</td>
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<tr>
<td>State Services</td>
<td>$4,440</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$15,800</strong></td>
</tr>
</tbody>
</table>

Prepared by Wyoming Economic Analysis Division

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### Wyoming’s Economic Future?

- **What’s the future of energy production and revenue?**
  - Outlook for near term is positive.
  - Supply, production, price
  - Coal Bed Methane impacted by permitting/environmental regulations.

- **Is our existing tax structure adequate?**
  - Reliant on income from mineral taxes – burden largely exported out-of-state.
  - Mineral tax revenue not responsive to changes in total personal income (TPI).
  - No personal income tax
  - Sales taxes are income inelastic (grow 8.9% for every 10% increase in TPI).
  - Currently most businesses exempted or excluded from sales taxes.

- **What about job growth and income?**
  - Services and Retail Trade forecast to account for 3 out of every 4 new jobs.
  - TPI is forecasted to grow at an annual rate of 4.2%.

- **How will population growth affect our current tax structure?**
  - Jobs boost TPI but have little effect on our state tax revenues.
  - More people, more pressure on the demand for public services.
  - Not a problem as long as mineral income remains strong.

- **Health care:**
  - Increasing demand; personnel/facilities shortages
  - Availability/affordability