

Western States Economic Summit

June 7–8, 2004 Jackson Hole, WY

“Part 1: The Wyoming Economy”

Presented by:

Jim Robinson

Senior Economist – Economic Analysis Division

Wyoming State Government

Monday, June 7, 2004

Current Economic Conditions

■ Favorable:

- **Energy**, especially natural gas activity, including both drilling and pipeline transport.
- **State revenues**, primarily being driven by the mining and retail trade sectors.
- **Employment** – year-over-year growth, unemployment rate, and jobless claims.
- **Construction** – housing, highways, K-12 schools, UW, and prisons.
- **Personal income**, the state has done well compared to the region and the U.S.

Current Economic Conditions

■ Unfavorable:

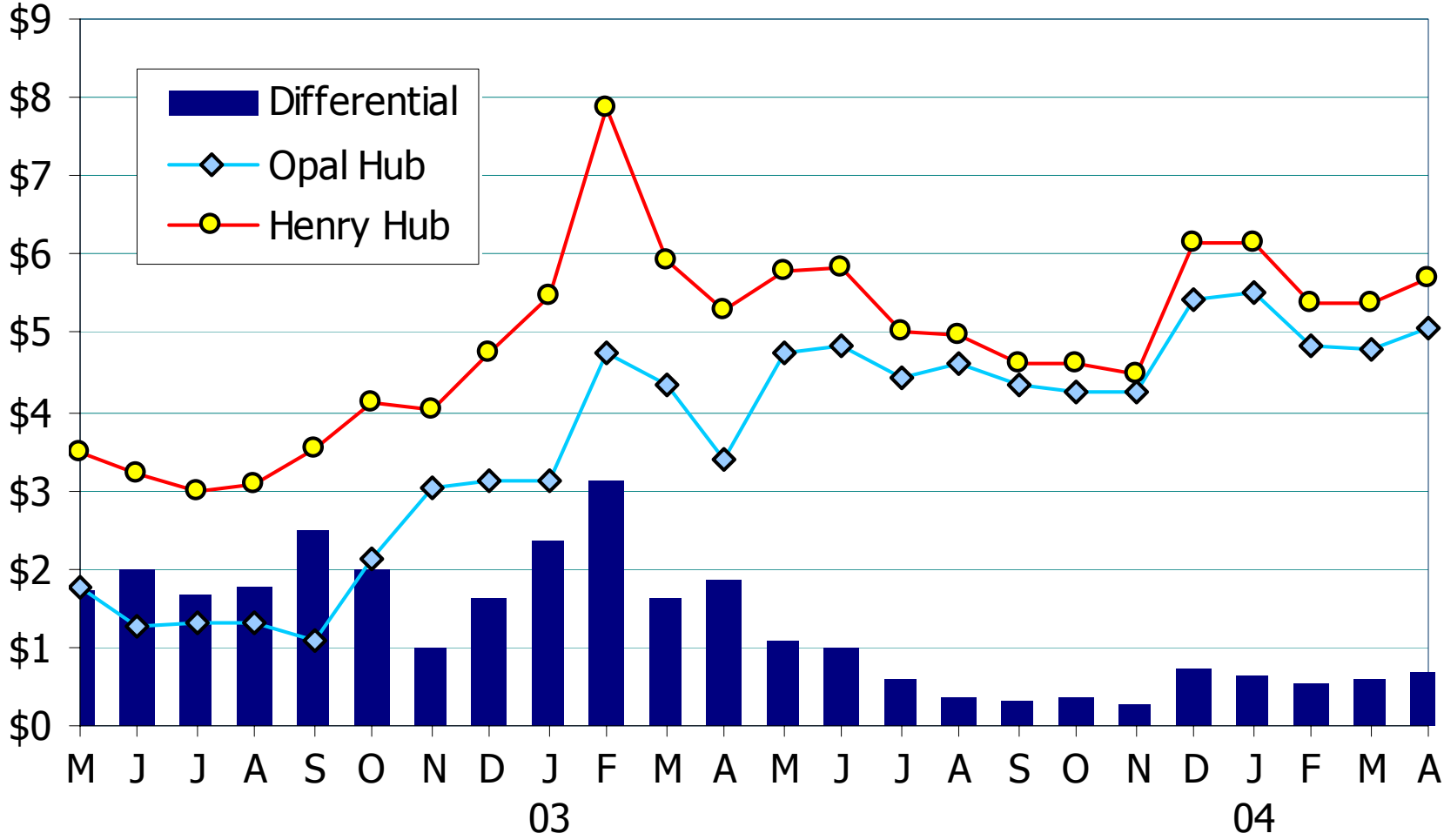
- **Population**, including low growth rate and declining net-migration.
- **Drought**, dry conditions throughout the region continue to impact farms and ranches.
- **Brucellosis**, Wyoming lost its brucellosis-free status in February 2004, negatively impacting cattle ranchers.
- **Housing**, decline in construction with rising interest rates?
- **Natural gas**, falling prices? Shrinking budget surplus?

Natural Gas

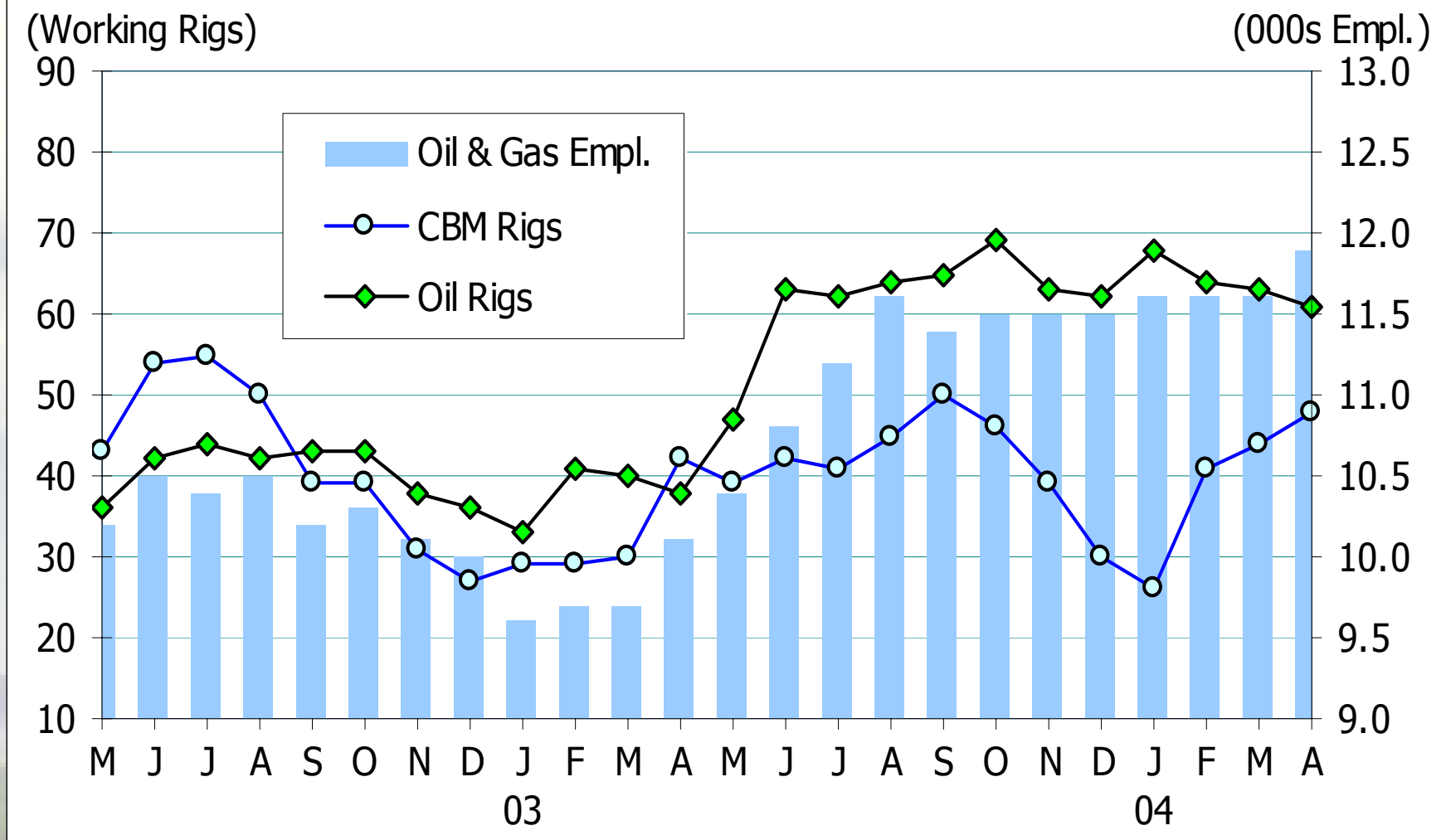
- Opal Hub prices have remained relatively high.
- Kern River Pipeline expansion (May 2003) more than doubled capacity to 1.73 BCF per day.
- Grasslands Pipeline (Dec. 2003) transports up to 200 MMCF per day from northern Wyoming to Montana and North Dakota.
- Cheyenne Plains Pipeline (Jan. 2005?), 730 MMCF per day to be delivered to Kansas.
- Opal vs. Henry Hub price differential has shrunk from \$3.00 to \$0.66 per MCF.

Natural Gas Prices - Monthly Averages

(\$ per MCF)



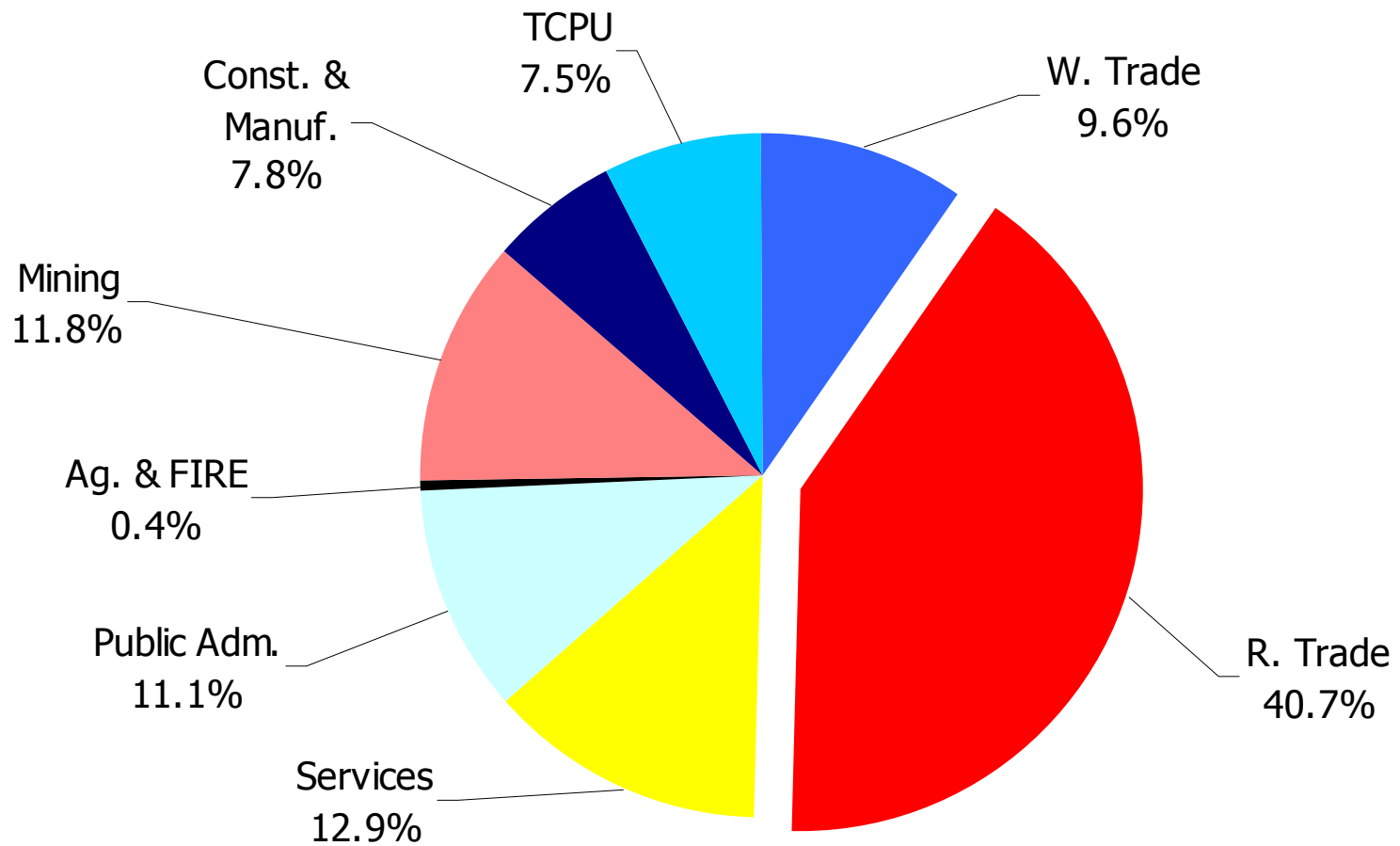
Rig Counts and Oil & Gas Employment - Monthly Averages



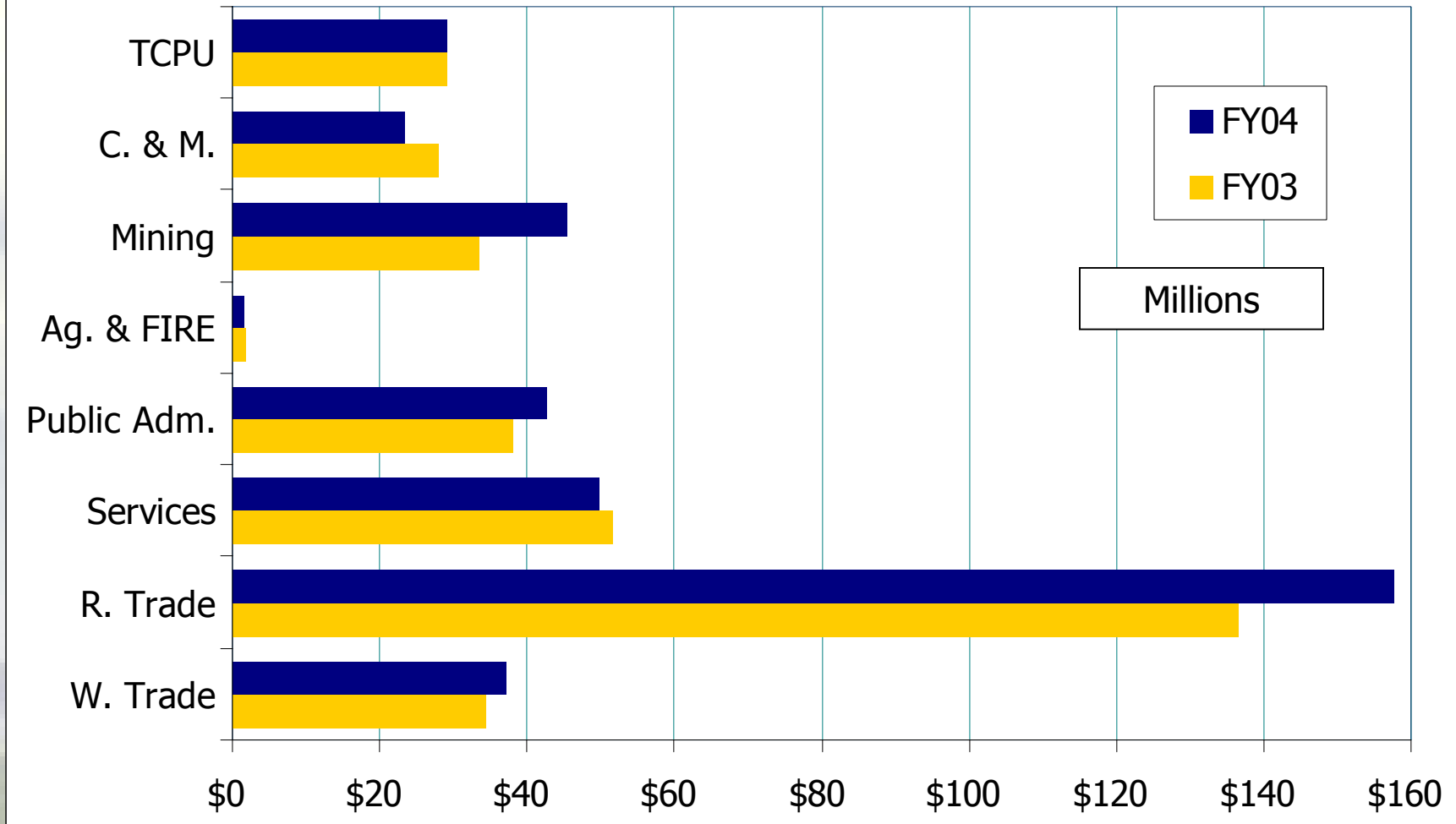
Sales and Use Tax Collections

- Overall, sales and use tax monies are leading in year-over-year comparisons by \$33.7 million (+9.5%) through April.
- Retail trade (+15.5%) and mining (+35.7%) sectors were ahead by \$33.1 million.
- Manufacturing (-33.0%) and service (-3.4%) sectors were lagging by \$6.8 million.

Sales and Use Tax Collections - FY04 YTD



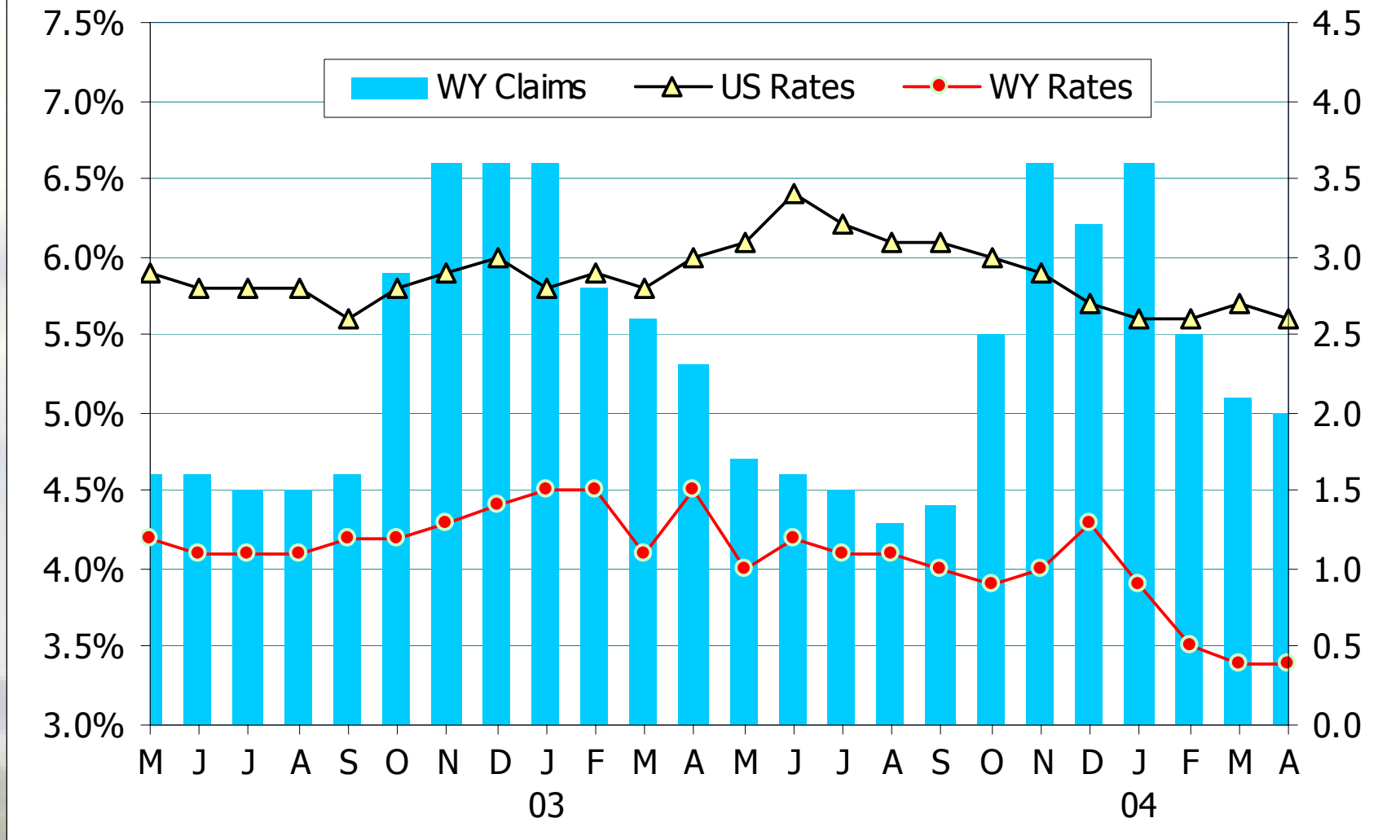
Sales and Use Tax Collections - FY04 vs. FY03



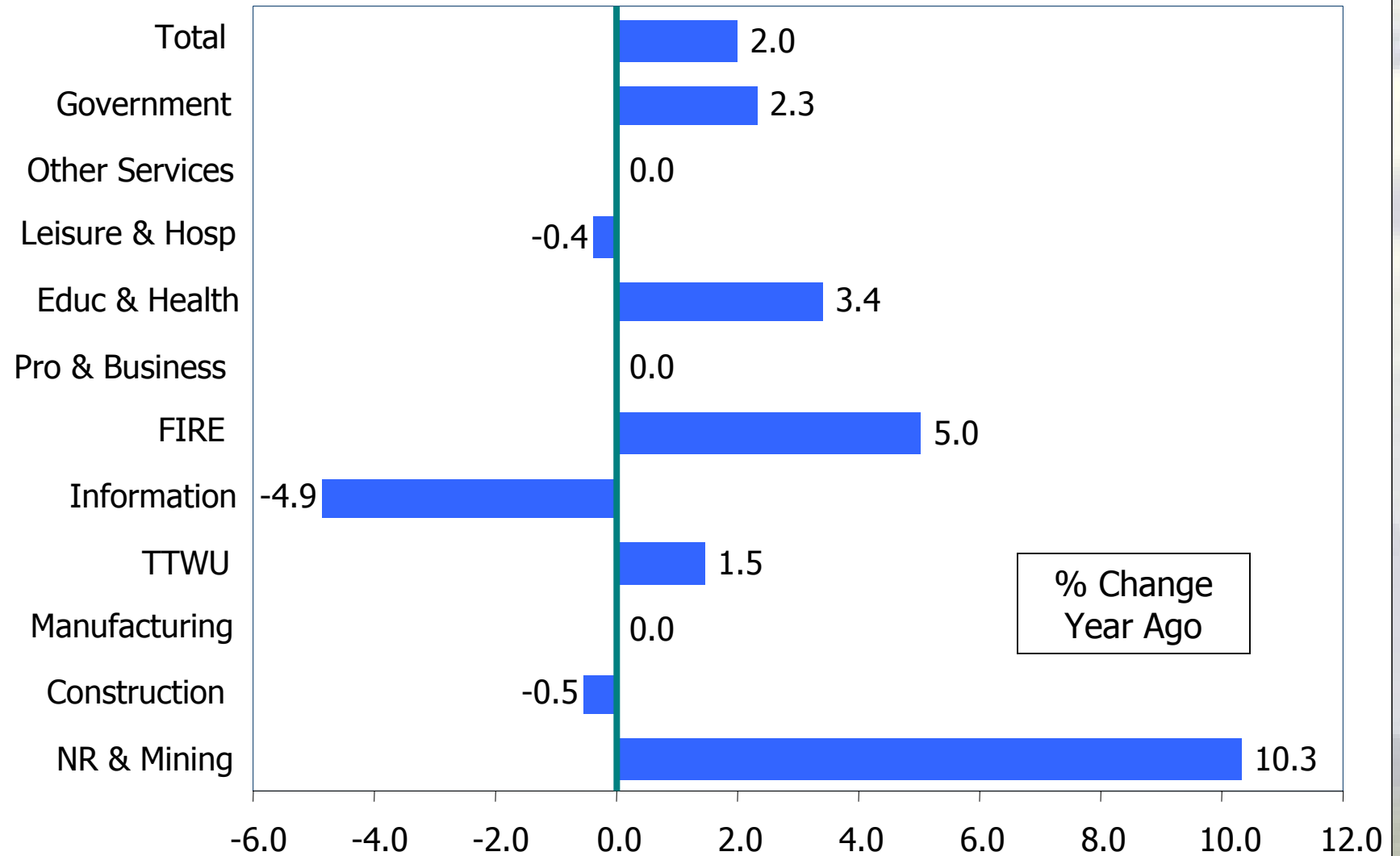
Employment

- Wyoming's unemployment rate (S.A.) remained at 3.4% in April (the U.S. rate fell to 5.6%).
- Wyoming's nonag. employment grew by 4,800 jobs (+2.0%) compared to April 2003.
 - NR & Mining added 1,800 jobs (+10.3%).
 - Government added 1,500 jobs (+2.3%).
 - Information, [Qwest layoffs] lost 200 jobs (-4.9%).
- From March to April 2004, the state added 2,700 total jobs (+1.1%).
 - Construction added 1,000 jobs (+5.8%).
 - Information lost 100 jobs (-2.5%).

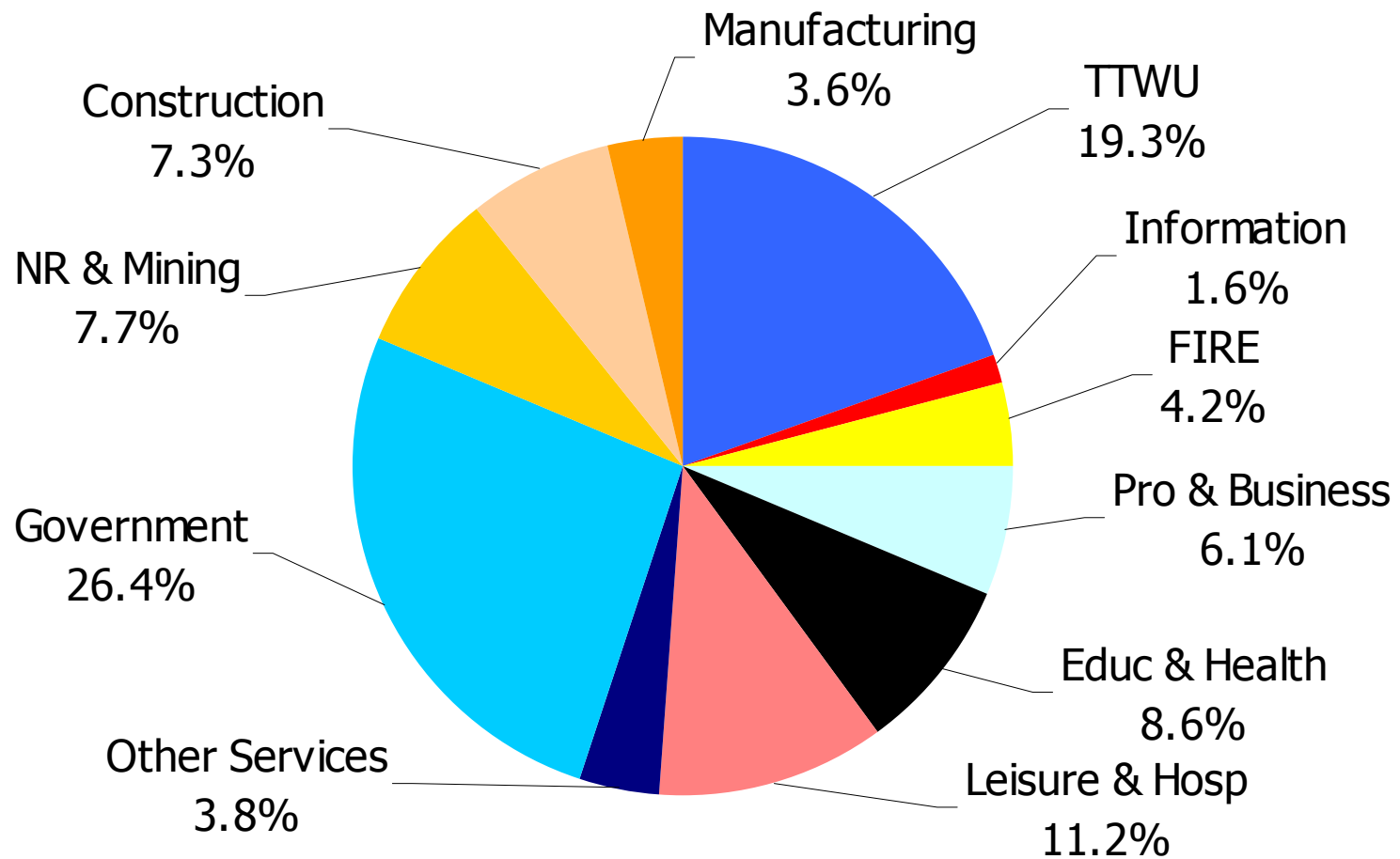
Unemployment Rates and Jobless Claims: May 02 - Apr 04



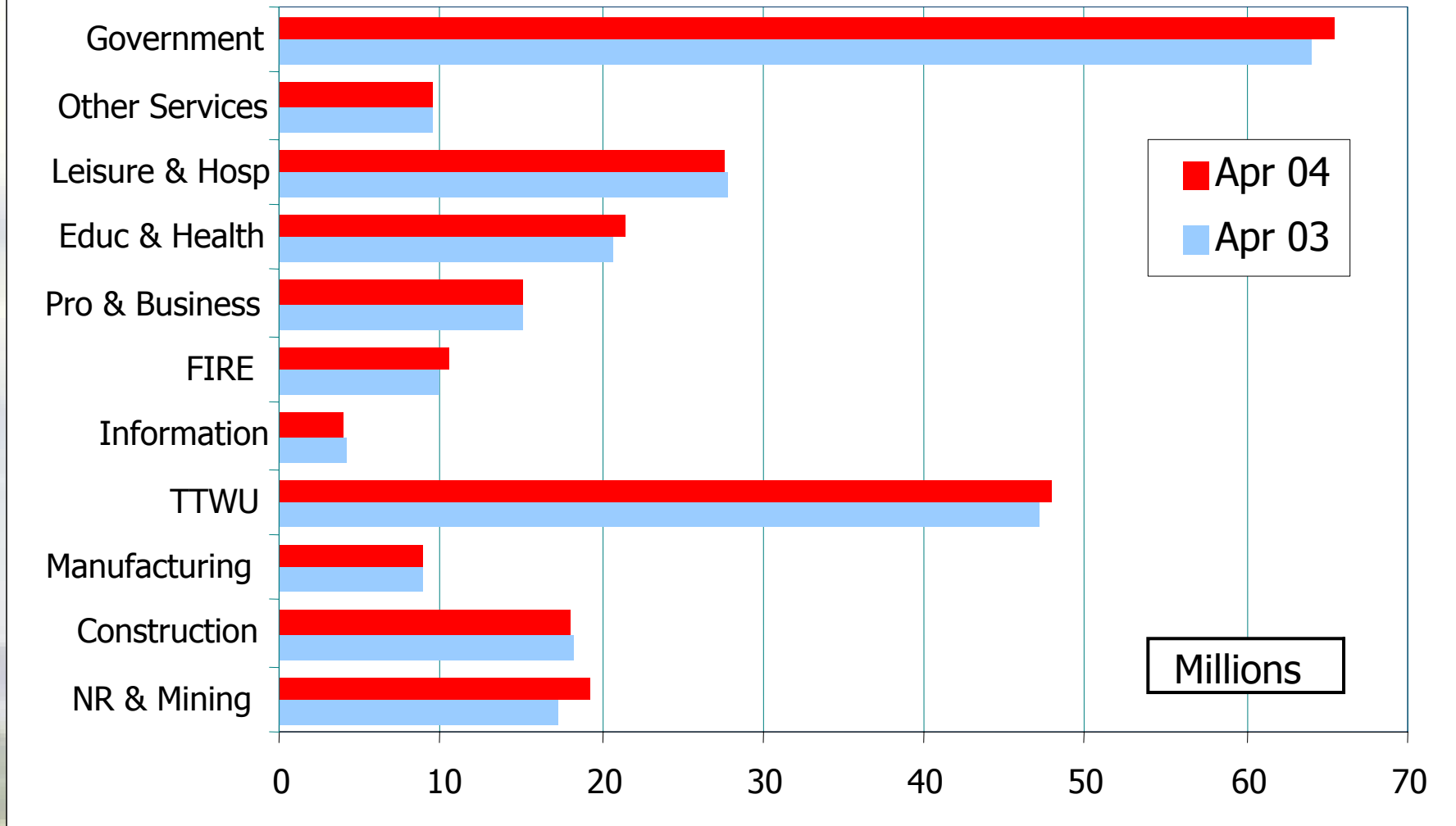
April 2004 Employment Growth



Non-Ag Employment - April 2004



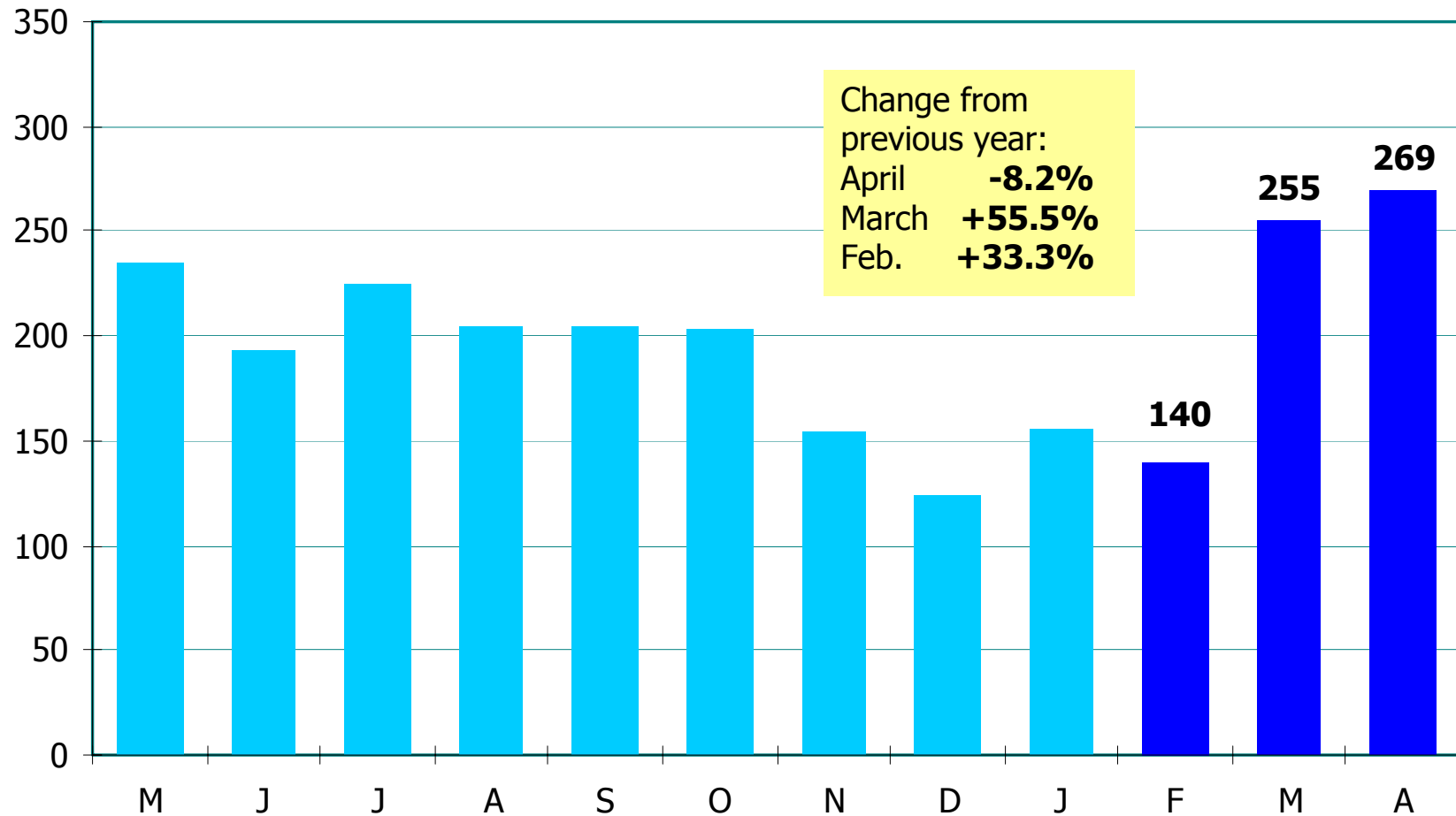
Non-Ag Employment - Apr 04 vs. Apr 03



Housing

- Monthly residential building permits were on the rise in 2004.
- March and April 2004 single-family permits had year-over-year changes of +48.6% and -1.3%, respectively.
- March and April 2004 multifamily permits had year-over-year changes of +95.8% and -33.9%, respectively.
- Reasonable price appreciation in housing during 2003 (6.5%) but homes remained affordable.

Total Residential Permits: May 03 - Apr 04



Personal Income

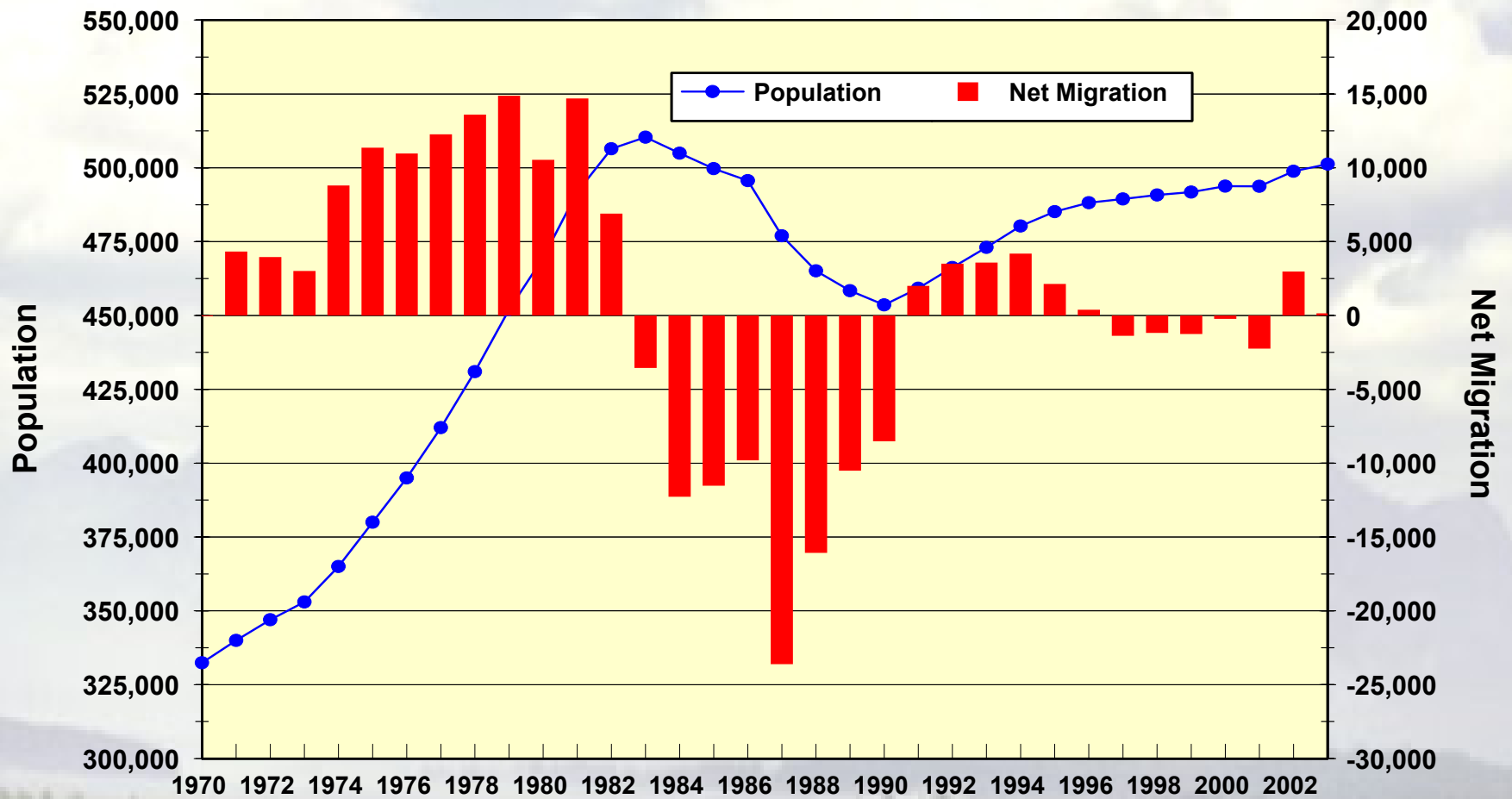
Per Capita PI	2003	2002	% Change Year Ago
Wyoming ¹	\$32,808 (15)	\$31,021 (16)	+5.8%
Rocky Mountain	\$29,974	\$29,379	+2.0%
U.S.	\$31,632	\$30,906	+2.3%

¹Numbers in parentheses are U.S. rankings.

Population

- Net migration was positive in 2002 and probably was for 2003. Wyoming was relatively more attractive compared to the U.S. during the economic slowdown. But
- After the national economy recovers, Wyoming's net migration is expected to go back to zero. The state's population is expected to grow at an annual rate of 0.5%.
- Wyoming lost the greatest number of people to Arizona and Idaho. Wyoming realized net in-migration from the states of California, Colorado, Nevada, North Dakota, Texas, and Utah.

Wyoming Population and Net Migration: 1970 to 2003



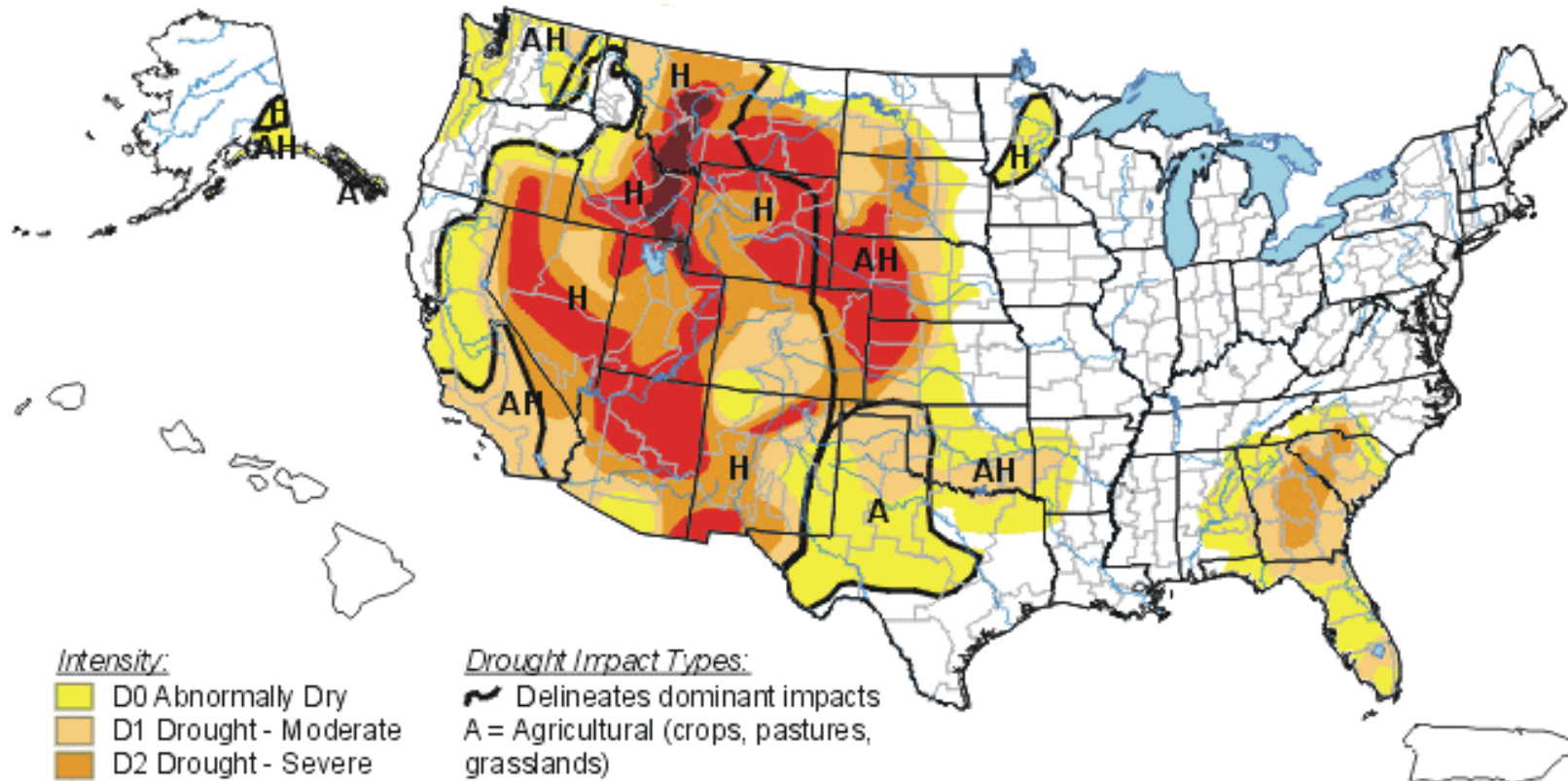
Net Migration = Immigration - Outmigration

Source: U.S. Census Bureau






U.S. Drought Monitor

June 1, 2004


Valid 8 a.m. EDT



Intensity:

-  D0 Abnormally Dry
-  D1 Drought - Moderate
-  D2 Drought - Severe
-  D3 Drought - Extreme
-  D4 Drought - Exceptional

Drought Impact Types:

-  Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)
- (No type = Both impacts)

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

<http://drought.unl.edu/dm>



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Author: Doug Le Comte, CPC/NCEP/NWS/NOAA

How to find us

Economic Analysis Division – **EAD**

Dept. of Administration & Information

Wyoming State Government

<http://eadiv.state.wy.us>

ead@state.wy.us

307.777.7504



Western States Economic Summit

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“Part 2: Wyoming’s Revenues and Expenditures”

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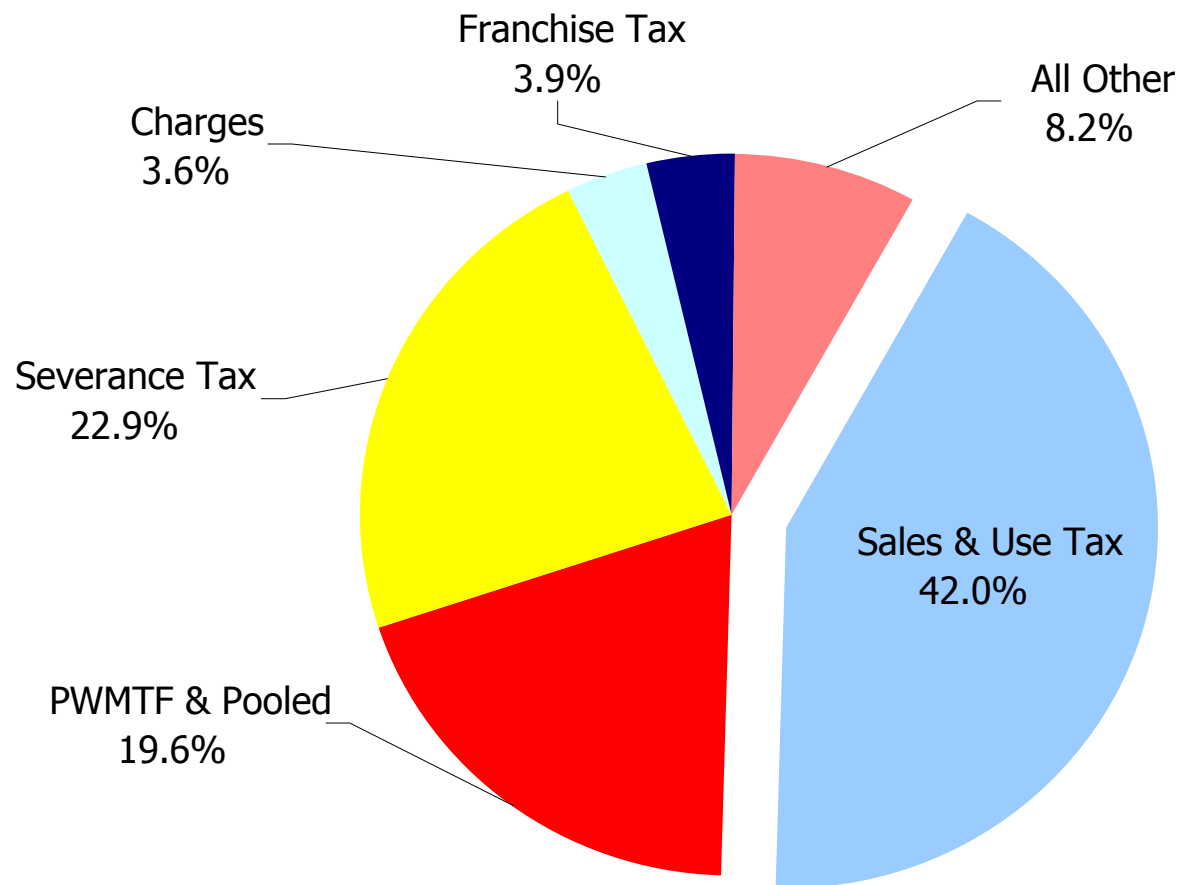
Tuesday, June 8, 2004

Traditional Funding

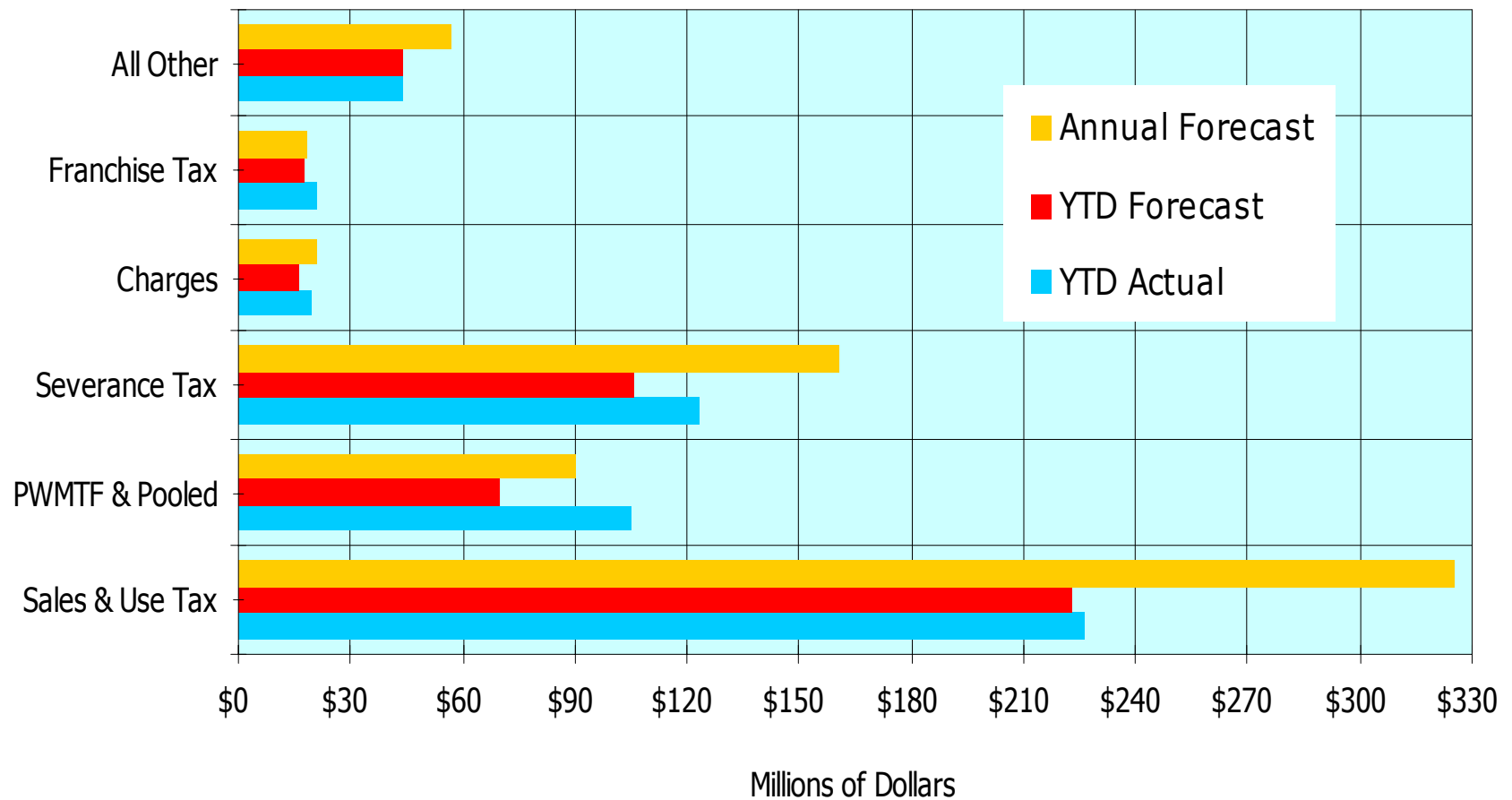
- Main revenue sources:
 - Sales and use taxes, mineral severance taxes, mineral royalties, property taxes, investment income, and other federal monies.
- Three major funds:
 - General Fund.
 - Budget Reserve.
 - School Foundation.



General Fund Summary - FY04 (Actual % of Total through April 2004)



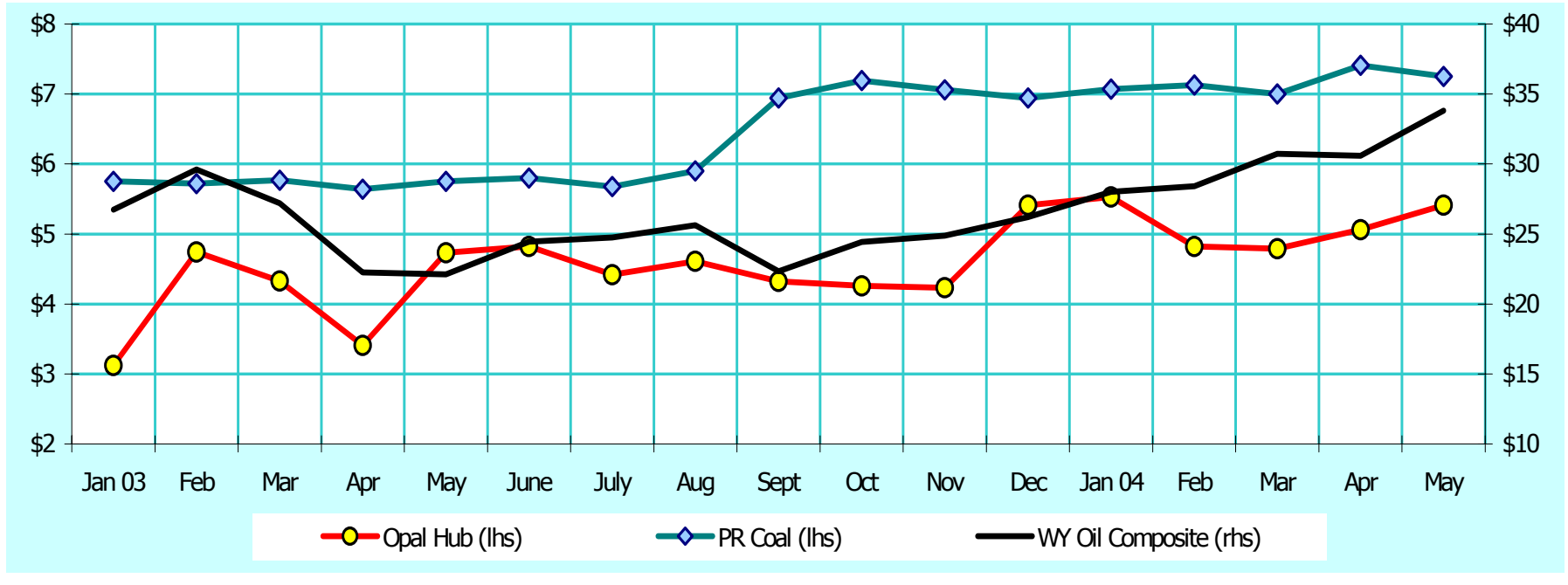
General Fund Comparison - FY04 (Through April 2004)



General Fund Summary Comparisons - FY04
 [As of 05.21.04]

Revenue Source	Actual through April	Forecast through April	YTD Δ	Forecast Total	Actual YTD % of Total	Forecast YTD % of Total	YTD Pace
Sales & Use Tax	\$226,015,524	\$223,000,000	\$3,015,524	\$325,300,000	69.5%	68.6%	0.9%
PWMTF & Pooled	\$105,331,189	\$69,500,000	\$35,831,189	\$90,200,000	116.8%	77.1%	39.7%
Severance Tax	\$123,117,848	\$105,800,000	\$17,317,848	\$160,900,000	76.5%	65.8%	10.7%
Charges	\$19,473,632	\$16,600,000	\$2,873,632	\$20,700,000	94.1%	80.3%	13.7%
Franchise Tax	\$20,801,983	\$17,300,000	\$3,501,983	\$18,400,000	113.1%	94.0%	19.0%
All Other	\$43,988,489	\$44,100,000	(\$111,511)	\$56,700,000	77.6%	77.8%	-0.2%
Total	\$538,728,666	\$476,300,000	\$62,428,666	\$672,200,000	80.1%	70.9%	9.3%

Natural Gas (per mcf), Coal (per ton), and Crude Oil (per bbl) Spot Prices - Monthly Averages



Revenue Enhancements

- Cigarette tax -
 - Tax per pack increased from \$0.12 to \$0.60 on July 1, 2003.
 - Of the \$0.12 portion, 72% goes to local government, 28% goes to the General Fund.
 - Of the \$0.48 portion, 100% goes to the General Fund. This portion should generate \$12.0-\$13.0 million.
 - For fiscal 2004, total cigarette tax monies (\$0.60 per pack) should amount to \$15.0 million.

Revenue Enhancements Con't.

- Severance taxes (natural gas, coal, & oil) -
 - Severance tax rates have remained the same.
 - But higher than expected mineral prices can have a tremendous impact on state revenues.
- Federal mineral royalties (FMRs) -
 - FMRs are also impacted by price swings.
 - Additional coal lease bonus money of \$77.5 million per year expected to start in FY05.

See energy multipliers on next slide.

Energy Multipliers – Price Changes

- Coal → [\$0.25 per ton price change]
 - \$13.0 million revenue change.
- Natural Gas → [\$0.10 per mcf change]
 - \$17.9 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 2004 CREG Forecast and Legislative Services Office.

New Spending

1. K-12 school construction - \$718 million from FY04 to FY10.
2. Univ. of Wyoming - \$200 million of construction including a convention center, stadium enhancements, and remodeling of residence halls and academic buildings.
3. WY DOT – highway construction for CY 2004, \$200 million (\$150 million are from federal sources).

New Spending Con't.

4. Prison construction - \$60 million on expansion of existing facilities and \$75 million on new prison.
5. Dept. of Health – mainly Medicaid related, \$75 million.
6. State employee compensation - \$50 million for 3% COLA, health insurance contributions, and longevity pay.

The bottom line is

The Budget Surplus

GF/BRA carryover FY03-04	\$ 568.7M
GF/BRA revenue est. FY05-06 (CREG)	\$ 1,875.3M
Federal Job & Growth Tax Relief Act	\$ 50.0M
SFP carryover FY05-06	\$ 16.4M
SFP revenue est. FY05-06	<u>\$ 925.7M</u>
Total GF/BRA/SFP funds and revenue available for FY05-06 →	<u>\$ 3,436.1M</u>
Less FY05-06 Standard GF budget/current law (SFP) →	<u>\$ 2,223.0M</u>
Estimated Budget Surplus →	<u>\$ 1,213.1M</u>

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