

BUCK McVEIGH, CO-CHAIR

Economic Analysis Division
Dept. of Administration & Information
2800 Central Avenue
Cheyenne, WY 82002
307-777-7504

**BILL MAI, CO-CHAIR**

Legislative Service Office
State Capitol Building – Room 213
Cheyenne, WY 82002
307-777-7881

Consensus Revenue Estimating Group

- **TOM DOLL**
Oil & Gas Commission
- **WALLACE ULRICH**
Wyoming Geological Survey

- **EDMUND J. SCHMIDT**
State Dept. of Revenue
- **MICHAEL WALDEN-NEWMAN**
State Treasurer's Office
- **VICCI M. COLGAN**
State Auditor's Office

- **DAVID T. TAYLOR**
University of Wyoming
- **FRED HANSEN**
State Dept. of Education

Welcome to the Consensus Revenue Estimating Group!

Brief History of CREG. The Consensus Revenue Estimating Group (CREG) is the official estimating body for all revenues received by Wyoming State Government. The group was created by a mutual informal agreement between the executive and legislative branches in the fall of 1983 as a means of providing a single consensus estimate of revenues to aid in the budgeting process. Prior to 1983, each branch developed an independent forecast of revenues. The Governor and the Legislature proposed the creation of a single estimating group to generate a consensus estimate of revenues, thus eliminating the problem of divergent forecasts. This proposal has led to what is currently in place for the State.

CREG Members. The leadership of CREG consists of the Administrator of the Economic Analysis Division (EAD) of the Department of Administration & Information and the Budget & Fiscal Manager from the Legislative Service Office (LSO), each serving as a co-chair of the group. Additional members of CREG include representatives from the State Auditor's Office, State Treasurer's Office, Department of Revenue, Department of Education, Wyoming Geological Survey, Wyoming Oil and Gas Commission, and the University of Wyoming (Department of Agricultural & Applied Economics - College of Agriculture).

CREG Methodology. CREG estimates of revenues are provided by three subgroups representing mineral valuation, earnings on investments, and general fund sources of revenues. The **mineral subgroup** consists 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-chairs. Typically, this subgroup starts developing estimates of mineral valuation in August, leading to a "minerals" meeting in late September where the subgroup finalizes its estimates. These estimates are presented to the entire CREG for one final review in early October. Price and production estimates for the state's minerals can have a tremendous impact on state revenues as severance taxes, federal mineral royalties, and assessed valuations are all affected by these projections.

The Economic Analysis Division provides the sales and use tax forecast as well as the forecast for the remaining sources of general fund revenues including charges for sales and services, franchise taxes, and cigarette taxes. The **economic analysis subgroup** includes the Division's administrator and a senior economist. An econometric model has been used over the years to make projections of sales and use taxes. Starting in October of 2002, a new forecasting model was designed and implemented and has been in use since. Also in 2002, the General Fund Survey was revised and updated, leading to more accurate estimates of the "other sources" of general fund revenues.

Estimates of earnings from the Wyoming Permanent Mineral Trust Fund and pooled investments are provided by the State Treasurer's Office. The **investment subgroup** is comprised of the State Treasurer (an elected official) along with the office's Chief Investment Officer.

Following the second fall meeting, the official CREG Forecast is completed and released to the public, usually around mid-October.

Revisions of CREG Estimates. CREG reconvenes in January to consider whether revisions need to be made to the prior October assumptions and projections. After the January meeting, a new, updated official CREG forecast is released (in mid-January), reflecting any new information that could enhance the forecast, especially in the short-term. Occasionally, an event may occur that significantly impacts revenues to the state. In such a situation, a special report may be issued detailing the effects on state revenues.

CREG Report Contents. The CREG report is comprised of the following sections:

- ▶ Projections of all general fund revenue sources including monies from sales and use taxes, severance taxes, and investment income.
- ▶ Severance tax forecasts of price and production for all minerals including natural gas, coal, crude oil, trona, and uranium. This section also includes estimates of revenues the State can expect from its mineral production along with the expected distribution of the severance tax collections to each fund or account.
- ▶ Federal mineral royalty forecast that details the expected price, production, and expected royalties for natural gas, coal, and crude oil. This section also outlines the expected distribution of royalties, including coal lease bonus monies, to each fund or account.
- ▶ The last section projects income that is derived from the investment of the Common School Permanent Land Fund. This section also includes the projections of state assessed valuation.

Accuracy of CREG Estimates.

Comparisons of actual General Fund revenues to CREG forecasts are depicted in **Chart 1**. For fiscal years 1984 through 2010, the October forecast has had an accuracy rate of **+9.0%**. In 1986, a process allowing for a January revision of the previous October forecast was implemented for the first time thus improving accuracy to **+8.1%** for the years 1986 through 2010.

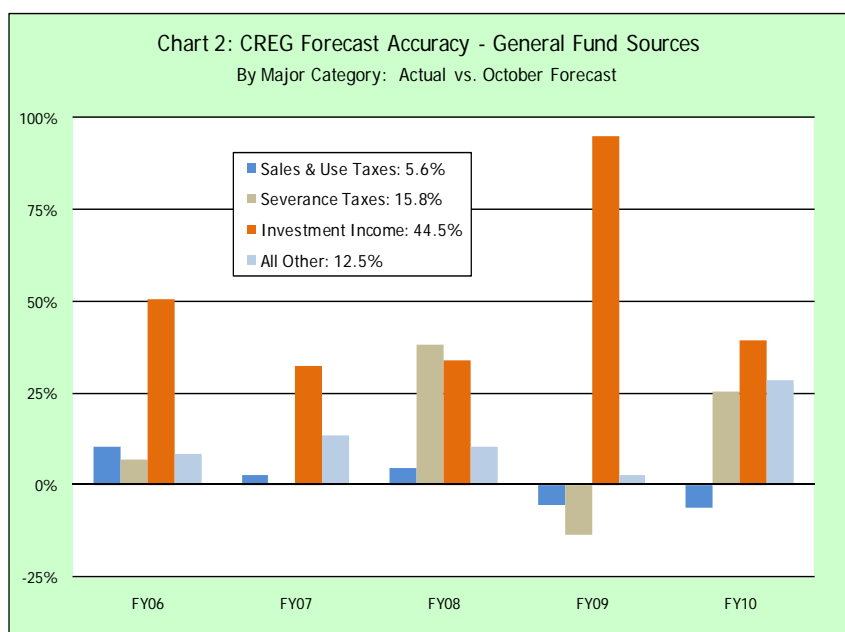
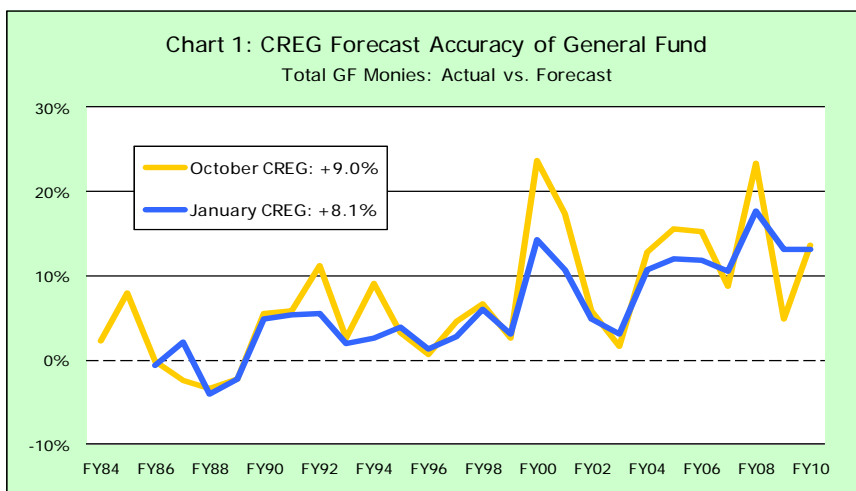


Chart 2 provides an in-depth analysis of the accuracy of the major sources of General Fund monies for years 2006 through 2010. The individual bars measure the percentage differences (plus or minus) by major source, between actual dollars and the October forecast. Also, the accuracy over the five-year time frame was measured. Using the absolute values of the percentage differences, thereby eliminating the potential offsetting of positive and negative values, a truer picture of forecasting accuracy emerged. For the five-year period, the sales and use tax forecast had been the most accurate of the four General Fund projections, averaging **5.6%**, followed by "All Other" with **12.5%**.

Questions? Contact Jim Robinson,
Senior Economist, Dept. of A&I.
Phone: 307.777.7221
E-mail: jim.robinson@wyo.gov
Web: <http://eadiv.state.wy.us>