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October 2008 CREG Revenue Forecast

CHEYENNE — The Consensus Revenue Estimating Group (CREG) held its mineral valuation group meeting on October 6th, 2008 followed by the revenue meeting on October 13th. The following information pertains primarily to the General Fund forecast and reflects the assumptions that resulted from both CREG meetings. Please note that the forecast covers the period FY 2009 – FY 2014.

General Fund: The table below depicts the changes that were made to the primary sources of General Fund revenues. Specifically, modest increases were made for sales and use taxes and mineral severance taxes while smaller increases were planned for the "All Other" category. Investment income was forecasted to decline considerably.

FY 2009-10 Biennium General Fund Revenue Forecast Comparison

Revenue Source	January 2008 Forecast FY 2009-10 Biennium	October 2008 Forecast FY 2009-10 Biennium	Difference
Sales and Use Tax	$ 978.0 M	$1,044.4 M	+ $ 66.4 M
Severance Tax	$ 431.5 M	$ 506.9 M	+ $ 75.4 M
Sev. Tax Credits	$ - 3.6 M	$ - 2.3 M	+ $ 1.3 M
Investment Income	$ 451.5 M	$ 370.3 M	- $ 81.2 M
All Other	$ 236.6 M	$ 252.6 M	+ $ 16.0 M
Total General Fund	$2,094.0 M	$2,171.9 M	+ $ 77.9 M

The General Fund share of total **sales and use tax revenue** for FY 2009 is expected to reach $521.7 million, an increase of $36.4 million, or 7.5 percent, from the level forecasted in January 2008. Total General Fund sales and use tax receipts for FY 2008 finished the year at $504.7 million, up $25.6 million, or 5.3 percent, from FY 2007. Actual receipts for FY 2008 exceeded the level forecasted last January, by $18.9 million, or 3.9 percent. Consumer sentiment remained healthy throughout FY 2008, as evidenced by higher than previous year collections in 14 of the 15 industrial sectors, and 17 of 23 counties in the State. The retail trade sector, along with wholesale trade, leisure & hospitality, and mining were the top performing sectors in year-ago comparisons of dollars collected, while manufacturing was the sole sector realizing a decline. The forecast for FY 2009 represents a $17.0 million, or 3.4 percent, increase over the actual total collected in FY 2008, reflecting a modest increase in natural gas employment and corresponding disposable income, and higher inflation. Sales and use tax totals are forecasted to increase nominally in FY 2010, and continue with modest growth through the forecast horizon.

The total General Fund share of **severance tax revenue** for FY 2009 is forecasted to reach $252.0 million, up $45.5 million, or 22.0 percent, from the level forecasted in January 2008. Actual FY 2008 severance tax receipts to the General Fund, of $257.9 million, were $65.7 million higher than forecasted last January, and $43.9 million more than the previous year's total. This amount exceeded the previous record high level set in FY 2006. Total General Fund severance tax receipts are expected to decline in FY 2009 from the actual FY 2008 levels, and then increase modestly each year through FY 2014. For more detail on the mineral severance tax forecast, refer to Section 2 of this report.

Forecasted General Fund **investment income** for the 2009-10 biennium has been reduced to $370.3 million from the $451.5 million level forecasted in January 2008, representing a $81.2 million decrease. In light of the decrease in interest rates since January, 2008 and the recent Wall Street crisis, anticipated yields on internally and externally managed funds were reduced from 3.37 percent forecast last January to 1.52 percent for FY 2009 for the Permanent Wyoming Mineral Trust Fund (PWMTF), and from 4.86 percent to 2.50 percent for FY 2009 for the state agency pool. This reduced the FY 2009 projection of investment income by $100.5 million from levels forecast in January 2008. The investment income forecast for FY 2010, of $254.6 million, actually represents an increase of $19.3 million, or 8.2 percent from the forecast made last January. This increase is due totally to higher expected fund balances, since yield rates were reduced only slightly for FY 2010. The net of these two fiscal year revisions results in the $81.2 million decrease from the January, 2008 projections.

The remaining General Fund revenue sources are comprised of revenue components from a variety of state agency sources. The forecast represents data from over 70 state agencies and boards. Overall, revenue from these sources, including the All Other category, is forecasted to generate $126.3 million for FY 2009. This represents a increase of $8.0 million from the level forecasted last January. Cigarette tax collections are expected to reach $20.4 million in each of the forecasted years. It should be noted that due to federal legislation, the state will be receiving inheritance tax revenue only from estates dating before 2005. Therefore, inheritance taxes are forecasted at $0.5 million per year throughout the forecast period.

Total Severance Taxes and Federal Mineral Royalties: The severance tax and federal mineral royalty projections are significantly higher than those of the January 2008 report. The primary reasons for the increases are the increased oil, gas and coal price estimates, as well as the expected increases in natural gas and coal production. The following table shows the anticipated overall revenue increases above the levels predicted in January 2008 from severance taxes and federal mineral royalties. Total additional severance taxes added to the forecast amount to $377.7 million for the FY 2009-10 biennium, and additional federal mineral royalties equal $337.5 million.

FY 2009-10 Biennium Mineral Revenue Forecast Comparison

Revenue Source	January 2008 Forecast	October 2008 Forecast	Difference
Severance Taxes	$1,752.0 M	$2,129.7 M	+ $377.7 M
Fed. Mineral Royalties	$1,778.1 M	$2,115.6 M	+ $337.5 M

Coal lease bonus revenues in the October 2008 forecast have been increased by $81.2 million as compared to the January 2008 report. Two new coal lease bonus payments are factored into this report: Eagle Butte West at slightly over $18.0 million/year; and South Maysdorf at slightly more than $25.0 million/year. The additional coal lease bonuses included in this report add to the amounts projected in January for receipt by community colleges, highways, local government capital construction, and school capital construction.

The complete October 2008 CREG forecast and this news 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.