Don Richards, Co-chairman
Legislative Service Office
State Capitol Building
Cheyenne, WY 82002
307-777-7881

Kevin Hibbard, Co-chairman
Budget Department
2800 Central Avenue
Cheyenne, WY 82002
307-777-6045

Consensus Revenue Estimating Group

Date: April 25, 2024

To: Governor Mark Gordon
Members, 67th Legislature

From: Don Richards, Co-chairman
Kevin Hibbard, Co-chairman

Subject: April 2024 Revenue Update

Purpose of Update *– This revenue pacing update and the accompanying summary table, taken in combination with the October 2023 and January 2024 Consensus Revenue Estimating Group (CREG) forecasts, are intended to provide quarterly revenue pacing of the state's revenue collections from major sources as compared to the official January 2024 CREG forecast. A similar revenue update is issued each July. The January 12, 2024, CREG report remains the official fiscal forecast and is used to derive the revenue pacing expectations in this update. The March 26, 2024, fiscal profile remains the Legislative Service Office's (LSO's) estimate of projected account balances as of June 30, 2024 and June 30, 2026. This update does not formally modify the official CREG revenue forecast or the LSO fiscal profile. The information in this update represents revenue collections received and reported from July 2023 through March 2024.*

A summary table of selected revenue sources deposited into the General Fund (GF), Budget Reserve Account (BRA), School Foundation Program Account (SFP), and the School Capital Construction Account (SCCA) is located at the end of this update. Revenues collected from mineral severance taxes, federal mineral royalties (FMRs), and state mineral royalties are also included regardless of the distribution of those revenues. Column A shows the January 2024 CREG forecast of total fiscal year (FY) 2024 revenue by major source. Column B shows the actual year-to-date (YTD) revenue received. Column C shows the forecast revenues through March 2024. Column D shows the difference between the actual YTD revenues collected and forecast YTD revenues (column B minus column C). Column E shows the percentage of the forecast received to date (column B divided by column A). Column F shows the percentage of the forecast expected at this point in the fiscal year based upon pacing estimates informed by prior year collections (column C divided by column A). Column G shows the pacing difference: the actual YTD revenue as a percentage of the total amount forecast for FY 2024 minus the FY 2024 YTD forecast as a percentage (column E minus column F). Occasionally, percentages may vary due to rounding.

Summary – At this point in the fiscal year, current revenue collections directed to the GF exceed the paced, January 2024 CREG forecast by $32.3 million (2.2 percent). Revenues deposited to the BRA are trending further ahead, exceeding the forecast pace by $46.4 million (12.8 percent). Revenue directed to the SFP exceeds the forecast pace by $13.1 million (3.1 percent). All pacing excludes the statutory guarantee of investment income under the respective spending policies and any realized capital gains and losses. The pace for the SFP is somewhat higher with consideration of the statutory investment income guarantee. Throughout this report, the primary takeaway is that major revenue collections are modestly ahead of CREG forecasts. However, observed declines in market prices for natural gas and coal, coal production, and recent trends in sales and use tax collections suggest revenues could reasonably be expected to revert toward the CREG forecast in the remaining months of the fiscal year. The following is a summary of revenue collections for FY 2024:

- For traditional state funds supporting the general operations of government and excluding realized capital gains, the GF and BRA revenue collections through March exceed the forecast pace by $78.6 million (4.3 percent).
- If realized capital gains from the PWMTF earned through February are considered, GF and BRA revenue collections are $133.9 million (7.3 percent) ahead of forecast. Importantly, under the statutory spending policy, $18.8 million of this $133.9 million would not remain in the GF and would be transferred to the Legislative Stabilization Reserve Account (LSRA) and Strategic Investments and Projects Account in equal amounts.
- Sales and use tax collections, traditionally the largest single revenue contributor to the GF and a major revenue source for cities, towns, and counties, exceed the forecast pace by $7.9 million (1.2 percent) through March 2024.
- Severance taxes are ahead of the forecast pace by $53.1 million (7.6 percent) and FMRs exceed the forecast pace by $38.1 million (6.7 percent). Total state mineral royalties are short of the forecast pace by $2.7 million (2.0 percent).
- The State Treasurer's Office (STO) reports "Pooled Income", or interest and dividends derived from the GF portion of the State Agency Pool, exceeds the forecast pace by $12.8 million (9.4 percent) through February. Additionally, STO reports $27.7 million in net realized gains to the GF through February. Including realized capital gains, "Pooled Income" is ahead of pace by $40.6 million (29.8 percent).
- Interest and dividend collections are short of forecast pace for the Permanent Wyoming Mineral Trust Fund (PWMTF) by $36.5 million (11.8 percent) and for the Common School Account within the Permanent Land Fund (CSPLF) by $1.0 million (0.5 percent). Moreover, the PWMTF also has $55.3 million in net realized capital gains, which could more than offset any shortfall in interest and dividends if these gains are sustained through the end of the fiscal year. Due to the statutory guarantee for investment income derived from the two permanent funds, the GF and SFP balances are unaffected regardless of whether investment income exceeds or falls short of the forecast.
- Total revenue from state lease and bonus payments, deposited in the Common School Account within the Permanent Land Income Fund and subsequently the SFP, is ahead of the forecast pace through March by $1.4 million (6.8 percent).

A. General Fund – The summary table lists the three largest sources of revenue for the GF (sales and use taxes, investment income, and severance taxes) separately, and it lists all other GF revenue sources (franchise taxes, cigarette taxes, charges from sales and service, fees, penalties and interest, etc.) collectively. As shown in columns D and G of the summary table, actual total revenues directed to the GF (line 6) are currently estimated at $32.3 million (2.2 percent) above the forecast pace for the year, exclusive of the statutory guarantee for the spending policy or realized capital gains from the PWMTF.

The January 2024 CREG forecast projected FY-over-FY increases in statewide sales and use tax collections of $15.8 million (2.5 percent). Actual sales and use tax deposits to the GF outpace the forecast by $7.9 million (1.2 percent). At the county level through March, most counties show stronger sales and use tax collections year-over-year compared to FY 2023, though the strength of collections varies among the counties. Specifically, Albany, Lincoln, Niobrara, and Uinta counties all show collections that are higher by 20.0 percent or more compared to FY 2023 collections through March, whereas Sublette County shows a 5.3 percent decline compared to FY 2023 collections. Hot Springs County also shows a 16.4 percent decline. Some counties, particularly Laramie, Carbon, Johnson, and Sublette counties have seen year-over-year declines in collections compared to the early months of calendar year 2023.

Most major industries show higher sales and use tax collections through March compared to FY 2023. Two industries in particular show greatly increased collections: utilities (46.2 percent) and transportation and warehousing (33.4 percent), though the latter makes up a small fraction of total sales and use tax collections. Sales and use tax collections from mining comprise 12.7 percent of total collections to date, a slight increase from 12.4 percent in FY 2023. Despite comfortable fiscal year-to-date increases over FY 2023, utilities, mining, manufacturing, and retail trade have shown year-over-year declines in recent months, signaling some slowing of sales and use tax collections.

The GF share of statewide sales and use tax collections is reduced by local impact assistance payments pursuant to W.S. 39-15-111(c) and W.S. 39-16-111(d), which amount to $18.8 million for FY 2024 through March – a significant increase from FY 2023's total through March of $2.3 million and more similar to the $13.1 million total payments for FY 2021 and the $30.3 million total payments for FY 2020, illustrating an increase in major industrial projects this fiscal year, especially in wind energy development.

Severance tax collections directed to the GF are ahead of the forecast pace by $10.5 million (5.8 percent), based on production through January. However, natural gas prices have fallen to sustained multi-decade lows since February, and coal production has fallen as well, indicating lower severance tax collections in the remainder of the fiscal year. On the other hand, oil prices have climbed since February, providing a revenue-boosting effect to offset declines in gas and coal.

Interest and dividends deposited to the GF from the State Agency Pool, LSRA and America Rescue Plan Act funds ("Pooled Income") are ahead of the forecast pace by $12.8 million (9.4 percent). In addition, STO indicates approximately $27.7 million in realized net capital gains. Combining interest, dividends, and realized capital gains leaves "Pooled Income" $40.6 million (29.8 percent) ahead of pace. Recall, CREG does not project or include any realized capital gains or losses in its forecast.

Interest and dividends earned from the PWMTF and distributed through February 2024 are $169.4 million. Moreover, STO reports realized net capital gains of $55.3 million from the PWMTF. In accordance with W.S. 9-4-719, the first 2.5 percent of the five-year average market value of the corpus, or $219.8 million in FY 2024, of any investment earnings from the PWMTF will be deposited into and remain in the GF. The $219.8 million figure is "guaranteed," thus the summary table reflects two-thirds (8 of 12 months) of the annualized guaranteed amount. Investment income derived from the PWMTF for FY 2024, including realized capital gains and losses to date, exceeds the 2.5 percent spending policy amount guaranteed to the GF.

The "all other" category of state revenues exceeds the forecast pace by $9.8 million (5.0 percent). Many of these "all other" revenue streams are not collected with predictable timing over the course of the fiscal year. Franchise taxes are $2.7 million (5.5 percent) behind the 75 percent pacing expected through March. Property and money use fees are ahead of the forecast pace by $1.8 million (19.6 percent).

B. Budget Reserve Account – The summary table lists the two earmarked revenue streams for the BRA: severance taxes (line 8) and FMRs (line 9). Severance tax deposits to the BRA exceed the January 2024 CREG forecast pace by $20.9 million (15.4 percent). FMRs directed to the BRA, including an adjustment for the federal fiscal year (FFY) 2023 budget sequester, are $25.4 million (11.2 percent) above the forecast pace. The Legislature adopted a "second cap" for both severance taxes and FMRs in the 2022 Budget Bill for the FY 2023-2024 biennium, above which the revenue distribution directs additional FMRs to the SFP and additional severance taxes to the SFP Reserve Account. Neither severance taxes nor FMRs have reached the second caps as of this update.

C. State Revenues Supporting K-12 Education – The summary table lists the pacing of revenue sources supporting K-12 education, including investment income, FMRs, and lease and bonus income and state mineral royalties from school lands. The SFP revenue deposits are $13.1 million (3.1 percent) ahead of the January 2024 CREG forecast pace (line 15), exclusive of the statutory spending policy guarantee.

Interest and dividends from the CSPLF are falling slightly short of the forecast pace by $1.0 million (0.5 percent). STO carried forward $44.7 million of realized capital losses from FY 2023, and to date in FY 2024 it has realized capital gains of $36.1 million, leaving $8.6 million of carried-forward capital losses that need to be offset before capital gains may be distributed according to the spending policy. Unlike the PWMTF, the full five percent of the five-year average market value of the CSPLF corpus is guaranteed through a transfer from the Common School Permanent Fund Reserve Account (CSPLF RA). Therefore, the summary table illustrates the forecast pace of only interest and dividends (line 12a) and the spending policy guarantee through eight months (line 12). Interest and dividends to date from the CSPLF total $117.0 million. Funds in the CSPLF RA will supplement any shortfall in investment income below the spending policy at the end of the fiscal year. For both the SFP and GF, caution should be exercised when considering any prediction for investment earnings. Historic investment experience is not necessarily indicative of future realized capital gains or losses, especially in volatile financial markets.

FMRs earmarked for the SFP received to date are $12.7 million (5.8 percent) ahead of the forecast pace. State oil and gas lease auction results combined with state land lease income total $16.4 million, which is $1.4 million (6.8 percent) ahead of the forecast pace. FMRs and state leases and bonus payments may face the same downward pressure in collections from near-term low gas prices and coal production that severance taxes face.

State mineral royalties from common school lands (state lands) deposited to the School Lands Mineral Royalties Account (one-third) and CSPLF (two-thirds) are lagging the forecast by $2.7 million (2.0 percent). The Legislature modified the distribution of the state mineral royalties deposited in the School Lands Mineral Royalties Account from the SCCA to the CSPLF for FY 2023 and FY 2024 in the 2023 Budget Bill.

D. Mineral Severance Taxes and FMRs, including mineral prices and production – After applying the revenue pacing estimates on production through January 2024, total severance tax collections are $53.1 million (7.6 percent) ahead of the forecast pace. Total FMRs received through March are $38.1 million (6.7 percent) ahead of the forecast pace. Low natural gas spot prices observed in the spring of 2024 will likely offset the robust collections in the first half of FY 2024, so the positive spread between actual revenue collections and the January CREG forecast will possibly narrow throughout the rest of the fiscal year.

According to Baker Hughes, there are 11 rigs currently operating in Wyoming (3 seeking natural gas and 8 seeking oil), down from 36 in mid-April 2019 prior to COVID. After increasing from the single digits recorded in late CY 2020 and early CY 2021 and reaching a peak in the winter of 2022-2023, the number of oil and gas rigs has begun to fall back to the single digits. Through the first seven months of FY 2024, Wyoming oil and natural gas production exceed the forecast pace by 4 to 5 percent, while surface coal production exceeds the forecast pace by 2.1 percent. Trona production lags the forecast by 1.0 percent. Average prices through the fiscal year to date compared to pacing range from about 3 percent behind pace for trona, to almost exactly on pace for oil, to about 3.5 percent ahead of pace for surface coal, to a strong 29 percent ahead of pace for natural gas. As previously mentioned, known low spot prices for natural gas for production completed but not yet reported will reduce the fiscal year average and bring it down towards the forecast.

As always, we will continue to monitor the revenue situation and keep you informed. Let us know if you have any questions.

LSO Budget/Fiscal Division
[As of April 25, 2024]

	Fiscal Year 2024 Revenue Update Summary: Actual vs. January 2024 CREG Forecast							
		A	B	C	D	E	F	G
	Revenue Sources	CREG Forecast FY24 Total	Actual through March	Forecast through March (1)	Difference YTD $	Actual YTD % of Total	Forecast YTD % of Total	YTD Pace
1	GF - Sales & Use Tax (2)	$651,700,000	$430,948,266	$423,000,000	$7,948,266	66.1%	64.9%	1.2%
2	GF - PWMTF with guarantee (3)	$219,800,000	$146,500,000	$146,500,000	$0	66.7%	66.7%	0.0%
2a	*GF - PWMTF from dividends & interest (3)*	*$308,800,000*	*$169,373,365*	*$205,900,000*	*($36,526,635)*	*54.8%*	*66.7%*	*-11.8%*
2b	*GF - PWMTF with capital gains (3)*	*N/A*	*$224,663,786*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
3	GF - Pooled income with capital gains (losses) (3)	$136,000,000	$131,265,495	$90,700,000	$40,565,495	96.5%	66.7%	29.8%
3a	*GF - Pooled income from dividends & interest (3)*	*$136,000,000*	*$103,538,270*	*$90,700,000*	*$12,838,270*	*76.1%*	*66.7%*	*9.4%*
4	GF - Severance Tax	$181,700,000	$135,970,441	$125,500,000	$10,470,441	74.8%	69.1%	5.8%
5	GF - All Other	$196,300,000	$157,028,132	$147,200,000	$9,828,132	80.0%	75.0%	5.0%
6	**General Fund - Total (without PWMTF capital gains or guarantee) (3)**	**$1,474,500,000**	**$1,024,585,699**	**$992,300,000**	**$32,285,699**	**69.5%**	**67.3%**	**2.2%**
7	**General Fund - Total with guarantee (3)**	**$1,385,500,000**	**$1,001,712,334**	**$932,900,000**	**$68,812,334**	**72.3%**	**67.3%**	**5.0%**
8	BRA (from Severance Taxes)	$136,300,000	$78,934,858	$58,000,000	$20,934,858	57.9%	42.6%	15.4%
9	BRA (from FMRs)	$226,500,000	$117,620,361	$92,200,000	$25,420,361	51.9%	40.7%	11.2%
10	**Budget Reserve Account - Total**	**$362,800,000**	**$196,555,219**	**$150,200,000**	**$46,355,219**	**54.2%**	**41.4%**	**12.8%**
11	**One Percent Severance Tax (50% to PWMTF and 50% to CSPLF)**	**$112,400,000**	**$74,747,649**	**$66,200,000**	**$8,547,649**	**66.5%**	**58.9%**	**7.6%**
12	SFP CSPLF with guarantee (3)	$219,200,000	$146,100,000	$146,100,000	$0	66.7%	66.7%	0.0%
12a	*SFP CSPLF from dividends & interest (3)*	*$177,000,000*	*$117,048,448*	*$118,000,000*	*($951,552)*	*66.1%*	*66.7%*	*-0.5%*
12b	*SFP CSPLF with capital gains (losses) (3)*	*N/A*	*$117,048,448*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
13	SFP FMRs	$219,600,000	$151,514,180	$138,800,000	$12,714,180	69.0%	63.2%	5.8%
14	SFP Lease and bonus	$20,000,000	$16,358,468	$15,000,000	$1,358,468	81.8%	75.0%	6.8%
15	**School Foundation Program - Total (w/out cap. gains or guarantee) (3)**	**$416,600,000**	**$284,921,096**	**$271,800,000**	**$13,121,096**	**68.4%**	**65.2%**	**3.1%**
16	**School Foundation Program - Total (with guarantee) (3)**	**$458,800,000**	**$313,972,648**	**$299,900,000**	**$14,072,648**	**68.4%**	**65.4%**	**3.1%**
17	**School Capital Construction Account - FMRs / Total**	**$5,300,000**	**$5,346,000**	**$5,300,000**	**$46,000**	**100.9%**	**100.0%**	**0.9%**
18	**State Royalties - Total (4)**	**$137,000,000**	**$100,094,452**	**$102,800,000**	**($2,705,548)**	**73.1%**	**75.0%**	**-2.0%**
19	**Severance Taxes - Total**	**$701,200,000**	**$466,073,405**	**$413,000,000**	**$53,073,405**	**66.5%**	**58.9%**	**7.6%**
20	**Federal Mineral Royalties - Total**	**$565,400,000**	**$388,430,541**	**$350,300,000**	**$38,130,541**	**68.7%**	**62.0%**	**6.7%**

(1) Year-to-date forecast is determined by using one of three methods: the pace of historical revenues is used for sales & use tax projections, a straight-line pace is applied to PWMTF and pooled income, while severance taxes and federal mineral royalties (FMRs) use a procedure relying on price and production weights, taking into account the impact of the repayment of sequestered (withheld) FMRs.

(2) The Impact Assistance balance at the end of March 2024 was $18,811,870; sales and use tax collections have been reduced by this amount. In addition, sales & use tax collections will be reduced in May 2024 for the special fuel survey.

(3) Capital gains income from PWMTF, Pooled, and CSPLF investments are not currently part of the CREG projection process. This table illustrates the pacing with and without the spending policy guarantee of 2.5 percent for the GF and 5.0 percent for the SFP as well as realized capital gains through February 2024. Investment income is also shown with and without the statutory spending policy guarantee. The realized capital gains (and losses) from non-permanent funds do immediately impact the recipient accounts, e.g., Pooled Income to the GF.

(4) One-third of state royalties are redirected to the Common School Account within the Permanent Land Fund for the 2023-2024 biennium pursuant to 2023 Wyoming Session Laws, Chapter 94, Section 300(c)(i).