

Wyoming's Economy Today and Beyond



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Economic Analysis Division
Wyoming State Government

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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

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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.

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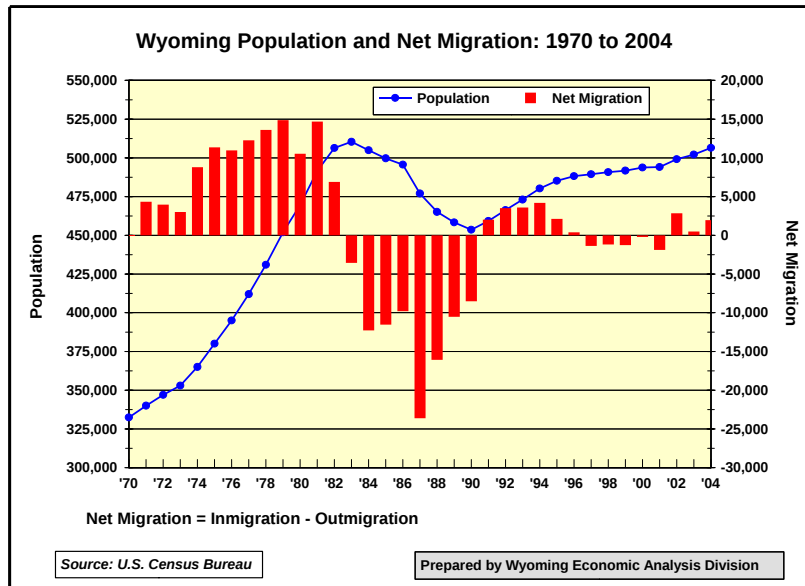
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Population

- 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%.

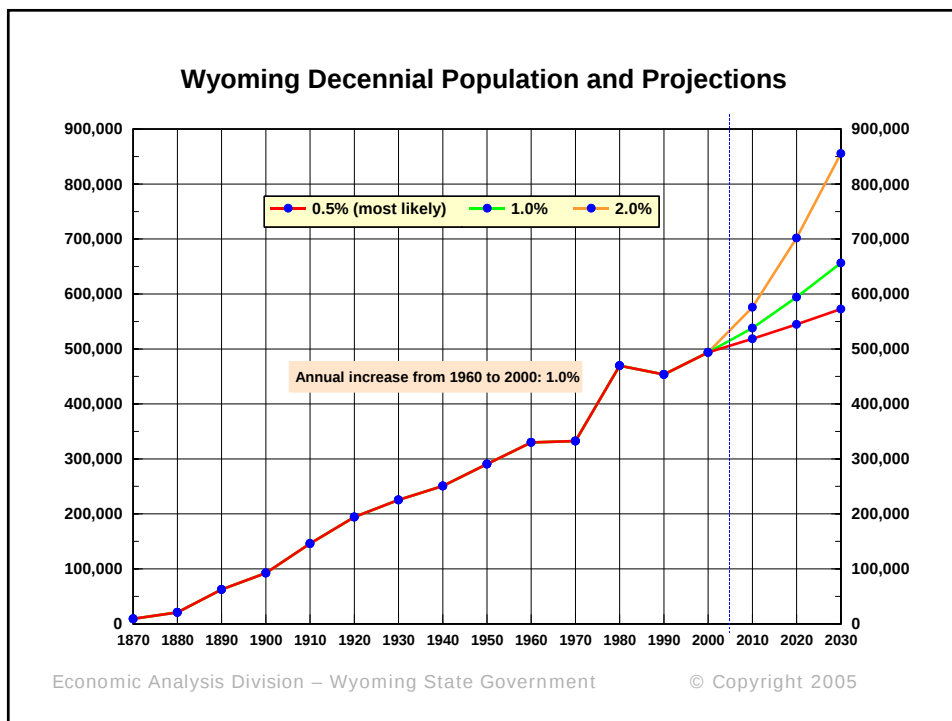
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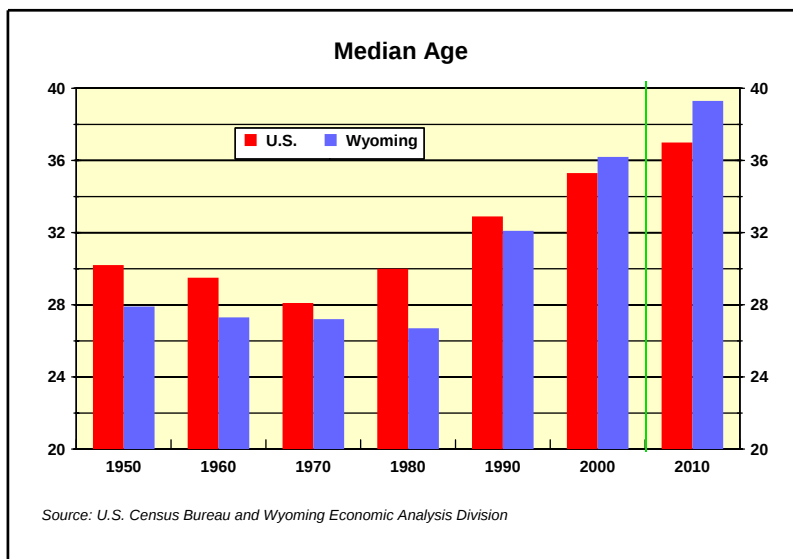
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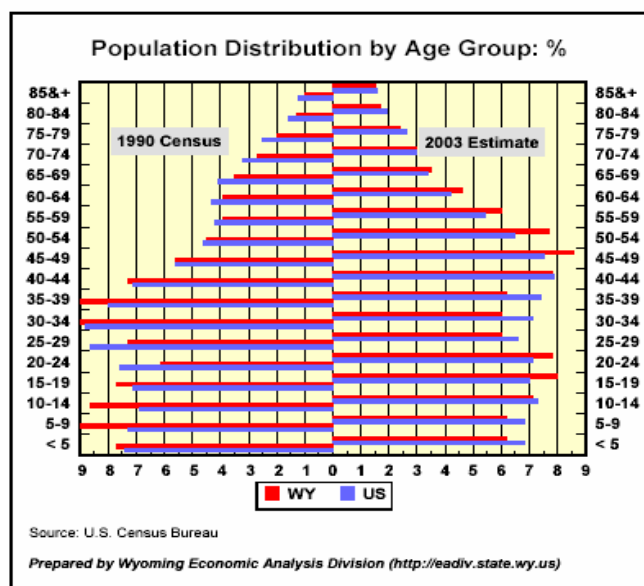
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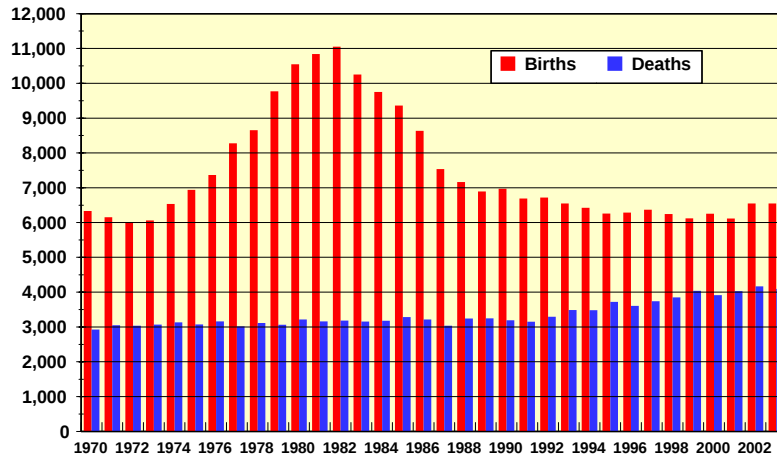
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Number of Births and Deaths in Wyoming: 1970 to 2003



Source: Wyoming Department of Health

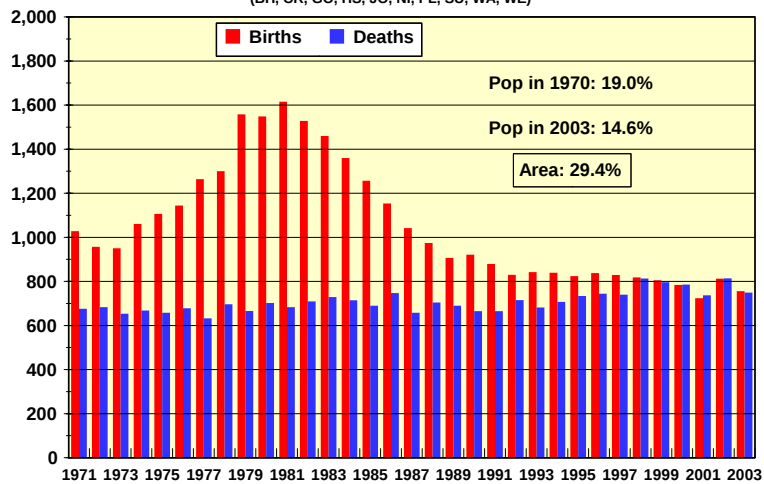
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Births and Deaths for 10 Small Counties: 1971 to 2003

(BH, CR, GO, HS, JO, NI, PL, SU, WA, WE)



Source: Wyoming Department of Health

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Issues with an Aging Population

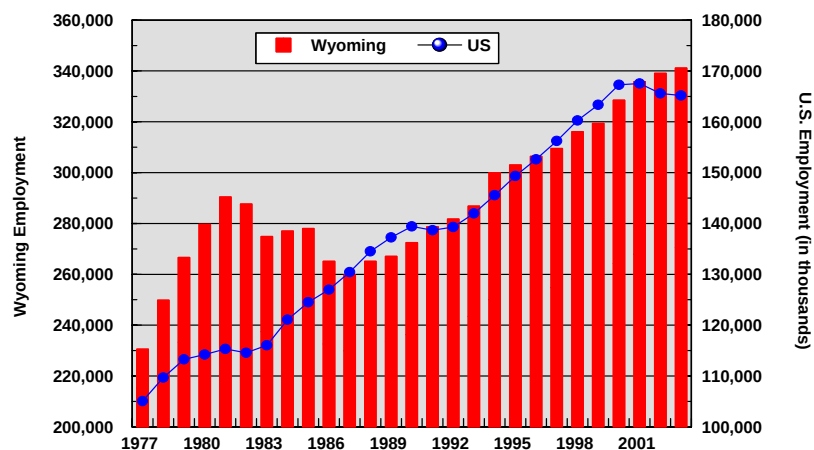
- Wyoming not unique
 - Trend is evident nationally.
- Baby Boomers (born 1946-1964) retiring soon.
 - Large proportion of Wyoming population (30%).
- Disruption/"brain drain" in the workplace.
 - Managers and skilled workers
- Labor shortage?
 - Generation X follows "boomers" with much fewer members.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

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Total Employment for Wyoming and U.S.: 1977-2003

(Number of full and part-time jobs)



Source: U.S. Bureau of Economic Analysis

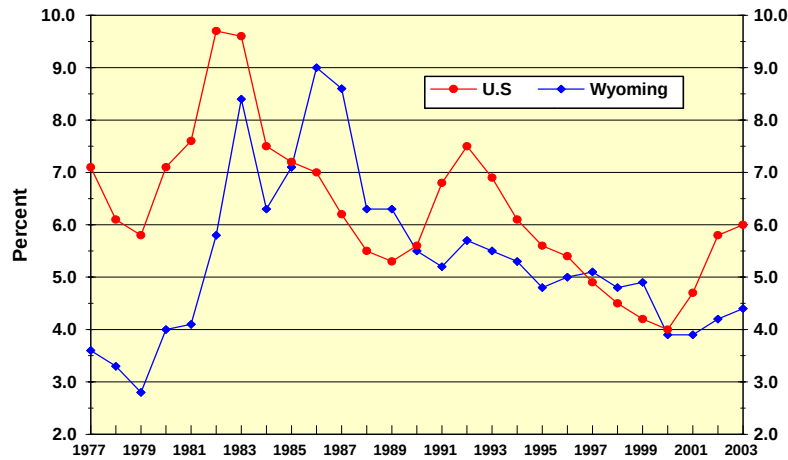
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Wyoming and US Unemployment Rates: 1977 - 2003

Annual Average



Source: Wyoming Employment Department

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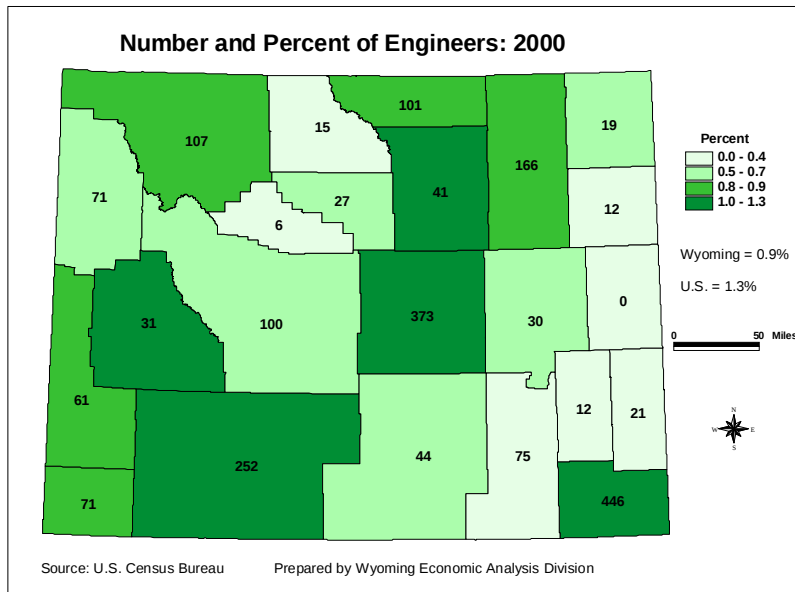
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Employment Anomalies in Wyoming 2003

- 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%.

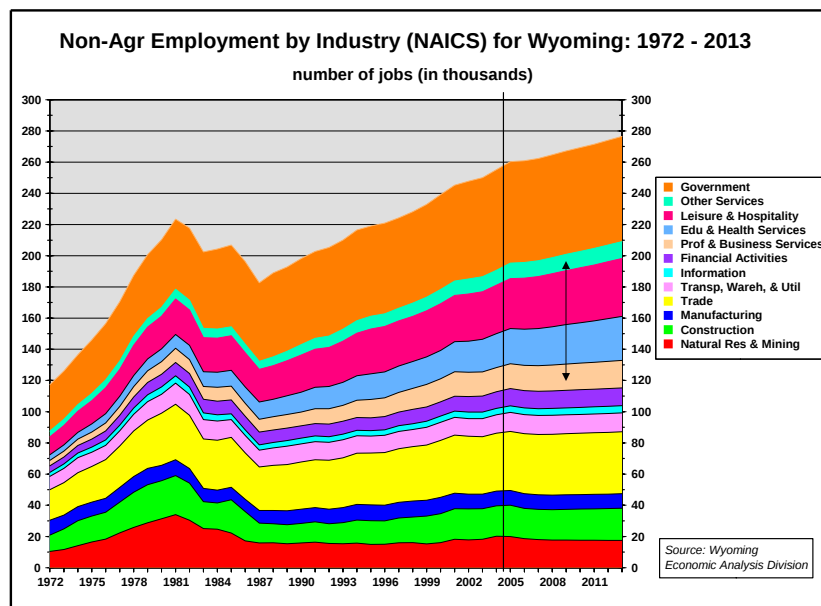
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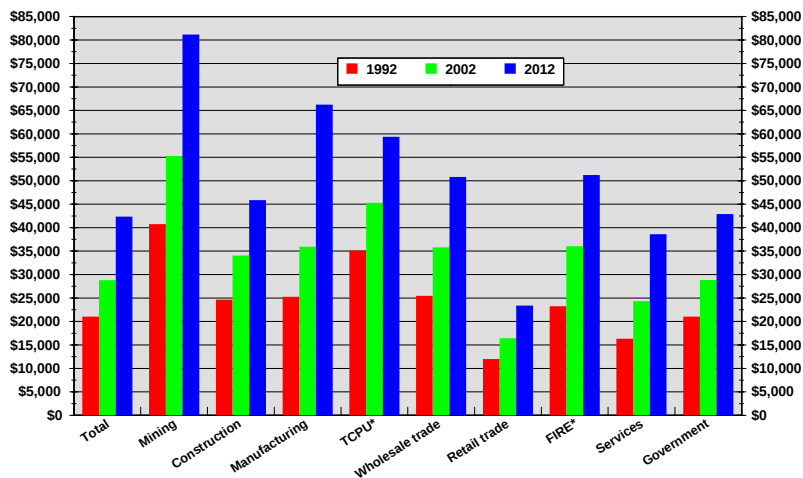
Wages in Wyoming

- 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.

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Wyoming Average Wage Per Job: 1992, 2002, 2012



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

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Personal Income

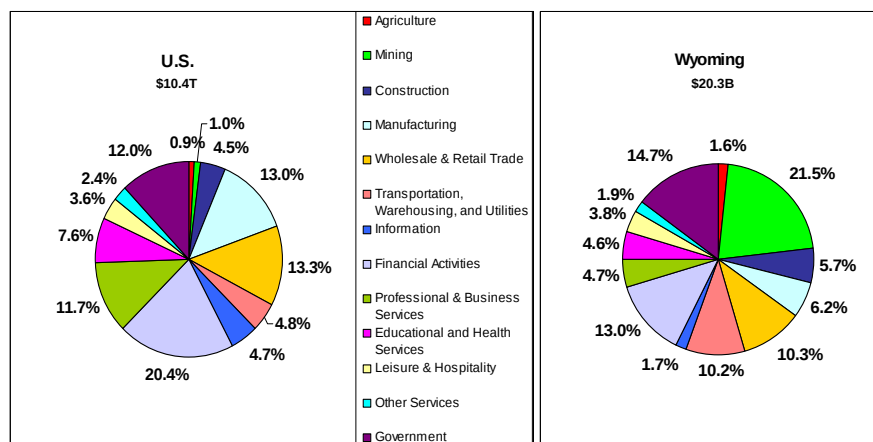
Per Capita PI	2003	2002	% Change Year Ago
Wyoming ¹	\$32,808 (15)	\$31,021 (16)	+5.8%
Rocky Mountain	\$29,974	\$29,379	+2.0%
U.S.	\$31,632	\$30,906	+2.3%

¹Numbers in parentheses are U.S. rankings.

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



Source: U.S. Bureau of Economic Analysis

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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.

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Mineral Income and State Finances

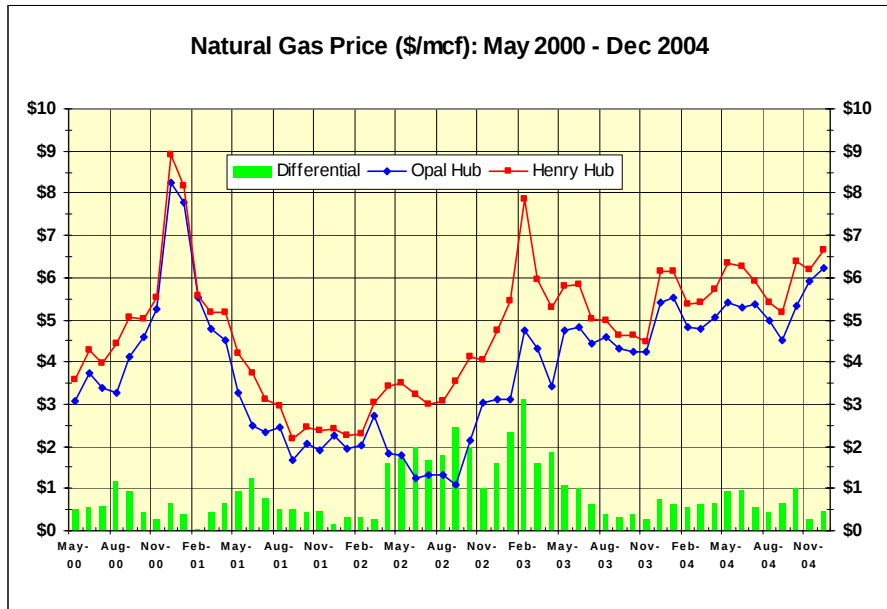


“The reason for the volatility is simple: We are a commodity market, and volatility is inherent in competitive commodities.”

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

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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%

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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.

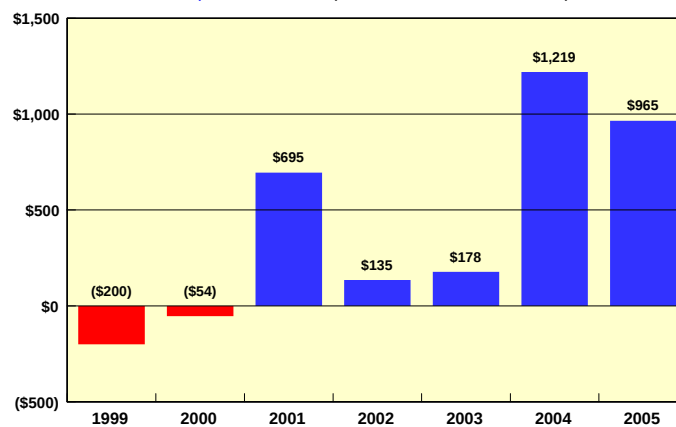
Note: revenue sources include severance taxes, federal mineral royalties, and the school foundation portion of ad valorem taxes (based on FY05 projections). Source: January 2005 CREG Forecast and Legislative Services Office.

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Wyoming State Fiscal Profile

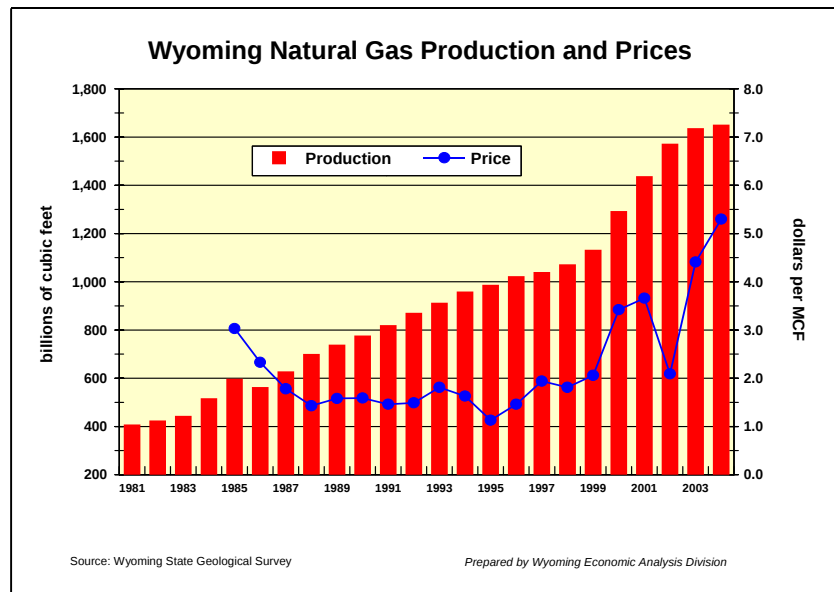
Surplus or Shortfall (in millions of current dollars)



Projected biennium balance on January 1 of each year

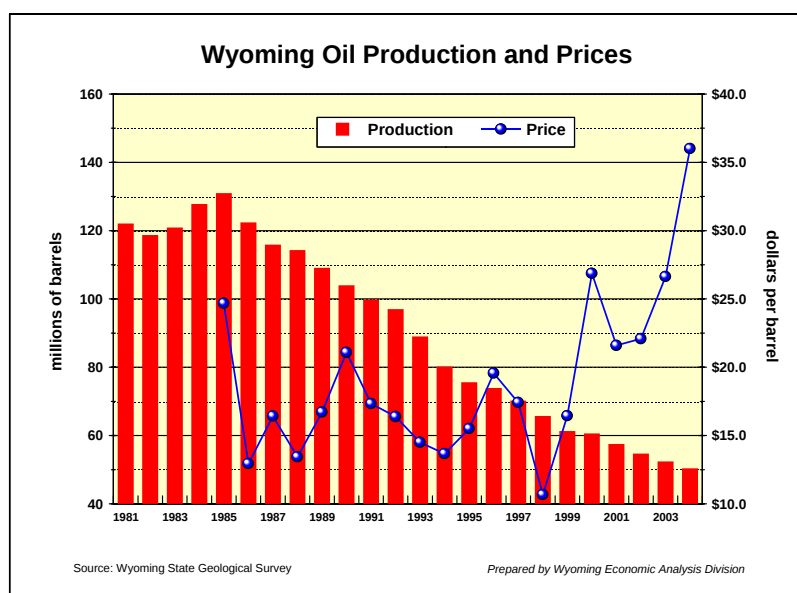
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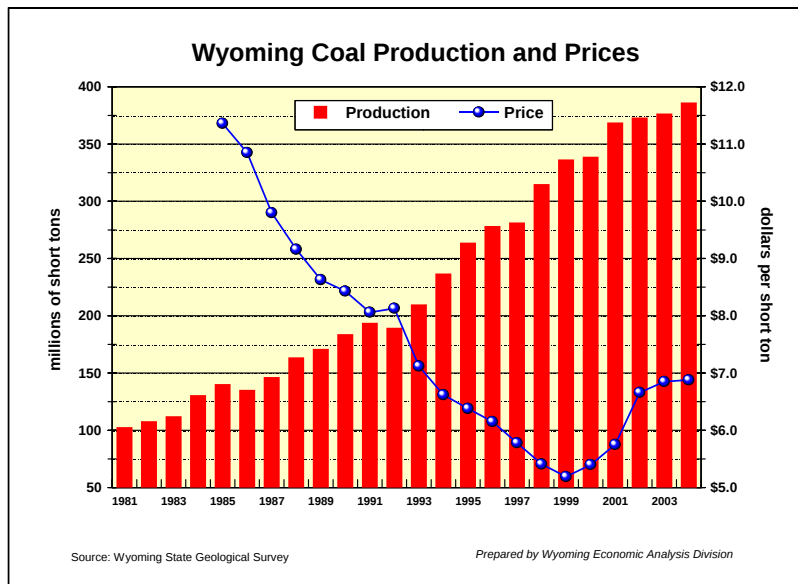
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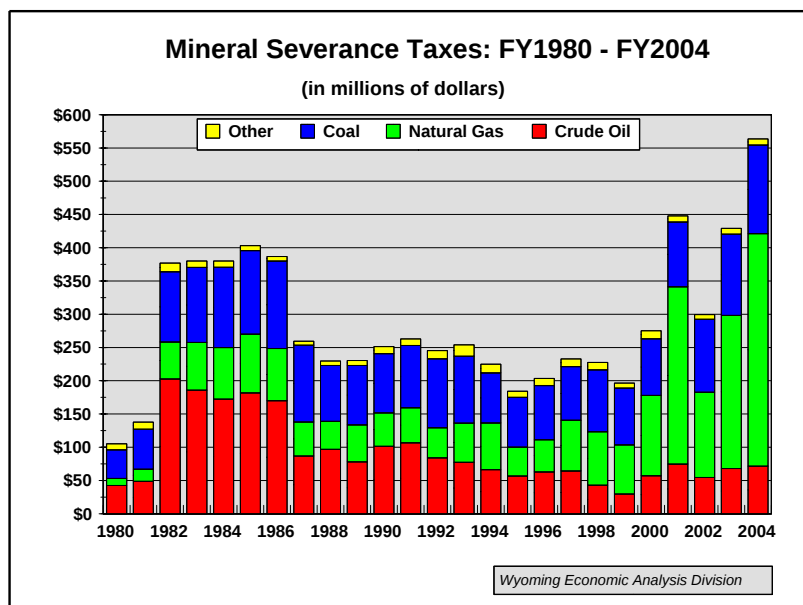
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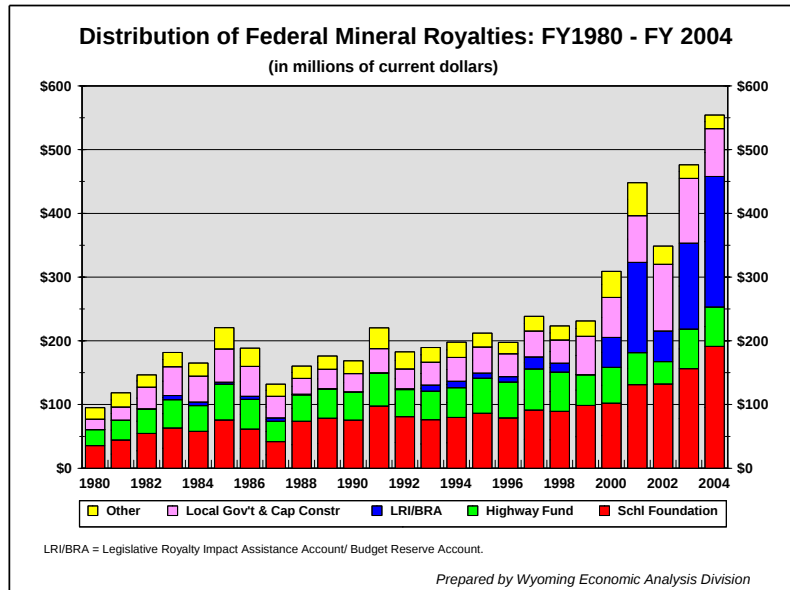
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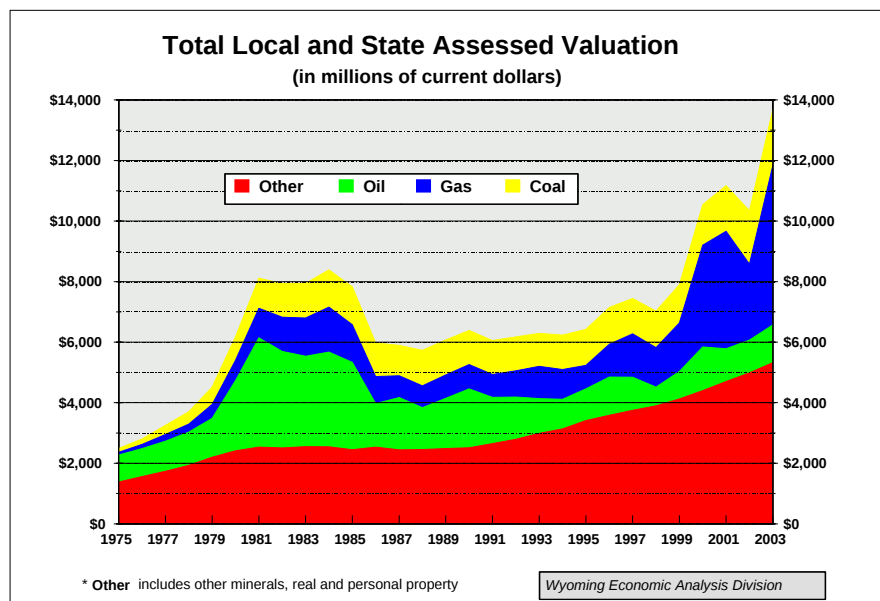
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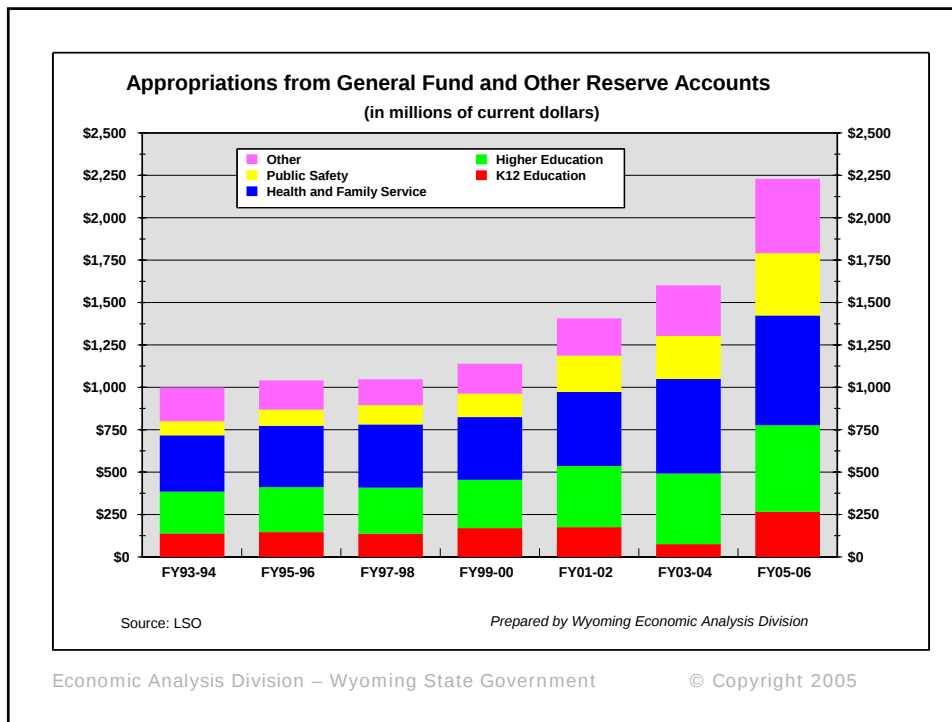
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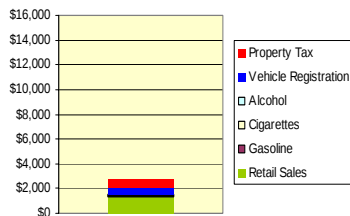
Wyoming Tax Paradox

- 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

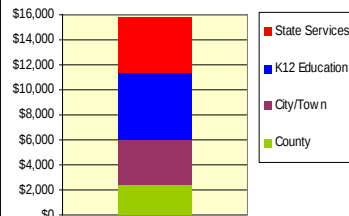
(For a 4-person family with household income of \$40,000 and own home valuing \$100,000)

Personal Tax Collections



Retail Sales	\$1,320
Gasoline	\$126
Cigarettes	\$85
Alcohol	\$1
Vehicle Registration	\$475
Property Tax	\$750
TOTAL:	\$2,757

Public Service Costs



County	\$2,400
City/Town	\$3,600
K12 Education	\$5,360
State Services	\$4,440
TOTAL:	\$15,800

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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

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