

Office of the Governor

February 21, 2013

The Honorable Tony Ross
Senate President
Wyoming Senate
State Capitol Building
Cheyenne, WY 82002

The Honorable Tom Lubnau
Speaker of the House
Wyoming House of Representatives
State Capitol Building
Cheyenne, WY 82002

Dear President Ross and Speaker Lubnau,

I appreciate the hard work you and the 62nd Legislature have put into the supplemental budget bill this year. House Enrolled Act 0045 overall reflects the continued balance between spending and saving – between essential services and limited government that we are justifiably proud of in Wyoming. However, a few areas in my view do not strike this balance. These fall into three categories – those which are worthy of noting, those which may merit reconsideration next session and those for which I felt it necessary to exercise my veto power.

Section 20

The 2012 fires cost over \$108 million and the state's share was over \$42 million of that amount. We need to cover a \$7 million shortfall from 2012 and prepare for what the 2013 season may bring. The Legislature budgeted \$31.2 million and Section 20, footnote 4, provided access to \$5 million from the landfill account. While I hope we do not have to spend any of these funds, I believe it is imperative to plan for that possibility. My veto allows access to an additional \$25 million (bringing the total to \$30 million) from the landfill account while maintaining the stipulation to recommend that the account be refilled in the 2015/2016 budget. In the event of a fire season like that of 2012, this level of funding is essential.

Section 67

While I do not believe a veto is in order, I note in Section 67 of the Budget – University of Wyoming – the footnote is extensive. I note the Attorney General's concern that appropriations bills shall embrace nothing but appropriations for ordinary expenses of the state and that the Legislature has included in the general appropriations bill provisions that should properly be placed in single subject bills. This section directs the Trustees to provide a significant array of information from selection of deans to architecture and causes me to ponder the expanded scope of the budget bill and question whether or not this promotes the most efficient, effective government.

Section 300 (e) and (g)

I applaud the Legislature for its work on Section 300 (e), which creates the strategic investments and projects account, now known as the “SIPA.” This action addresses one of the revenue issues I highlighted in my budget message to the Legislature at the beginning of this session – the disposition of unanticipated and unforecasted earnings on the Permanent Wyoming Mineral Trust Fund (PWMTF). By capturing earnings in excess of the Consensus Revenue Estimating Group (CREG) forecast, and below the spending policy amount, a significant pool of money is made available for unanticipated, one-time needs in the upcoming 2014 budget session.

However, Section 300 (g) presents a potential problem. At a time when we are all concerned with the state’s long-term revenue picture, it seems ill-advised to allow critical revenues to the School Foundation Program Account and to the School Capital Construction Account to be transferred into the inviolate Common School Permanent Land Fund. This is particularly so when it appears that expenditures in those accounts will outstrip funding sources within the next two bienniums. I believe the monies should remain unspent but available to balance looming shortfalls in these programs. Adding to my concern is the reality that if new coal lease bonus sales occur before June 30, 2014, under this section any of these revenues would be deposited into the Common School Permanent Land Fund, for which they were never intended. I encourage the Legislature to watch revenue developments closely over the next year and to be prepared to modify this language in the 2014 budget session.

Section 300 (h)

I am vetoing Section 300 (h). This language would sweep revenues in excess of CREG’s January 2013 projected general fund and budget reserve account amounts to the LSRA at the end of Fiscal Year 2013. Section 300, as it appeared in the 2012 budget bill, would have swept revenues in excess of CREG projections at the end of the biennium. The 2012 budget bill was a good approach to LSRA savings. The variety of revenue streams into the general fund and budget reserve account lend diversification to the overall CREG revenue projection to those accounts. But CREG efforts are diversified in the sense that a biennial revenue projection offers the chance to balance a bad year with a good one. If you capture what may turn out to be revenue from a good year in FY2013, you may remove what could balance a bad one in FY2014. The biennial total will not be known until the end of FY2014. The approach taken by the Legislature last year is a better approach. The result of my veto is to keep last year’s approach in place. That approach eliminates the possible need to reach backward into the LSRA to ensure a positive bottom line. The profiled bottom lines of the LSRA, general fund, and budget reserve accounts would be unchanged by my veto – the same cannot be guaranteed if Section 300(h) is allowed to stand.

Section 317

As the Legislature looks for ways to slow spending and reduce growth, Section 317 gives me

pause.

Recent community college construction projects have been funded at the local level and after evaluation the Legislature decided that the state should not pay for major maintenance of these projects. This footnote changes that agreement. While it adds no money, it increases maintainable space by thousands of square feet to be covered from a fund shared between community colleges, the University of Wyoming and state owned buildings. It seems inevitable to me that in the very near future we will have to choose between adding general fund dollars to major maintenance or find alternative solutions.

Section 319

I have vetoed provisions in Section 319 of the budget bill, which require state agencies to develop specific budget reductions for the next biennium and require me to choose from them. Similarly, I have vetoed the provisions that require the judiciary to develop several specific budget proposals. I believe these provisions are unwarranted. I also have concerns about the expanded scope of these reductions—taking the reduction from general funds as opposed to standard budget general funds. This change effectively enlarges the scope of the reductions and has the potential to impact cities, towns and counties, highway funding and other infrastructure projects.

In my view, budget decisions should not be detached from the revenue picture. The budget I will develop over the coming spring, summer and fall will take any changing revenue circumstances and efficient delivery of services into account. For example, last year the Legislature asked for 4% reduction proposals from most agencies but when the revenue outlook deteriorated after the session ended, I asked for 8% reduction proposals. Ultimately, I requested a reduction in ongoing spending, overall, of about 6.5%.

The vetoed provisions discount the current work of the CREG which predicts stable revenue ahead. It makes future forecasts less relevant. The provisions would make the affected agencies prepare several separate proposals regardless of a stable revenue picture. Rather than increasing government efficiency, they make for considerable work and eat into time and resources which could be put to other use. These provisions also provide for significant reductions following this year's already significant 6.5% reduction. In addition, they require me to choose specific reductions, when no further reduction may be necessary or when a greater reduction may be needed.

With my vetoes, if the revenue does not match our expectations – if it falls – then budget provisions that would require 8% reduction proposals for most agencies (6% for the Department of Health) remain in place. Importantly, this contingency will come into play only if declining revenues precipitate it. Moreover, my hands are not tied to that percentage and I retain the ability to reduce further if necessary.

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In my view, the vetoed provisions in Section 319 decouple the budget process from the revenue picture and from the hard questions about what services the state delivers and how it chooses to deliver them. I believe the three components – budget development, revenue, and service delivery – should be joined together, not separated.

Section 330

Section 330 causes me concern. Effective organizations, public and private, rely on effective employees – compensation is a part of the equation. State compensation decisions affect employees who work in state agencies, the judiciary, schools, community colleges and the University of Wyoming. Each of these entities addresses compensation differently – but each evaluates performance, recognizes skills, looks at competing markets and understands there is value in people who want to stay and a cost when people leave.

The executive and judicial branches adopted the Hay Compensation Plan. The University of Wyoming and Wyoming's seven community colleges have comparable systems. All have employee evaluation systems. We must make thoughtful salary decisions and plan carefully. Decisions on pay should be equitable whether you are a fourth grade teacher or a physics professor – whether your job is to supervise teachers or highway engineers. My recommendation for compensation reflected the importance of hiring qualified people, recognizing good work and keeping people on the job. I do not believe this section of the budget meets our obligation for equity, recognition and retention among all public employees.

I thank you and the Legislature again for your hard work and your consideration of my views in the preparation of the 2013 Supplemental Budget.

Sincerely,



Matthew H. Mead
Governor

MHM:mdm

Enclosures

cc: The Honorable Max Maxfield, Secretary of State
Members of the 62nd Legislature
Chief Clerk, Wyoming Senate
Chief Clerk, Wyoming House of Representatives
Legislative Service Office

ORIGINAL HOUSE
BILL NO. 0001

ENROLLED ACT NO. 45, HOUSE OF REPRESENTATIVES

SIXTY-SECOND LEGISLATURE OF THE STATE OF WYOMING
2013 GENERAL SESSION

APPROPRIATION FOR	GENERAL FUND	FEDERAL FUND	OTHER FUNDS	TOTAL APPROPRIATION
\$	\$	\$	\$	\$

~~a priority list developed by the department of environmental quality and approved and upon further appropriation by the legislature. Remaining balances in this account shall not revert until further action of the legislature.~~

3. Of these full-time employees, the department of environmental quality is authorized positions 4010 and 4052 within the land quality division. Position 4402 within the department of environmental quality is not authorized.

4. ~~Of~~ this general fund appropriation, ~~up to five million dollars (\$5,000,000.00)~~ may be expended for costs associated with the suppression of fires in the 2013 fire season after all other available fire suppression funds have been exhausted. The governor shall include a general fund appropriation request for municipal solid waste landfill remediation in his 2015-2016 biennial budget recommendation at least equal to all funds expended from this appropriation on costs associated with fire suppression.

Section 021. DEPARTMENT OF AUDIT

PROGRAM				
Administration	1,684,040	579,330		2,263,370
	<u>1,389,143</u>	<u>496,673</u>		<u>1,885,816</u>
Banking			200,000 AG	
			4,508,122 SR	4,708,122
Public Fund ¹	6,105,526			6,105,526
	<u>5,974,566</u>			<u>5,974,566</u>
Mineral	3,453,465	4,545,398		8,218,863
	<u>3,237,377</u>	<u>4,550,499</u>	220,000 SR	8,007,876
Excise	4,085,548			4,085,548
	<u>3,959,561</u>			<u>3,959,561</u>
TOTALS	<u>15,328,579</u>	<u>5,124,728</u>	4,928,122	<u>25,381,429</u>
	14,560,647	5,047,172		<u>24,535,941</u>

AUTHORIZED EMPLOYEES

Full Time	116 110
Part Time	<u>0</u>
TOTAL	116 110

1. Of this general fund appropriation, one hundred fifty thousand dollars (\$150,000.00) shall only be expended to conduct an audit of personnel policies and practices of the department of education. The audit shall include a review of evidence of activities described in W.S. 9-11-103(a). Notwithstanding any other provision of law, the department may transfer funds internally to execute the provisions of this footnote. Any

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Section 4. Sections 300 by creating new subsections (e) through (h), 301, 304(c), 307(a), 311, 312, 317 by creating a new subsection (f), 319(b) and by creating new subsections (d) and (e), 323(g) and by creating a new subsection (h) and by creating new sections 329 through 340 are amended to read:

[BUDGET BALANCERS - TRANSFERS]

Section 300.

(e) The strategic investments and projects account (SIPA) is hereby created. There is appropriated from the general fund to that account an amount as provided in this subsection. The state auditor shall calculate the amount by which earnings from the permanent Wyoming mineral trust fund attributable to the 2013 fiscal year are both in excess of the amount projected for such earnings in the consensus revenue estimating group's January 14, 2013 report and less than the spending policy amount for fiscal year 2013 as determined pursuant to W.S. 9-4-719. The appropriation under this subsection shall be equal to the amount calculated, but shall not exceed ninety million dollars (\$90,000,000.00).

(f) The governor may include appropriation requests from the strategic investments and projects account within the 2015-2016 biennial budget request for one-time expenditures as he deems necessary.

(g) The auditor shall transfer to the common school account within the permanent land fund, any unappropriated, unexpended, unobligated balance within the permanent land fund holding account which is in excess of four hundred seventy-five million dollars (\$475,000,000.00) on June 30, 2014.

~~(h) The state auditor shall calculate the sum amount by which revenues attributed to the fiscal period beginning July 1, 2012 and ending June 30, 2013 deposited to either the general fund or budget reserve account, excluding earnings from the permanent Wyoming mineral trust fund, exceed the sum amount of projected revenues to be deposited either to the general fund or budget reserve account in the consensus revenue estimating group's January 14, 2013 report for the same fiscal period, excluding earnings from the permanent Wyoming mineral trust fund. To the extent the respective sum of the excess amounts calculated is greater than five million dollars (\$5,000,000.00), the amount over five million dollars (\$5,000,000.00) shall be transferred from the general fund and from the budget reserve account to the legislative stabilization reserve account no later than November 1, 2013.~~

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indicated by the agency's appropriation act or otherwise specified by legislation enacted in the 2012 budget session or the 2013 general session. The governor may authorize additional positions in any agency, even if in excess of the positions authorized by the legislature, provided that at least an identical number of vacant positions existing in other agencies are terminated. The additional positions shall be funded using money authorized for the vacant positions. A vacancy shall only be filled if the governor determines that the position is a critical necessity to the operations of state government. The governor shall report all vacant positions for which a replacement is sought in a monthly report to the joint appropriations interim committee. The governor shall provide an annual report by December 1, 2013 to the joint appropriations interim committee identifying all additional positions authorized using special revenue funds and federal funds.

[MAJOR MAINTENANCE FUNDING FOR STATE FACILITIES, UNIVERSITY AND COMMUNITY COLLEGES]

Section 317.

(f) Notwithstanding 2008 Wyoming Session Laws, Chapter 48, Section 3, Section 057, Footnote 1, 2009 Wyoming Session Laws, Chapter 159, Section 3, Section 057, Footnote 1, 2010 Wyoming Session Laws, Chapter 39, Section 3, Section 057, Footnote 2, and 2011 Wyoming Session Laws, Chapter 88, Section 3, Section 057, Footnote 2, the 2015-2016 biennial budget request shall include a calculation of major maintenance funding for community college capital construction facilities authorized by the legislature since 2008 and included within the parameters of paragraph (e)(i) of this section.

[STANDARD BUDGET REDUCTIONS]

Section 319.

(b) The supreme court and all district courts shall prepare reductions to each court's standard budgets for fiscal year 2014 which equal or exceed 4% of the general funds appropriated in the 2012 budget session for the court. The supreme court shall report to the joint appropriations committee, as part of the supplemental budget request, by December 1, 2012, the proposed reductions. In preparing the courts' budget request for the 2015-2016 fiscal biennium, ~~reductions totaling 8% a budget with no reduction and a two percent (2%) reduction~~ of the 2012 budget session general fund appropriation for courts' standard budgets shall be included in the request. The supreme court shall report these reductions to the joint judiciary interim committee by October 1, 2013. ~~From the range of budgets presented by the courts,~~ the joint judiciary interim committee shall recommend the budget for the courts, consistent with the current

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revenue projections, to the joint appropriations interim committee, by November 1, 2013. The courts' budget request for the 2015-2016 fiscal biennium shall include and be developed based on the budgeted amounts for the salary and benefits of all authorized positions.

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(d) If, prior to October 1, 2013, there is no reduction of the total revenue projections from the consensus revenue estimating group's January 14, 2013 report, subsection (a) of this section shall not be applicable to budget requests for the 2015-2016 fiscal biennium and budget requests shall be prepared in accordance with this subsection. Within each agency's 2015-2016 biennial budget request, agencies other than the department of health shall include ~~four percent (4%), six percent (6%) and eight percent (8%)~~ budget reduction requests based upon each agency's general funds appropriated in the 2012 budget session. The department of health shall include ~~two percent (2%), four percent (4%) and six percent (6%)~~ budget reduction requests based upon the general funds appropriated to the department in the 2012 budget session. These reductions shall be presented to the appropriate standing committee of the legislature, as determined by the management council in consultation with the governor, not later than July 1, 2013. The legislative committee shall submit comments to each reporting agency not later than October 1. The agency shall report to the joint appropriations committee, as part of the budget request, by December 1, 2013, the proposed reductions, including any modifications to proposed reductions made in response to standing committee review and comments. In preparing the governor's budget request for the 2015-2016 fiscal biennium, ~~the governor shall recommend from the range of budget reductions presented by each agency. The level of budget reductions shall be consistent with current revenue projections. This subsection shall not apply to the judicial branch.~~
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(e) Notwithstanding subsection (a) of this section, and if subsection (d) of this section is not applicable, in preparing the governor's budget request for the 2015-2016 fiscal biennium, reductions totaling six percent (6%) of the 2012 budget session general funds for the department of health shall be included in the governor's recommendation.

[LOCAL GOVERNMENT DISTRIBUTIONS]

Section 323.

(g) It is the intent of the legislature that the funds distributed under this section shall be expended for one time needs or for equipment or other purchases of limited duration. The funds are not to be used for recurring expenditures such as not be used for salary adjustments, additional personnel or payment of recurring expenses such as utilities increased personnel benefits.