

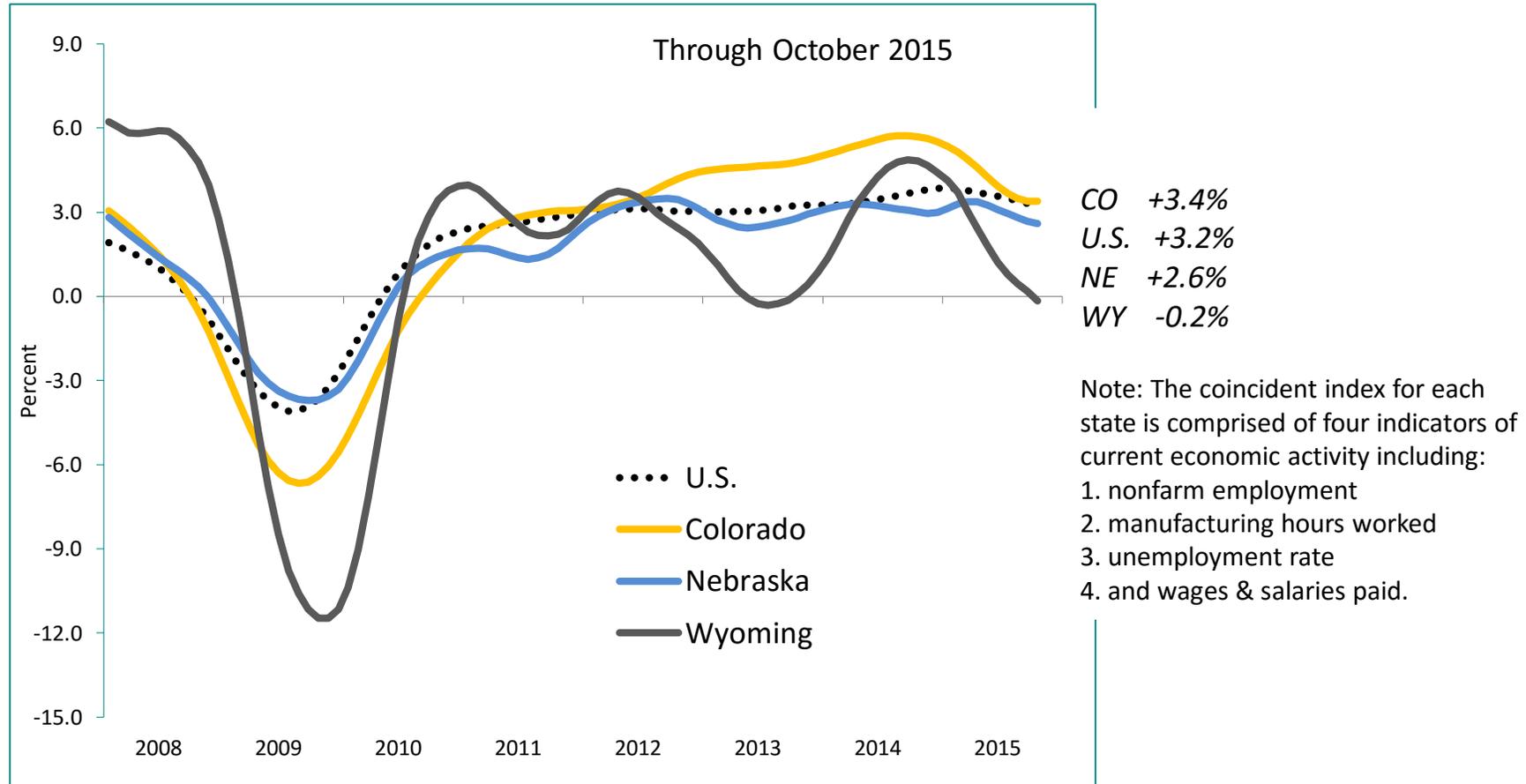
Business over Breakfast in Jackson

December 3, 2015

Challenges for Wyoming's economy and a review of potential opportunities for local governments and the State as a whole in the coming year.

-Mark Gordon, Treasurer

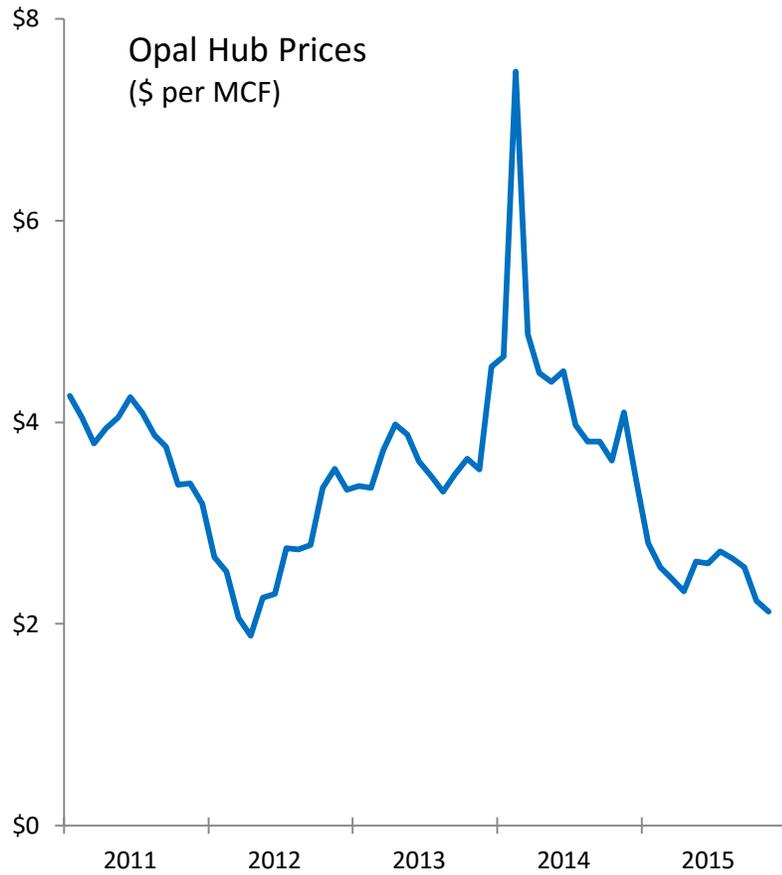
Coincident Index: WY, CO, NE, & U.S. Year-over-Year Percent Change in Index Values



Source: Federal Reserve Bank of Philadelphia.

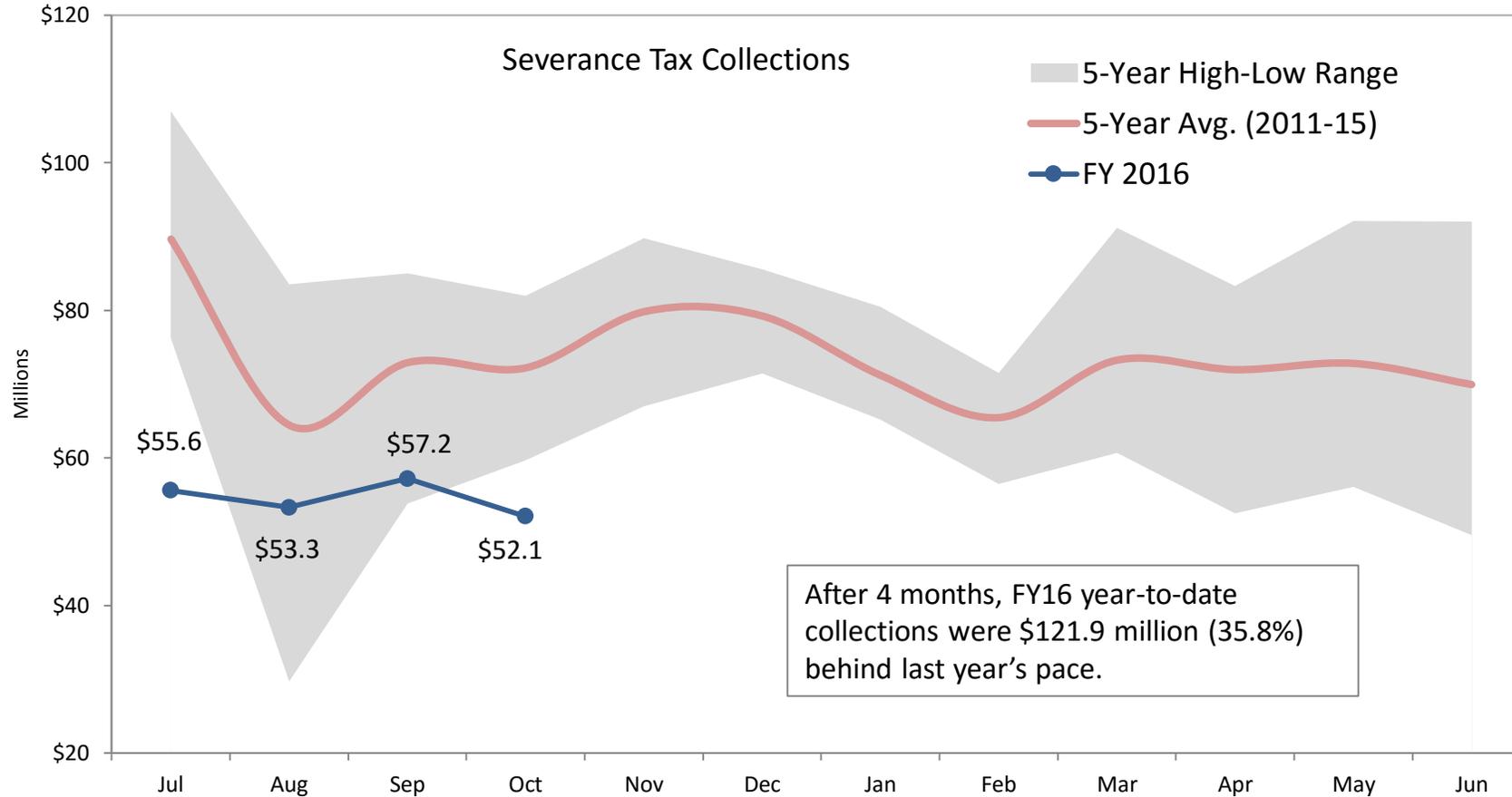


Natural Gas and Crude Oil Prices



Source: Bloomberg; ConocoPhillips.

WY Statewide Severance Tax Collections

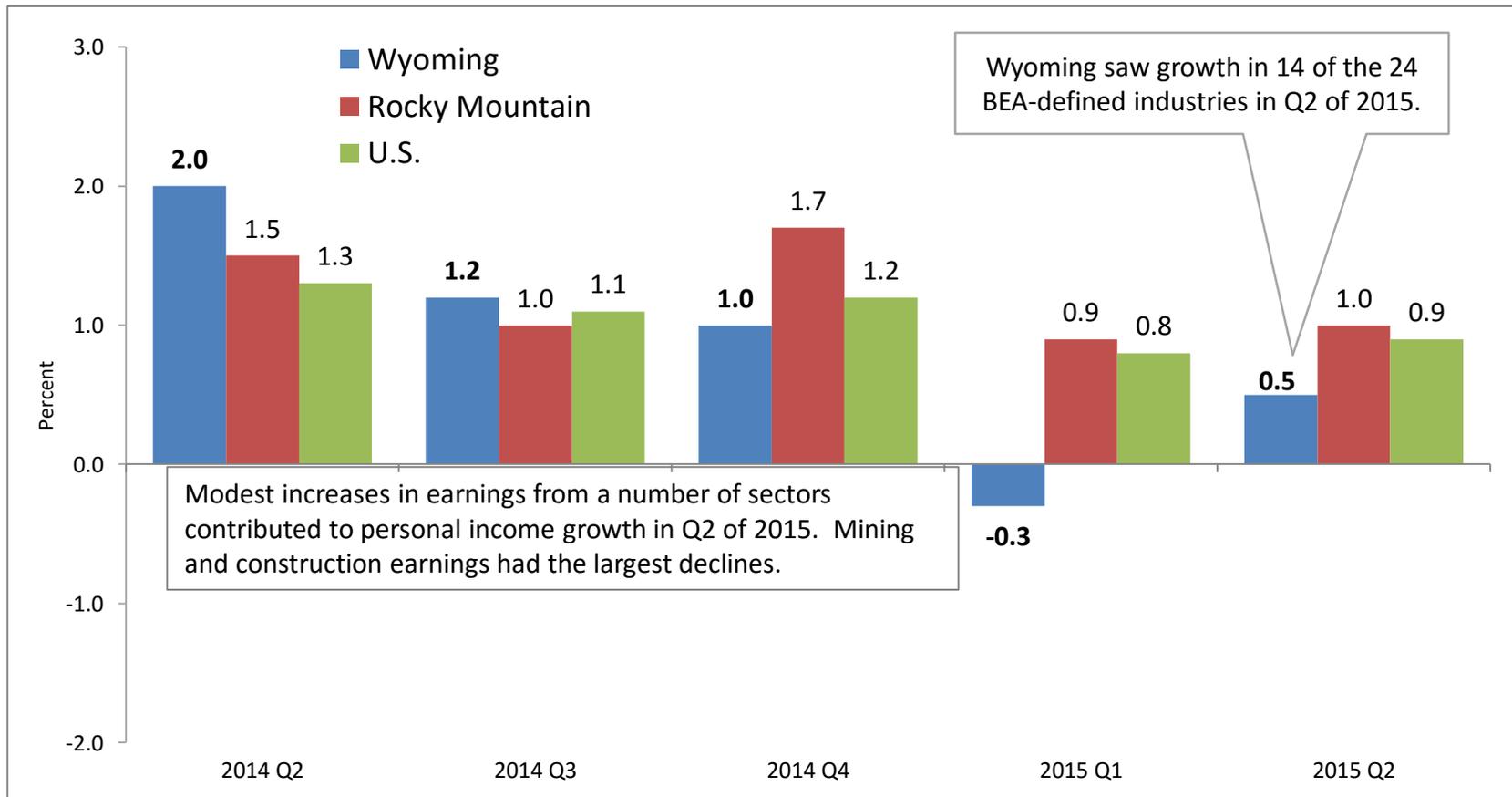


Source: WY Dept. of Revenue.

Note: Includes severance taxes collected on all minerals in Wyoming on a cash receipts basis.



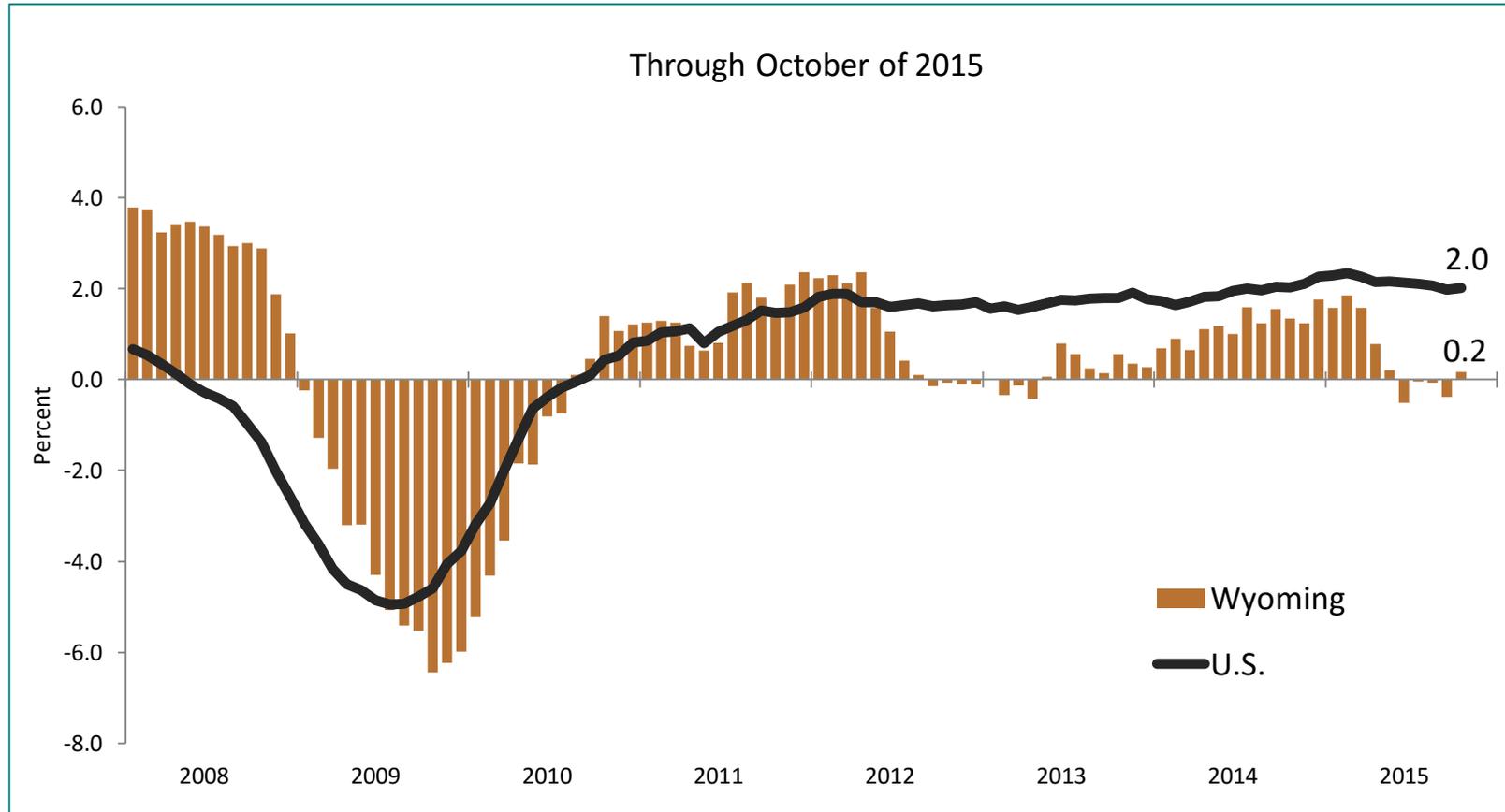
Quarterly Personal Income: WY, Rocky Mtn. Region, & U.S. Percent Change from Preceding Quarter



Source: U.S. Bureau of Economic Analysis.



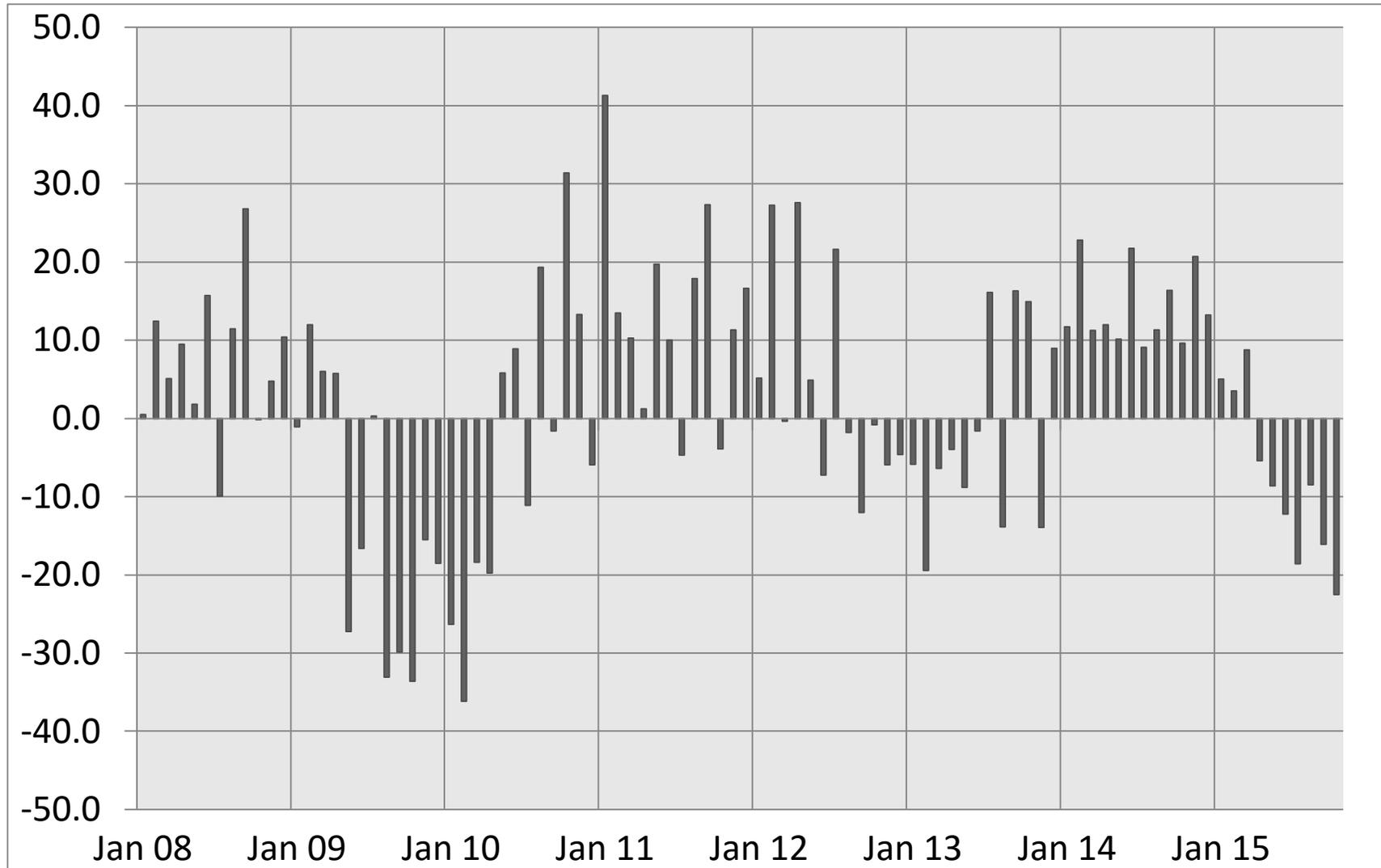
Total WY and U.S. Nonfarm Employment Year-over-Year Percent Change; Seasonally Adjusted



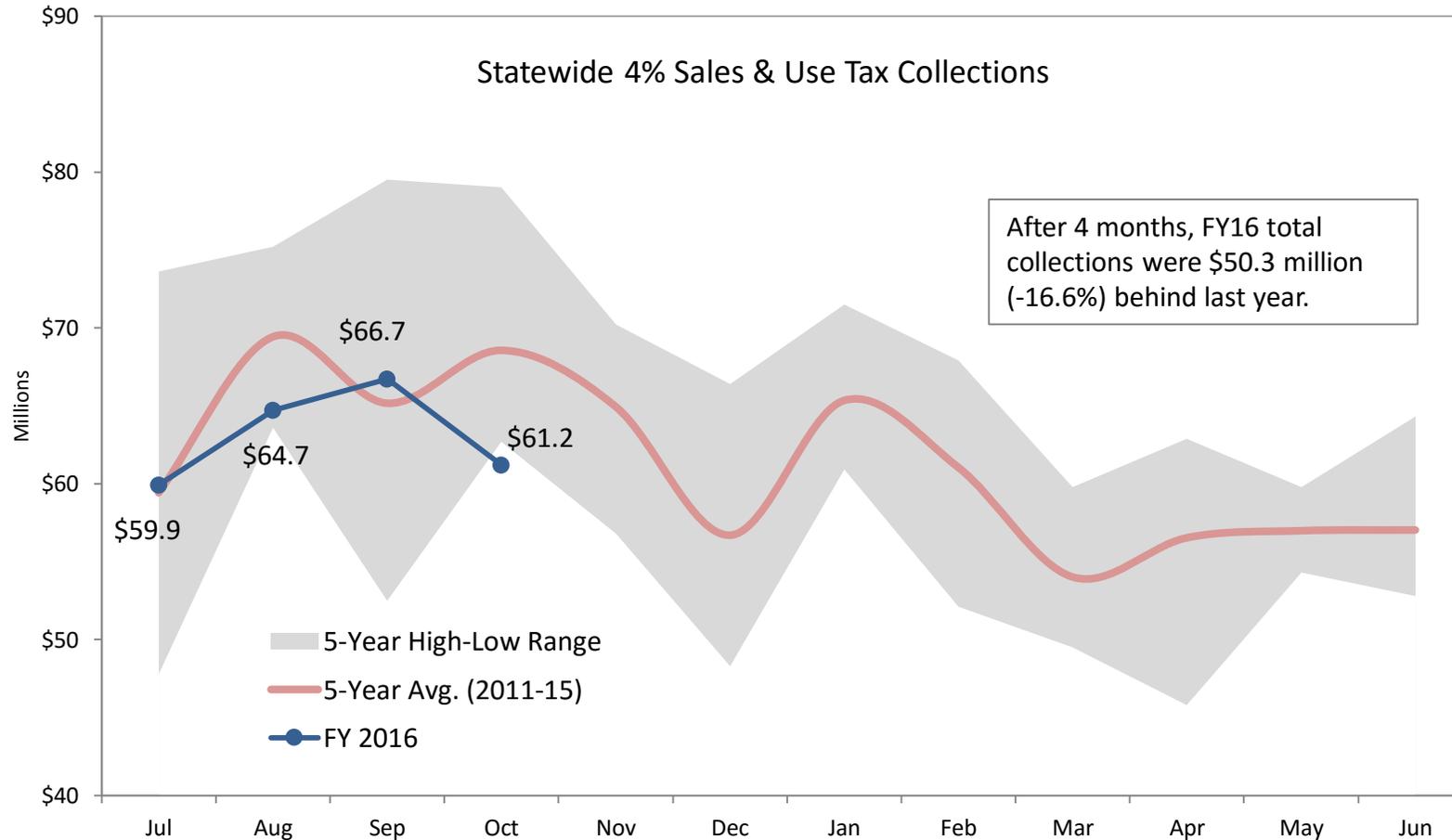
Source: Bureau of Labor Statistics.

Percent Change in Statewide 4% Sales and Use Tax Collections

(Year-Over-Year Percent Change)



WY Statewide 4% Sales and Use Tax Collections

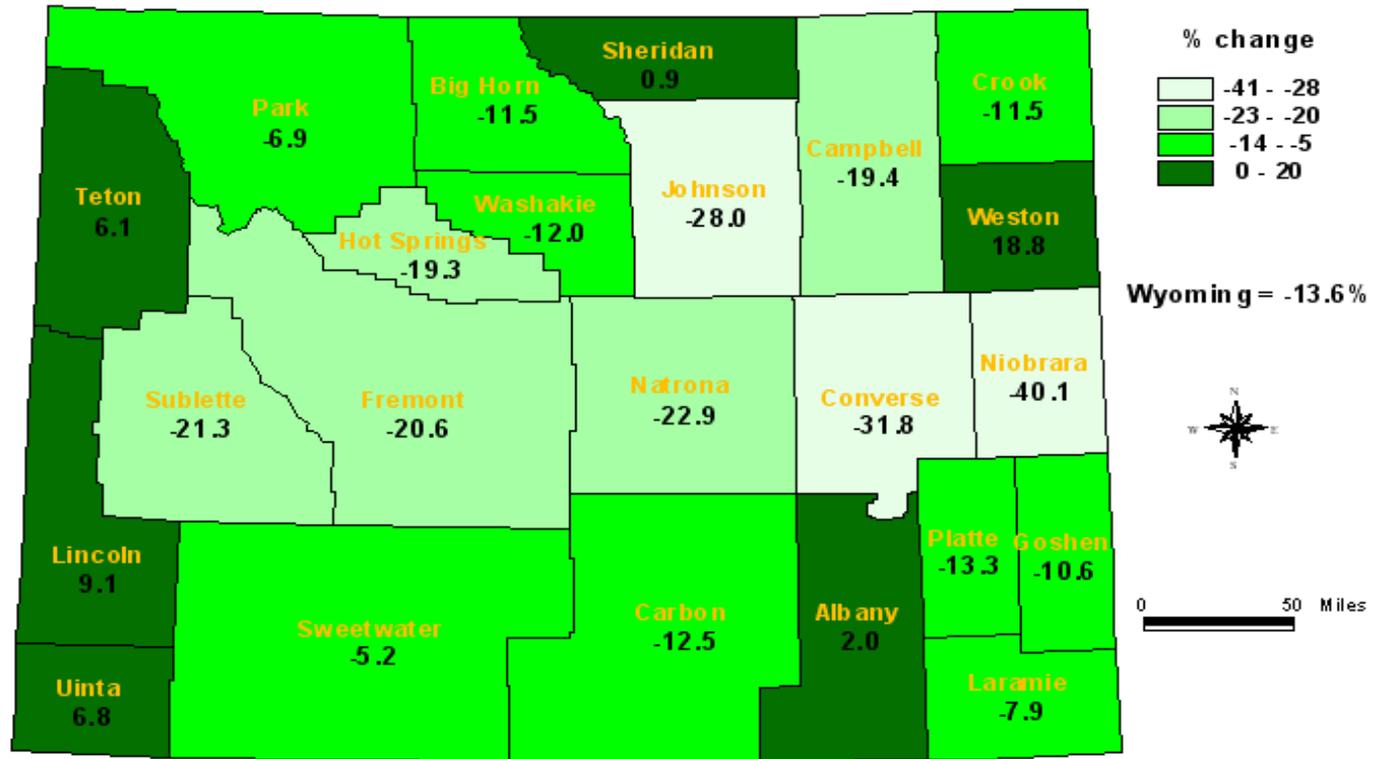


Source: WY Dept. of Revenue.

Note: Includes both the state and local shares of the state-wide 4% sales and use tax collections on a cash receipts basis.



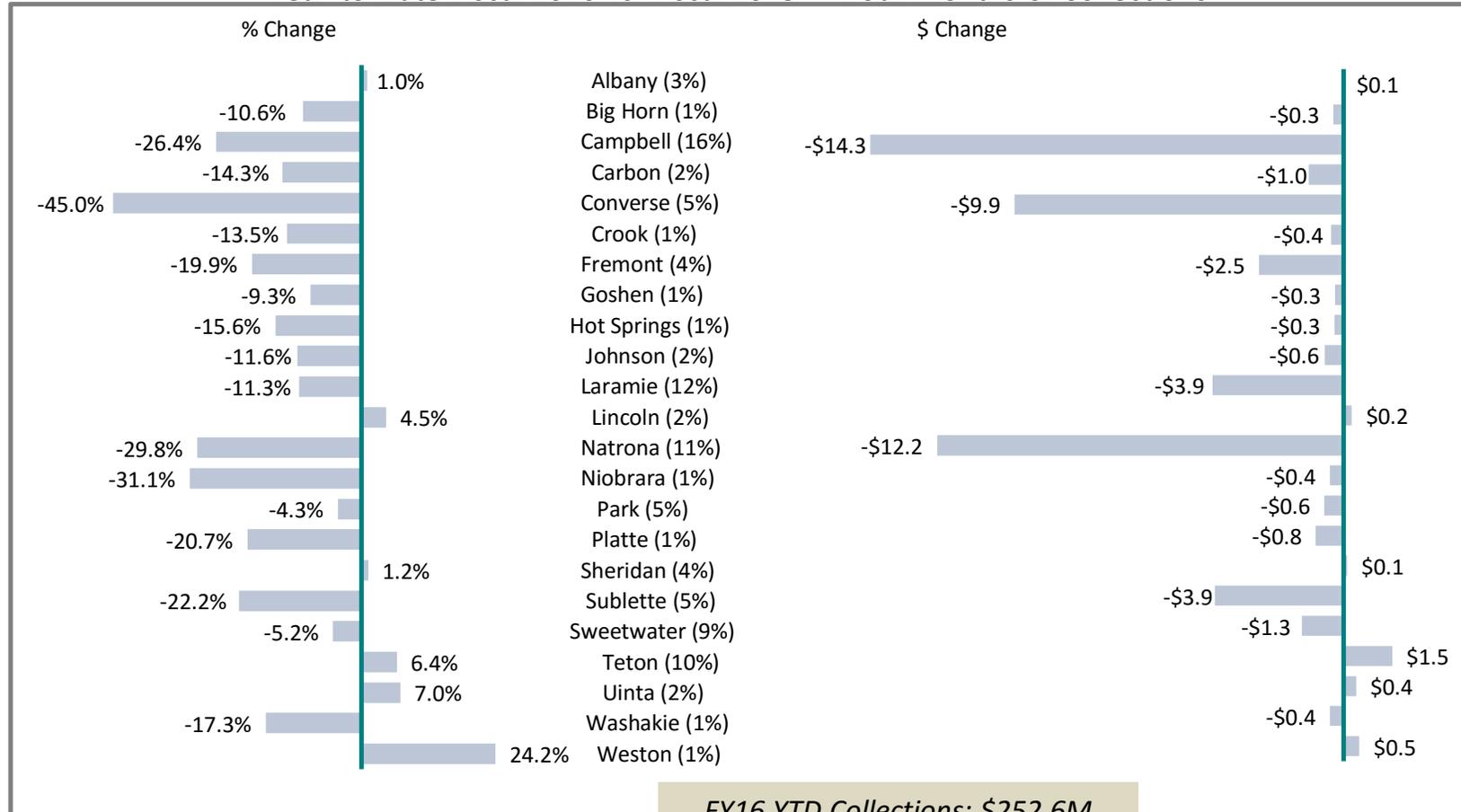
Percent Change in Sales and Use Tax Collections: Apr-Oct 2014 to Apr-Oct 2015



WY Statewide 4% Sales and Use Tax Collections by County

Percent Change and Dollars (Millions)

Year-to-Date Fiscal 2016 vs. Fiscal 2015 — Four Months of Collections



FY16 YTD Collections: \$252.6M
FY15 YTD Collections: \$302.9M

Source: WY Dept. of Revenue.

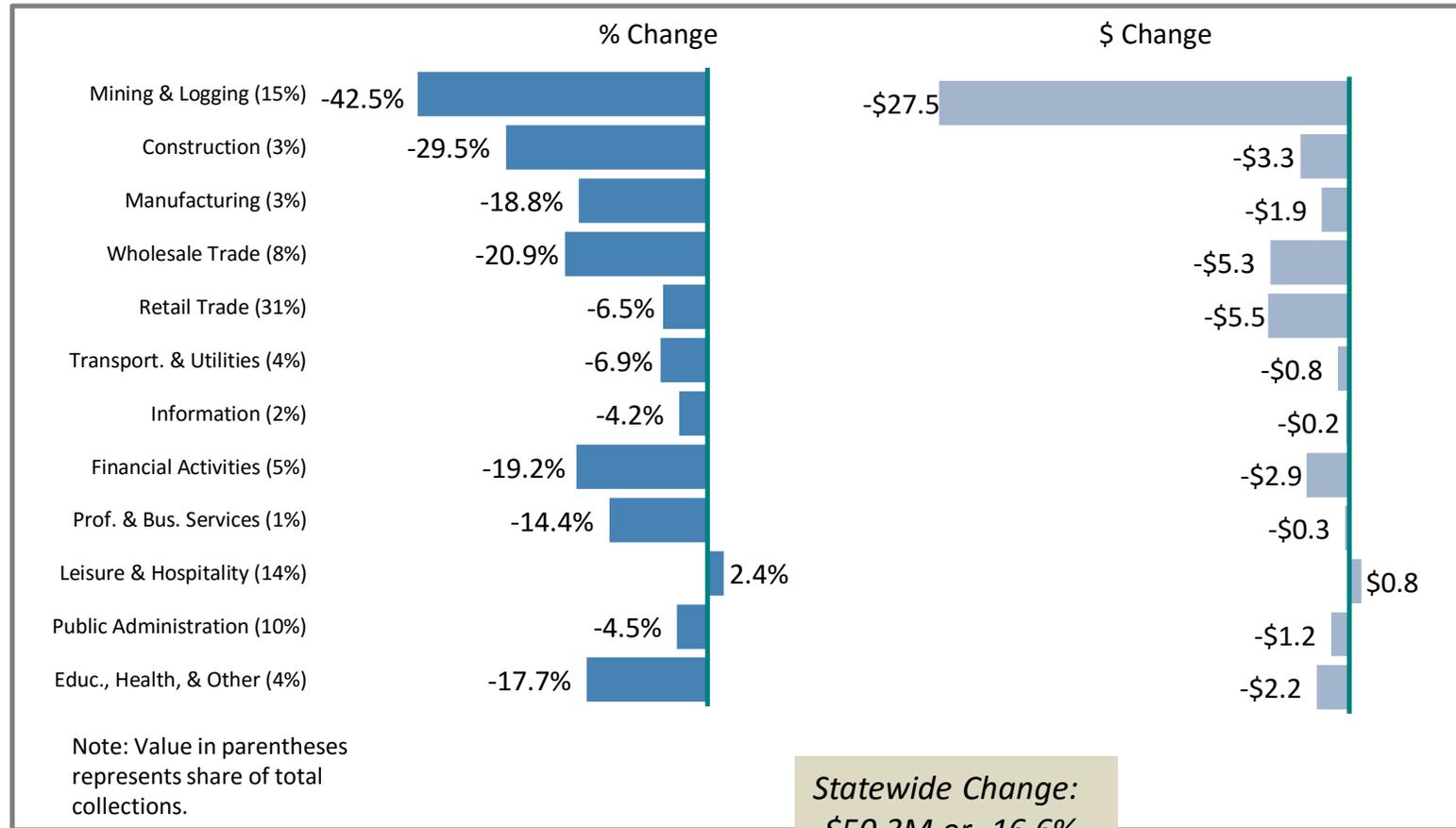
Note: Includes both the state and local shares of the state-wide 4% sales and use tax collections on a cash receipts basis. Value in parentheses represents share of total collections.



WY Statewide 4% Sales and Use Tax Collections by Industry

Percent Change and Dollars (Millions)

Year-to-Date Fiscal 2016 vs. Fiscal 2015 — Four Months of Collections



Source: WY Dept. of Revenue.

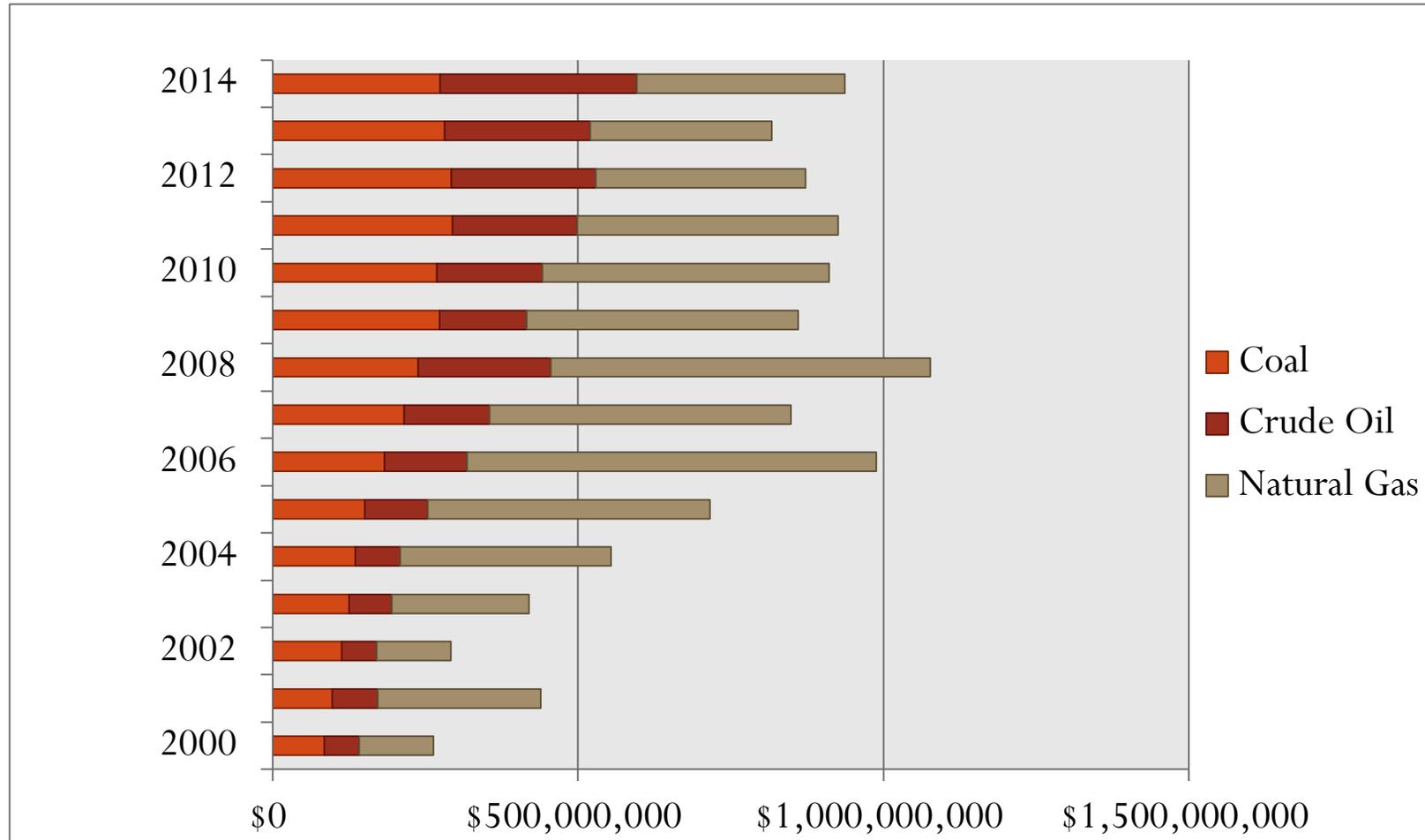
Note: Includes both the state and local shares of the state-wide 4% sales and use tax collections on a cash receipts basis.



Let's step back for a moment to review the history.

- Wyoming saw extraordinary growth in the mineral sector with Natural Gas, Coal, Oil, Uranium, and Trona all contributing to our boom times
- Spending policies and budget discipline as well as a Constitutional 1.5% severance tax and an additional statutory severance tax contributed mightily to the growth (all capital gains were captured as income)
- Several Year Bull Stock Market
- Used to be fixed income assets like bonds had a good yield before central banks started their respective stimulus programs

Coal, Crude Oil & Natural Gas Severance Tax Revenues



2015 Mineral Revenues through September

• Gas:	\$123,604,740
• Oil:	\$144,554,181
• Coal:	\$191,852,579
➤ Production	\$477,652,902
• Royalty and Lease Payments:	\$230,240,393
➤ All together	\$ 707,893,804

Direct Tax Collections & Public Service Costs 2014

For a 3-person family with income of \$60,000 and owning a home valued at \$160,000



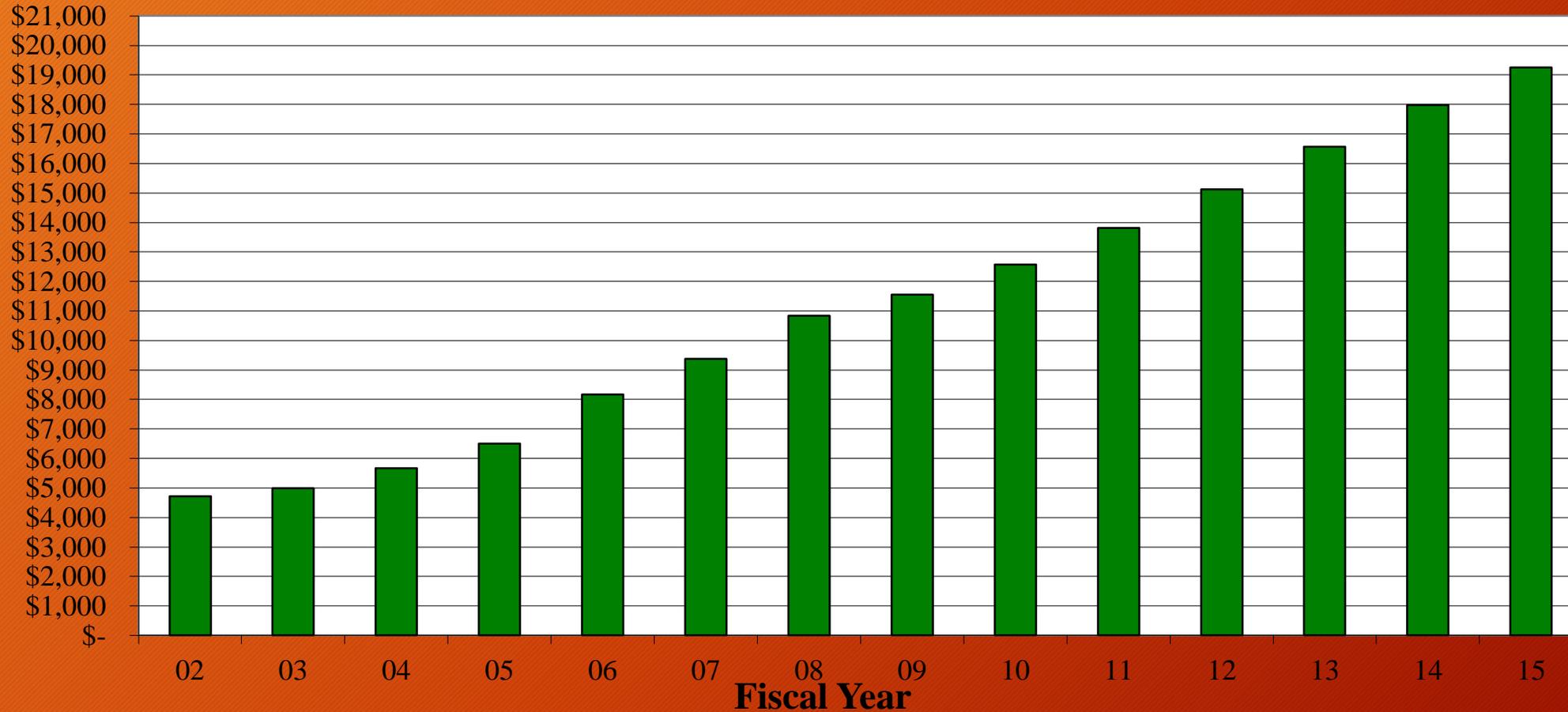
Personal Tax Collections

Retail Sales	\$ 1,000	} \$ 2,960
Gasoline	\$ 200	
Cigarettes	\$ 100	
Alcohol	\$ 10	
Vehicle Registration	\$ 450	
Property Tax	\$ 1,200	

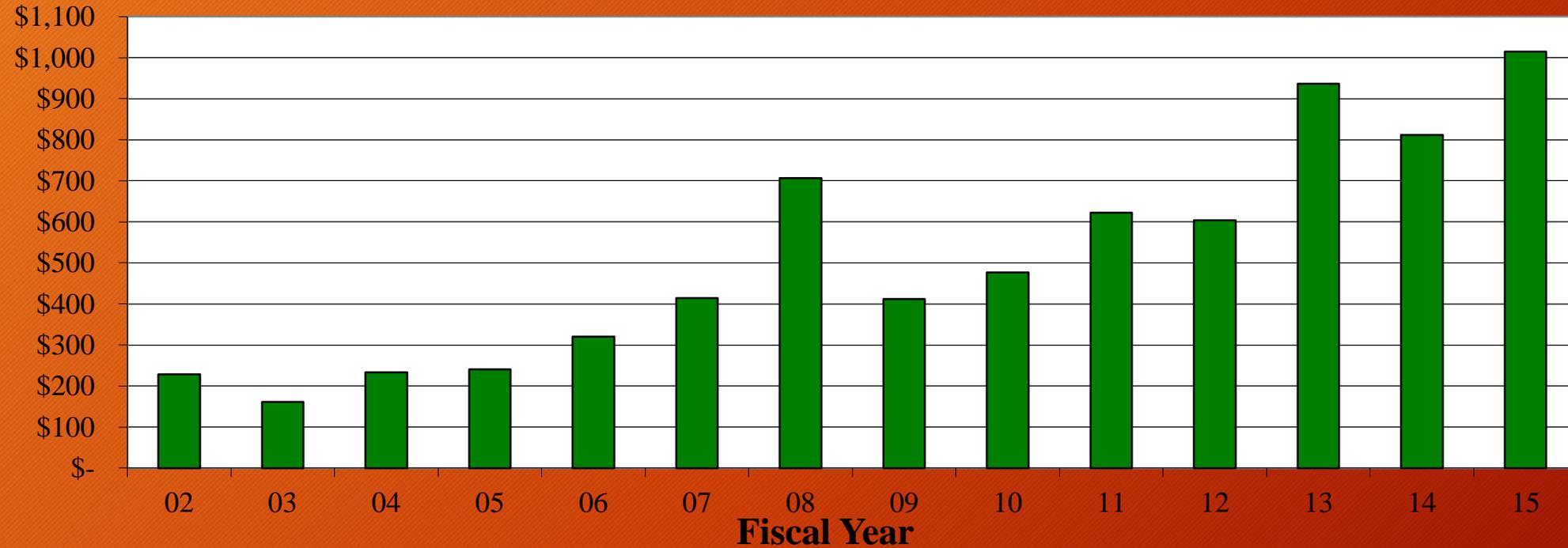
Public Service Costs

County	\$ 5,900	} \$30,100
City/Town	\$ 4,800	
Special District	\$ 4,500	
K-12 Education	\$ 6,700	
State Services	\$ 8,200	

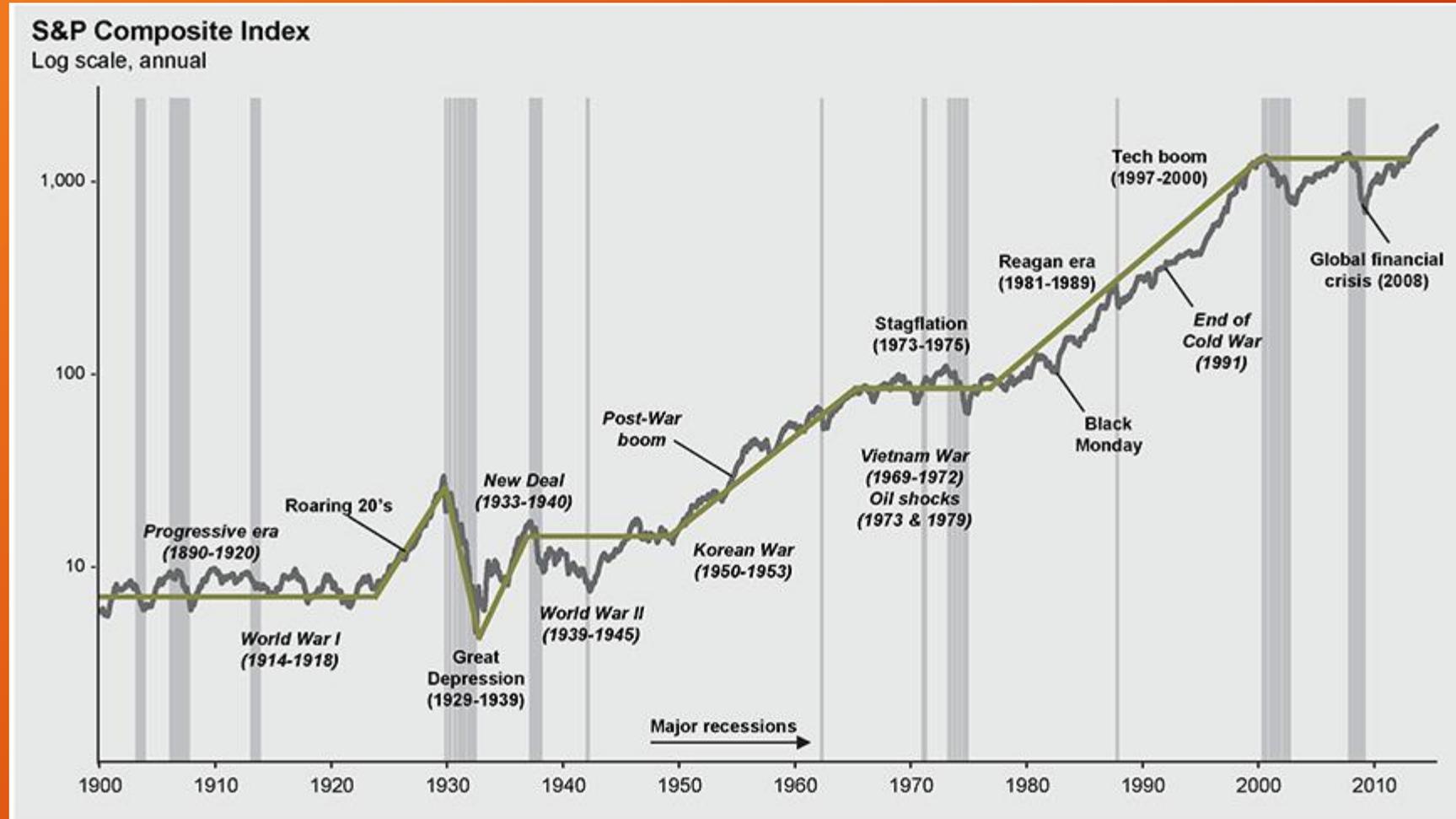
Growth of Total Wyoming State Portfolio since 2002



Returned Investment Income (in millions \$) contributed to the budget since 2002



Stock Market since 1900



Source: J.P.Morgan Asset Management. Data as of June 30, 2015

Things have changed...

- Oversupply of energy particularly Oil and Gas brought on by fracking and other technological advances
- Climate Change concerns prompting regulations directly targeted against domestic coal prompting conversions and financial distress
- A stock market addicted to central bank stimulus and poised for possible corrections
- The Federal Reserve considering lift-off
- Anemic economic growth worldwide particularly worrisome for commodity producers

Impact of Price Change



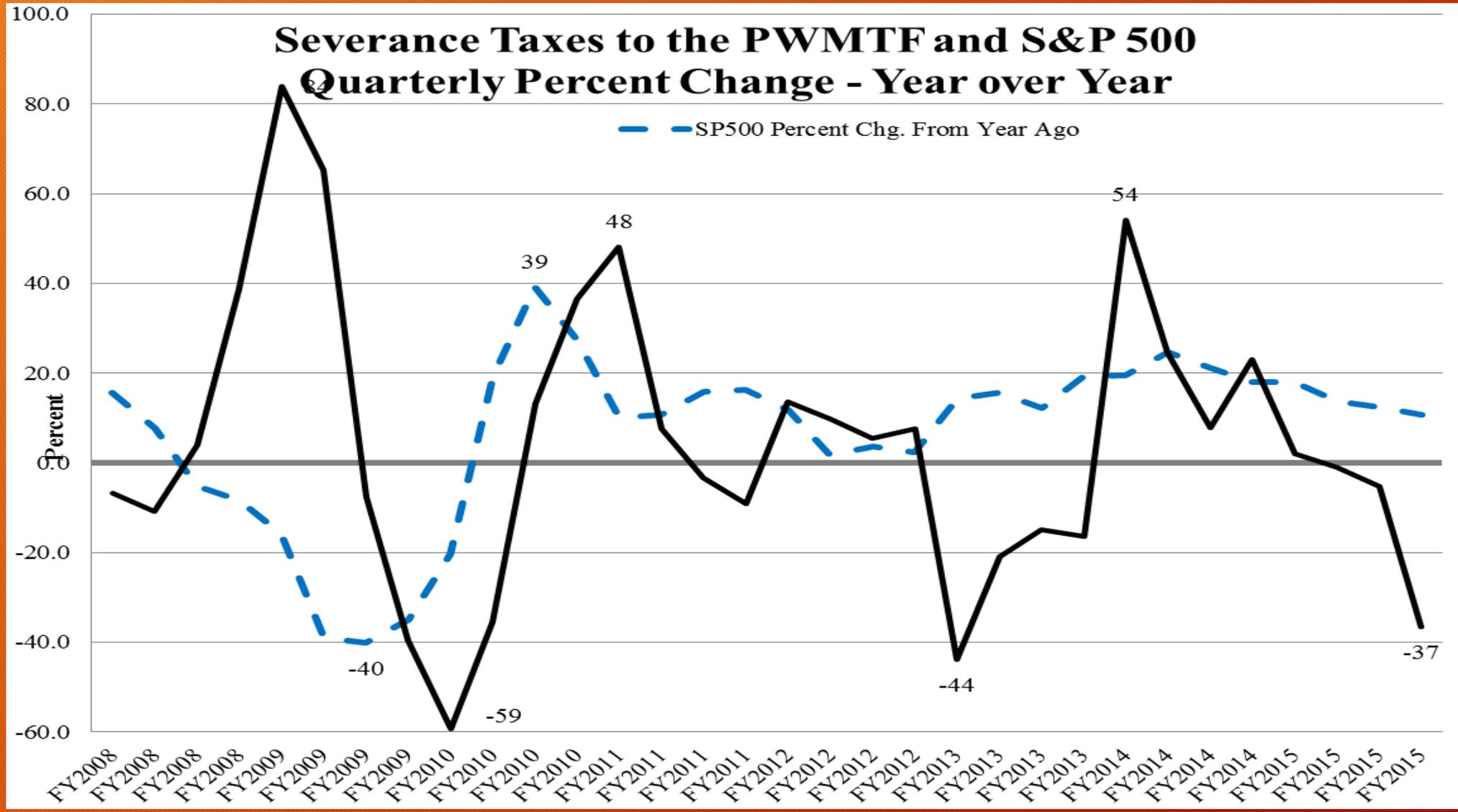
How sensitive are revenues to price change?

- Coal → [\$1.00 per ton price change]
± \$51 million revenue change.
- Natural Gas → [\$1.00 per mcf change]
± \$189 million revenue change.
- Crude Oil → [\$1.00 per bbl. change]
± \$9 million revenue change.

Note: revenue sources include severance taxes (over \$155M), federal mineral royalties (over \$200M), and the 43-mill school foundation portion of ad valorem taxes (based on FY16 projections). Source: October 2014 CREG Forecast and Legislative Service Office 2015 Budget Fiscal Data Book.

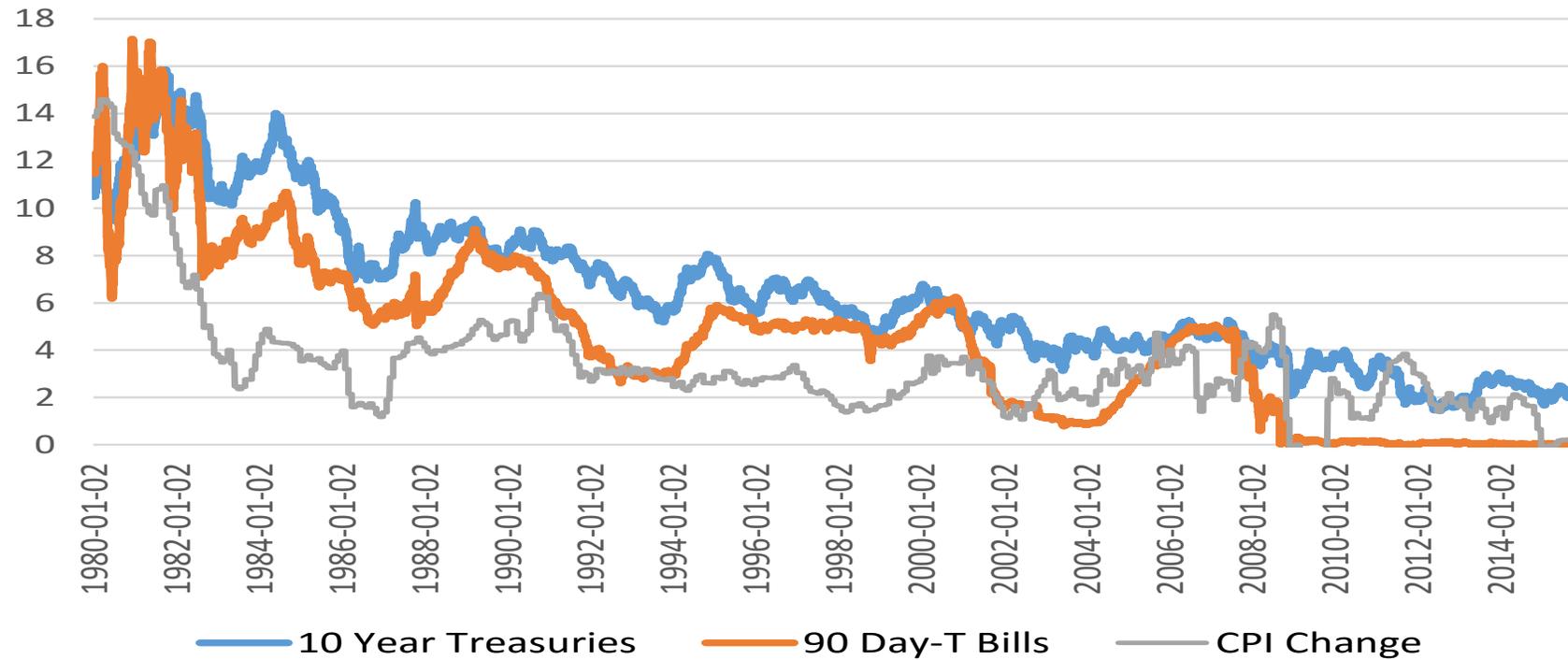
Severance Taxes to the PWMTF and S&P 500

Quarterly Percent Change - Year over Year



Interest Rates and CPI

U.S. Treasury Interest Rates CPI Change, %



Source: Federal Reserve Bank of St Louis, 10-13-15

What that means going forward for Wyoming

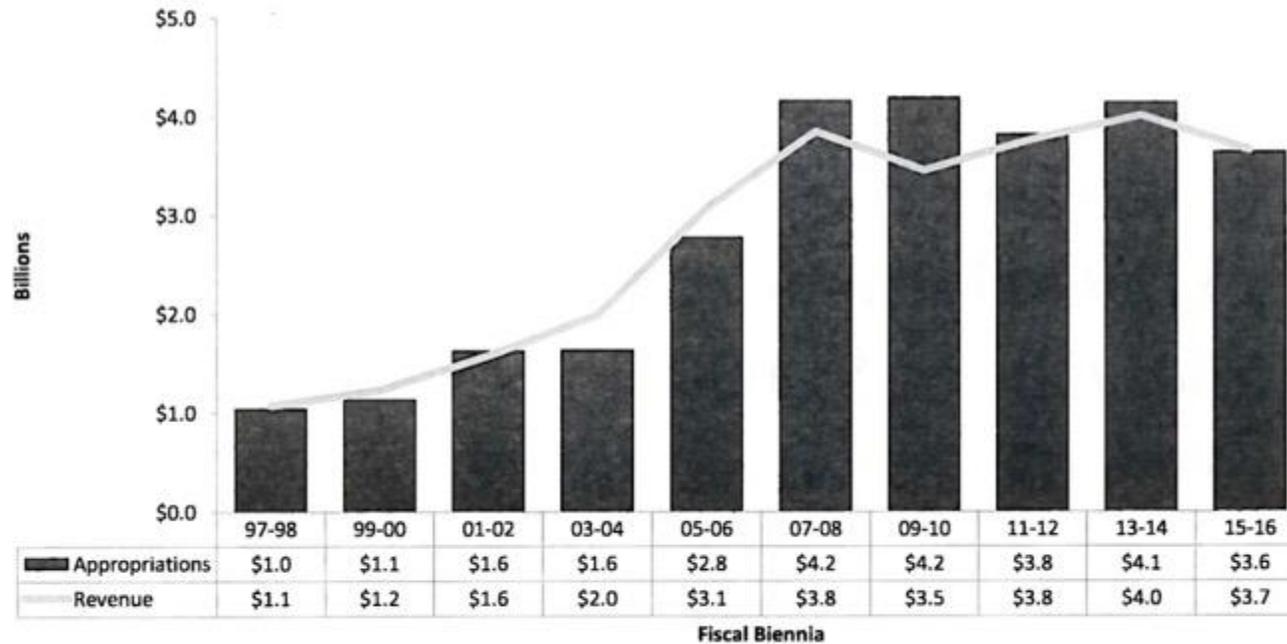
- Please God give me another boom, I promise not to squander it this time.
- Last session we passed contingent appropriations based on investment returns (capital gains) essentially betting on the come for several capital projects... oops
- Please god don't let me squander the opportunities this crisis presents
- Manage a soft landing and get back to the basics of budget discipline

Breaking Pace

Making do with less



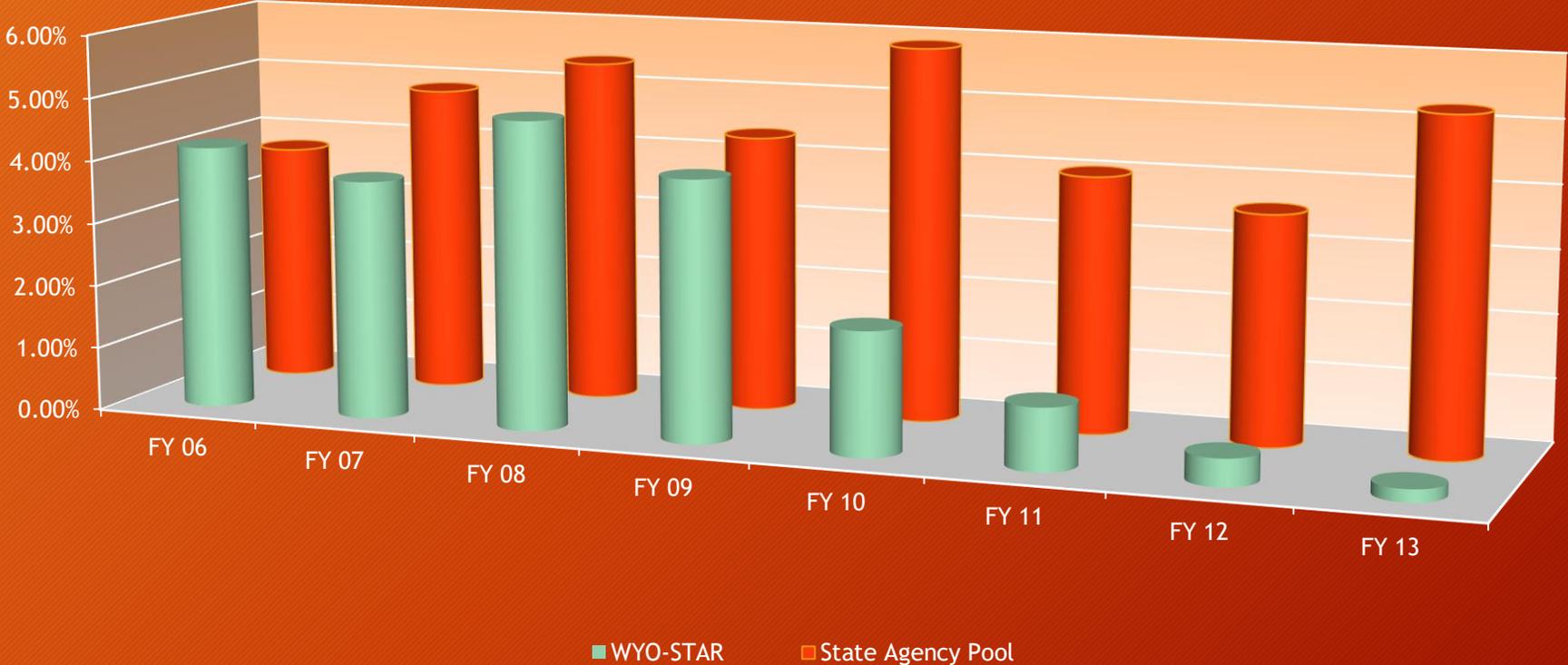
General Fund & Reserve Accounts (with Savings)



1st of 3 Initiatives: Enhance Local Government Opportunity

1. For local governments that have been constrained by a statutorily established list which has kept their savings returns under 1%, 2 changes: the first have the statute point to the state's Master Investment Policy which is professionally reviewed every year, must adhere to the "Prudent Investor Rule," and is conservatively managed with a broader range of securities to choose from. The average yield is better than what local governments can get.
2. Establish an additional second pool with longer duration (quarterly liquidity) compared to the overnight WYO-STAR program in place today for those entities that can take advantage of the less liquid premiums.

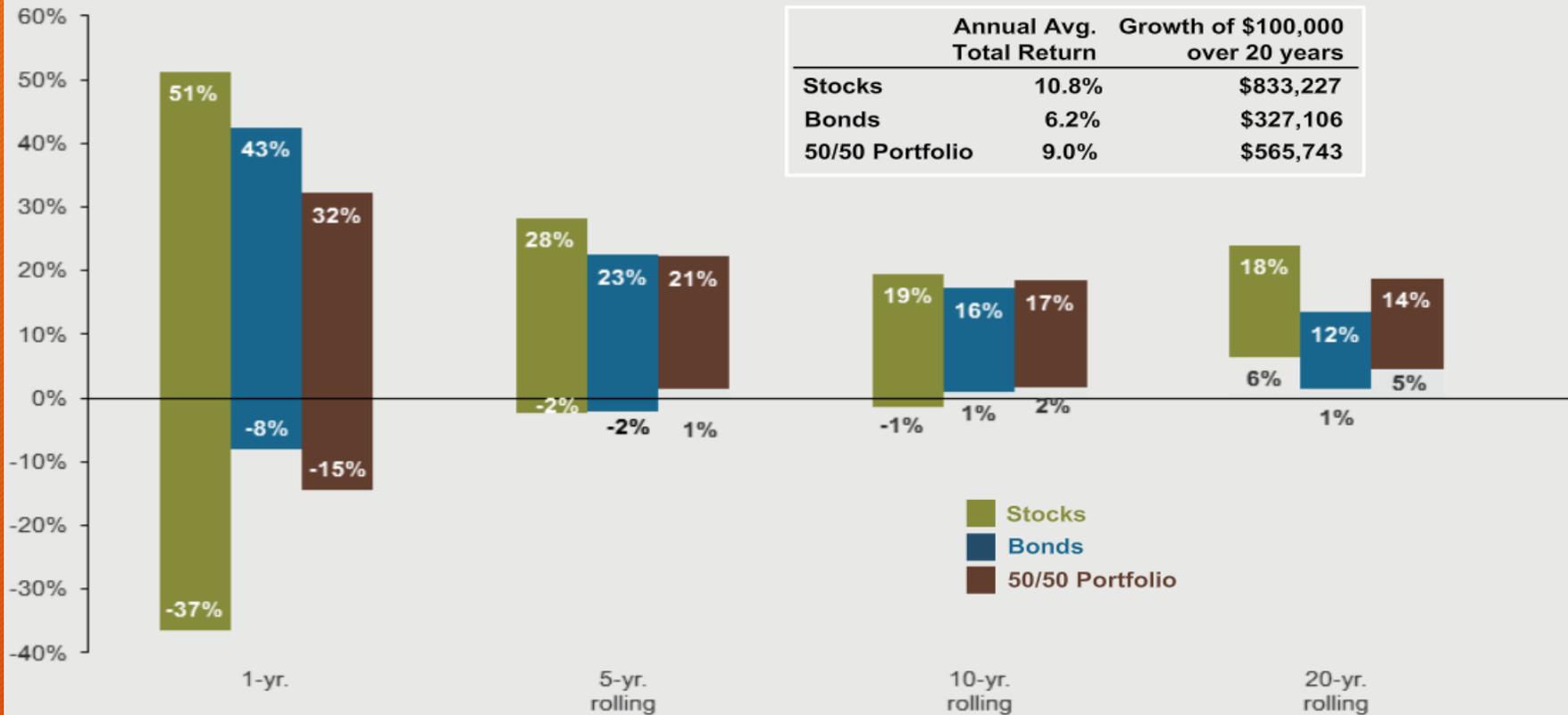
What it could mean



2nd of Three Initiatives: Look to the long-term horizon benefits of a permanent fund

Range of Stock, Bond and Blended Total Returns

Annual total returns, 1950 – 2014



	Annual Avg. Total Return	Growth of \$100,000 over 20 years
Stocks	10.8%	\$833,227
Bonds	6.2%	\$327,106
50/50 Portfolio	9.0%	\$565,743

A picture is worth a thousand words

Source: J. P. Morgan Asset Management.

3rd of Three Initiatives:

Constitutional Amendment A

This amendment if passed by more than 51% of the electorate in the 2016 General Election will allow the Legislature to establish non permanent funds that can be invested similarly to the permanent funds for potentially better return and certainly better defense.

Ballot Language

Currently, the Wyoming Constitution allows the legislature to authorize the investment of public employee retirement systems funds and permanent state funds in equities, such as stock or shares in private or public companies. Permanent funds of the state include funds designated as permanent funds by the Constitution. The Wyoming Constitution does not allow the state to invest any other funds in equities.

The adoption of this amendment would allow the legislature, by two-thirds vote of the members of both houses, to authorize the investment of additional specified state funds in equities.

1. The State has several “Trust Funds” like the Wildlife and Natural Resource Trust and others that currently cannot be managed as normal trust would.
2. The State lost the potential for dramatically better performance on its “Rainy Day” fund because it was constitutionally constrained to fixed income.
3. As the Federal Reserve begins to raise rates, fixed income securities will be challenged to return what the State has become accustomed to and may in fact have to be sold for a loss if the state needs the money.
4. It just makes sense for the following reason:

Wyoming State Treasurer's Office

Study of Investment Earnings Possibly Gained or (Lost) if Invested in Equities

Fiscal Year	Permanent Wyoming Mineral Trust Fund Corpus Balance at Fiscal Year End	Fiscal Year Yield for the State Agency Pool *	Fiscal Year Yield for the Permanent Wyoming Mineral Trust Fund *	Earnings Based on the State Agency Pool Yield	Earning Based on the Permanent Wyoming Mineral Trust Fund Yield **	Extra Earnings Gained or (Lost) if Invested in Equities
2014	\$6,368,298,515	2.09%	6.43%	\$133,100,000	\$409,480,000	\$276,380,000
2013	5,888,454,801	5.25%	6.45%	309,140,000	379,810,000	70,670,000
2012	5,440,883,650	3.60%	4.48%	195,870,000	243,750,000	47,880,000
2011	5,049,967,702	4.03%	4.49%	203,510,000	226,740,000	23,230,000
2010	4,555,406,396	5.89%	3.16%	268,310,000	143,950,000	(124,360,000)
2009	4,262,215,811	4.36%	3.29%	185,830,000	140,230,000	(45,600,000)
2008	3,896,621,442	5.42%	8.80%	211,200,000	342,900,000	131,700,000
2007	3,341,617,499	4.86%	4.76%	162,400,000	159,060,000	(3,340,000)
2006	2,973,580,235	4.17%	4.67%	124,000,000	138,870,000	14,870,000
2005	2,472,588,704	3.76%	3.87%	92,970,000	95,690,000	2,720,000
2004	2,252,392,362	4.01%	4.76%	90,320,000	107,210,000	16,890,000
2003	2,057,629,508	3.57%	3.06%	73,460,000	62,960,000	(10,500,000)
2002	1,963,832,931	5.22%	5.01%	102,510,000	98,390,000	(4,120,000)
2001	1,839,665,725	5.85%	6.08%	107,620,000	111,850,000	4,230,000
2000	1,629,332,132	6.10%	7.46%	99,390,000	121,550,000	22,160,000
1999	1,566,553,360	6.29%	6.86%	98,540,000	107,470,000	8,930,000
1998	1,251,927,387	6.38%	6.73%	79,870,000	84,250,000	4,380,000
1997	1,187,871,523	6.35%	6.68%	75,430,000	79,350,000	3,920,000
			Totals:	\$2,613,470,000	\$3,053,510,000	\$440,040,000

* Yield is gross of fees prior to FY2006 and net of fees since FY2006

** These are not the actual earnings for the investment pool fund since I am only using the balance of this fund at fiscal year end.

Thank You

Thanks to Wyoming Economic Analysis Division and the Wyoming Taxpayers