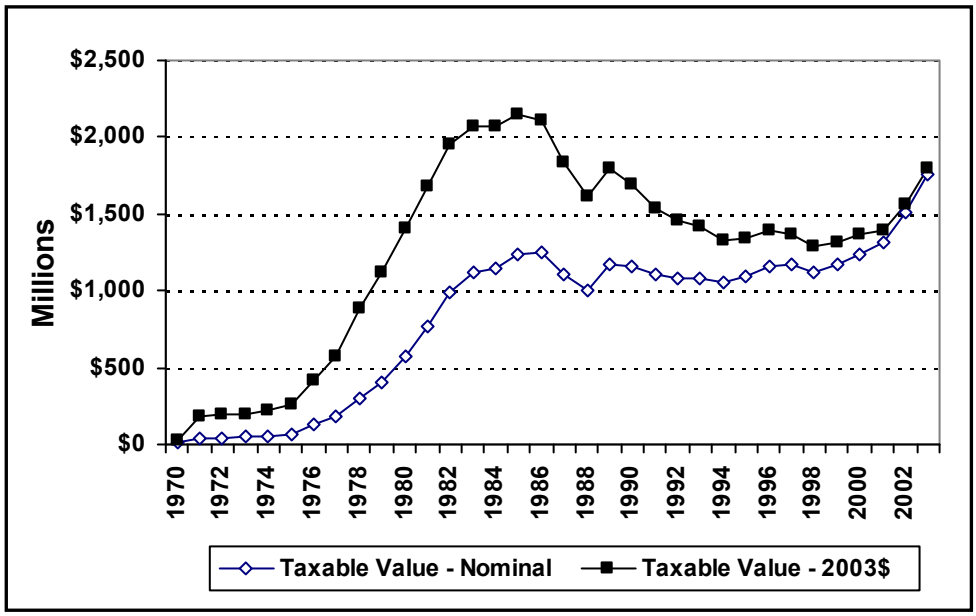
3.9 Fiscal Conditions

Federal mineral royalties and state and local taxes levied on coal and other mineral production are major sources of public revenue in Wyoming. Taxes, fees, and charges levied on real estate improvements, retail trade, and other economic activity supported by energy development provide additional sources of revenue to support public facilities and services. These revenues benefit not only the jurisdictions within which the production or activity occurs or is located, but also the federal treasury, state coffers, and school districts and local governments across the state through various revenue-sharing and intergovernmental transfer mechanisms.

3.9.1 Ad Valorem (Property Taxes)

Coal and other minerals produced in Wyoming, regardless of ownership, are subject to ad valorem taxation by local taxing entities and the statewide levy to support public education.

The statewide total taxable value of coal has increased in response to production, but falling prices have dampened the increases. Total taxable valuation on coal production, in nominal terms, climbed from $38.9 million in 1971[5] to $773.6 million in 1981 and $1,100.3 million in 1991. Even as production expanded by 94 percent between 1991 and 2003, falling market prices limited the subsequent increases in total taxable value to $660 million (60 percent), raising the statewide total to $1,760.3 million. The decline in commodity prices for PRB coal were so substantial that the aggregate value of statewide production in real 2003 constant dollar terms peaked at $2.1 billion in 1984 and 1985, declining thereafter by 40 percent to $1.3 billion in 1997 despite a 140 percent increase in production (**Figure 3-37**).



Source: Based on WTA 1970-2003 (with adjustments by Sammons/Dutton, LLC).

Figure 3-37 Taxable Value of Annual Coal Production in Wyoming in Nominal and 2003 Constant Dollars (1969 – 2003)

[5] The valuation and taxation of coal lag production by 1 year. Thus, the value reported in 1971 is based on 1970 production.

As noted in Section 3.1, coal production in Campbell County accounts for an increasing share of statewide production over time. The concentration of coal production in Campbell County is evidenced by the increase in total valuation from less than $1.0 million in 1973 to $1.48 billion in 2003. The valuation on coal produced in Converse County reached $50 million in 1991, driven by the combined production of the Dave Johnston and Antelope mines. It subsequently declined through the mid-1990s in response to declining market prices, but surged on expanded production at the Antelope Mine near the Converse County/Campbell County line, even as the Dave Johnston Mine curtailed production and began reclamation.

The ad valorem tax base of Sheridan County realized a short-term boost between 1978 and 1989 from production at the Big Horn Mine. The closure of that mine signaled the onset of a steady decline in coal-related valuation through 2001. No coal production and, hence, no valuation on production, was recorded in Sheridan County during the past 2 years.

The aggregate taxable valuation on coal production across the remainder of the state peaked at $442.3 million in 1986, since falling to $171.7 million, or 9.8 percent of the total. Recent trends in the taxable valuation (nominal) on coal, for the PRB counties and the state as a whole, are shown in **Table 3-20** and **Table S-9**. Trends in taxable valuation on coal in 2003 constant dollars are shown in **Table S-10**.

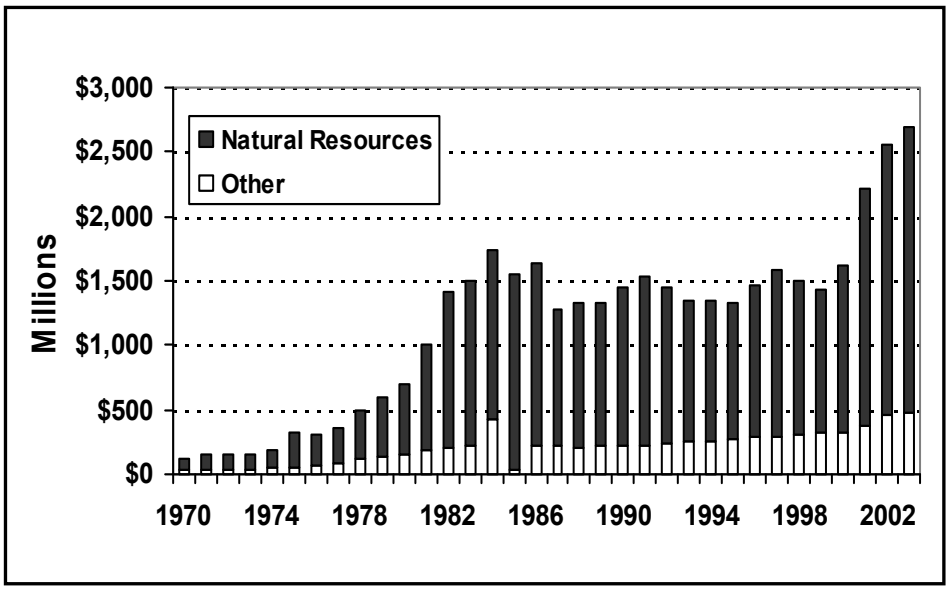
Table 3-20
Taxable Valuation of Annual Coal Production in Nominal Dollars (1999-2003)

Year	County			Other	State Total
	Campbell	Converse	Sheridan		
1999	$901,823,928	$7,993,963	$521,507	$203,010,092	$1,173,349,490
2000	$976,439,893	$74,821,315	$897,948	$184,331,158	$1,236,490,314
2001	$1,065,607,228	$74,616,015	$543,370	$171,929,074	$1,312,695,687
2002	$1,228,879,992	$83,284,924	-	$194,172,379	$1,506,337,295
2003	$1,480,406,834	$108,151,284	-	$171,733,186	$1,760,291,304

Note: Taxable valuation reflects the previous year's production (e.g., the 2001 values are based on 2000 production).

Source: WTA 1999 – 2004.

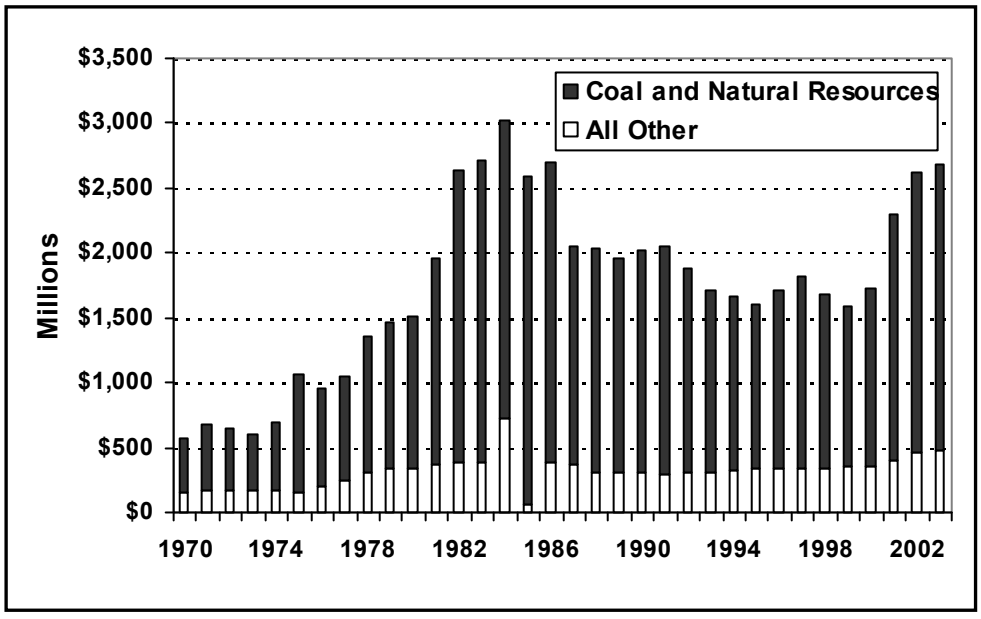
Assessed valuation for Campbell County reflects the trends in coal and other natural resource production and commodity prices. Though the inventory and value of non-mineral property has climbed over time, the valuation, in nominal terms, on minerals is the dominant source of the ad valorem tax base in Campbell County. The county's total assessed valuation, in nominal terms, expanded almost eight-fold from $125.3 million in 1970, prior to the expansion of the region's mining industry, to $998.7 million in 1981. Three years later, assessed valuation had climbed to $1,738.6 million (nominal) in 1984. For the next 15 years, the county's valuation fluctuated in a relatively narrow range of $1,280 and $1,630 million, as production increases were largely offset by lower prices. More recently, rising CBNG production helped boost total assessed valuation to $2,687 million in 2003. In 2003, total coal and other natural resource production accounted for 82 percent of total Campbell County valuation (**Figure 3-38**).



Source: WTA 1970 – 2004.

Figure 3-38 Campbell County Assessed Valuation from Natural Resources and Other Sources in Nominal Dollars

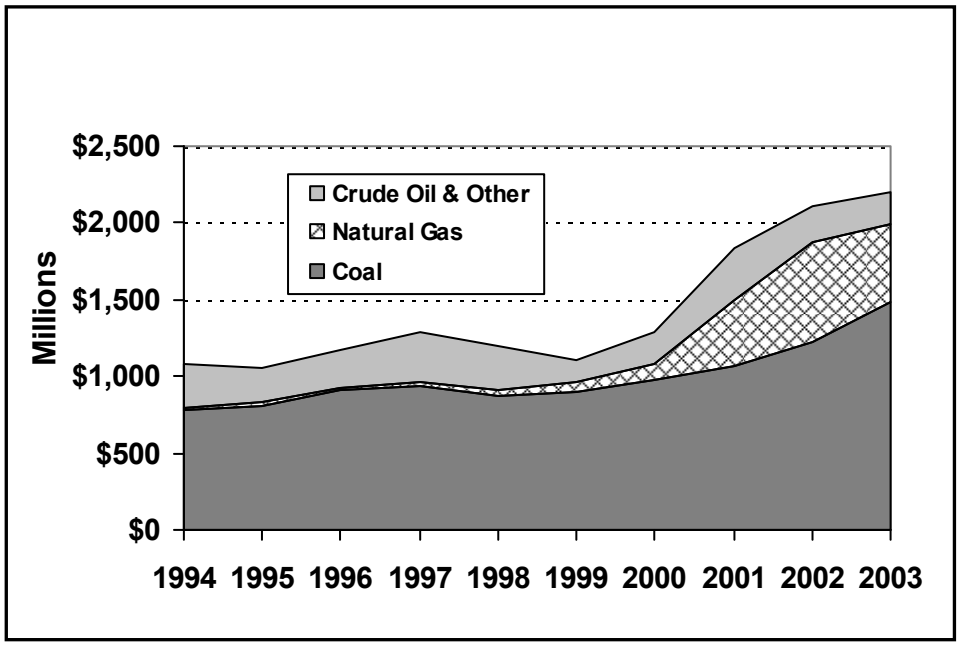
The significance of mineral production to Campbell County's tax base over time is even more apparent when viewed in 2003 constant dollars (**Figure 3-39**). The total valuation on coal and other natural resource production increased by 13.9 percent CAGR between 1970 and 1983 compared to 7.8 percent CAGR for all other sources. From its peak of just over $3.0 billion (2003 constant dollars) local assessed valuation subsequently declined by nearly 50 percent in 1994.



Source: Based on WTA 1970 – 2004 (with adjustments by Sammons/Dutton LLC).

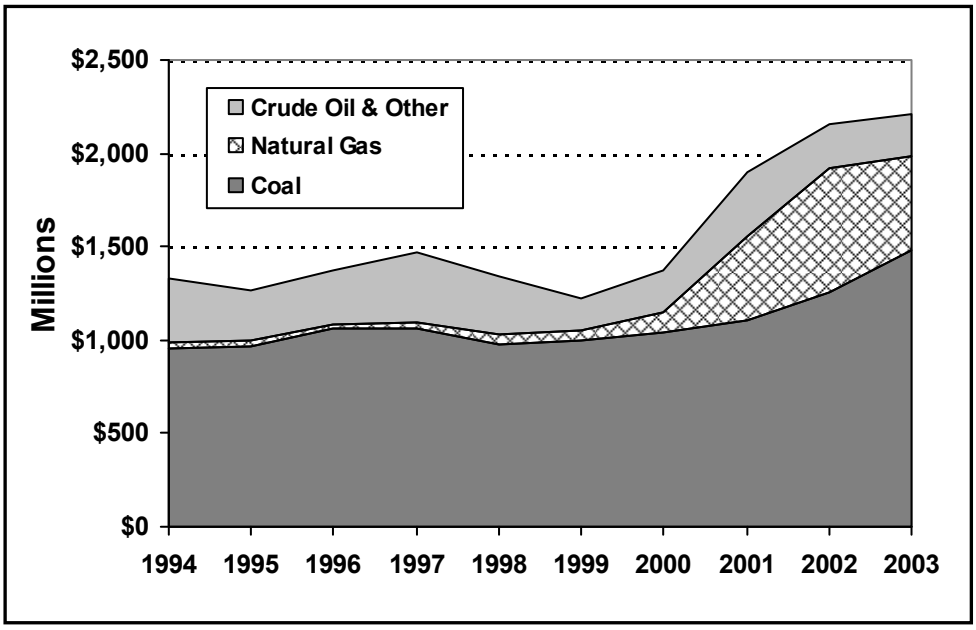
Figure 3-39 Campbell County Assessed Valuation from Natural Resources and Other Sources in 2003 Constant Dollars

Campbell County's total assessed valuation has experienced a major expansion since 2001, both in nominal and real (2003 constant dollar) terms. Higher valuations associated with natural gas, due to increased production in CBNG and rising energy prices for both natural gas and crude oil, accounted for much of the initial increase in 2001 and 2002. More recently, taxable valuations on coal production also have contributed to the increases. **Figures 3-40** and **3-41** illustrate the valuations on natural resource production in nominal and real 2003 constant dollars, respectively.



Source: WTA 1995 – 2004.

Figure 3-40 Valuation on Mineral Production for Campbell County in Nominal Dollars (1994 – 2003)



Source: Based on WTA 1970 – 2004 (with adjustments by Sammons/Dutton LLC).

Figure 3-41 Valuation on Mineral Production in Campbell County in 2003 Constant Dollars (1994 – 2003)

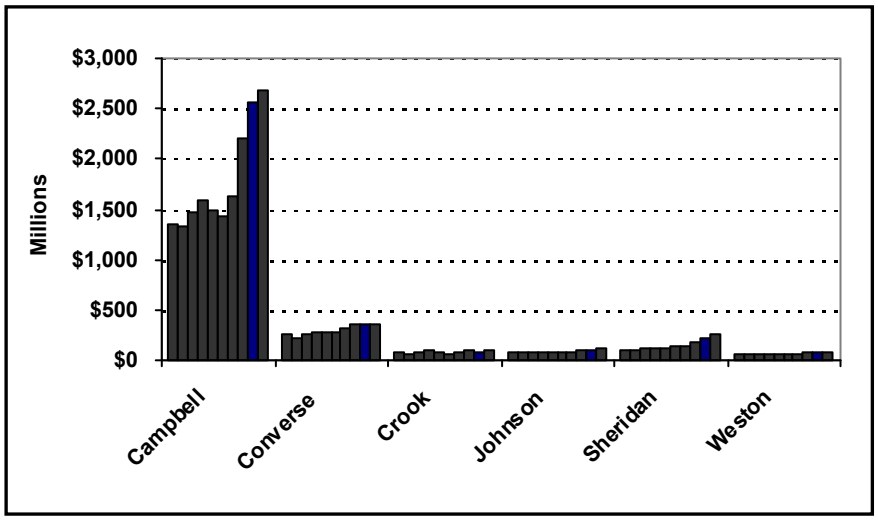
With respect to assessed valuation on mineral and energy resource production, Campbell County has been the primary beneficiary of production gains over the past three decades and the recent gains tied to CBNG. The results include order of magnitude differences in the assessed valuation among the counties in the PRB: Campbell County's assessed valuation of $2,687 million in 2003 was nearly 35 times that of Weston ($77.7 million) and 29 times that of Crook County ($92.1 million) (**Table 3-21**). The scale of the differences and implications for local finance is somewhat ironic given that Campbell County was not one of the 13 original counties when Wyoming was admitted to statehood, but was carved from Weston and Crook counties in 1911. Converse County, which also hosts coal production and electrical power generation facilities, has the second highest assessed valuation in the PRB ($348.3 million in 2003).

Table 3-21
County Assessed Valuation (2003)

County	Assessed Value
Campbell	$ 2,686,679,191
Converse	$ 348,338,443
Crook	$ 92,059,534
Johnson	$ 111,195,527
Sheridan	$ 267,888,569
Weston	$ 77,743,850
Total	**$ 3,583,905,114**

Source: WTA 2004.

Though linked to the underlying coal resource, the geographic extent of CBNG exploration, development, and production activities is not as constrained as that associated with coal mining. While the initial impacts of CBNG on assessed valuation have been focused in Campbell County, energy resource-related increases are accruing in Sheridan and Johnson counties as well. For example, assessed valuation on mineral production in Sheridan County jumped from $6.1 million to $57.0 million between 2001 and 2003. Countywide assessed valuation for the past decade, highlighting the recent increases due to CBNG production, are shown in **Figure 3-42**.



Source: WTA 1995 – 2004.

Figure 3-42 County Assessed Valuation Trends (1994–2003)

Taxing entities levying property taxes vary by location, but generally include the county, appropriate school district, special districts such as a fire or hospital district, and the statewide levy to support public education (25 mills). Applying the general mill levies for each county to the taxable values of coal production yields the estimated annual revenues shown in **Table 3-22**.

Table 3-22
Estimated Ad Valorem Tax Revenue on Coal Production

Year	County			Other	State Total
	Campbell	Converse	Sheridan		
1969	$31,250	$63,720	$35,230	$164,800	$295,000
1970	$29,490	$65,320	$40,330	$248,390	$383,530
1971	$27,050	$64,190	$231,990	$2,076,730	$2,399,960
1972	$31,920	$71,610	$295,940	$2,319,700	$2,719,170
1973	$35,760	$135,950	$142,450	$2,615,380	$2,929,540
1974	$98,590	$151,550	$54,050	$3,260,840	$3,565,030
1975	$314,410	$204,100	$294,820	$3,552,040	$4,365,370
1976	$533,920	$400,450	$344,170	$6,622,100	$7,900,640
1977	$1,730,400	$543,920	$431,140	$9,216,870	$11,922,330
1978	$4,302,730	$670,360	$2,280,310	$12,755,410	$20,008,810
1979	$8,084,600	$702,080	$2,840,120	$15,926,710	$27,553,510
1980	$13,967,620	$837,610	$3,957,550	$19,148,710	$37,911,490
1981	$21,076,910	$974,480	$4,658,920	$22,604,840	$49,315,150
1982	$33,570,370	$1,274,470	$3,954,120	$26,115,230	$64,914,190
1983	$43,515,380	$1,282,650	$4,431,980	$27,171,490	$76,401,500
1984	$42,680,950	$981,870	$5,420,220	$28,261,000	$77,344,040
1985	$48,162,740	$1,071,510	$4,839,190	$27,810,310	$81,883,750
1986	$44,384,810	$1,224,060	$4,579,170	$29,897,310	$80,085,350
1987	$40,617,120	$1,527,680	$2,330,140	$27,531,910	$72,006,850
1988	$38,396,950	$1,159,870	$1,766,980	$21,527,650	$62,851,450
1989	$43,684,980	$1,855,730	$1,786,430	$26,408,900	$73,736,040
1990	$46,435,420	$1,528,710	$115,240	$25,030,090	$73,109,460
1991	$46,095,580	$3,189,940	$80,190	$20,139,340	$69,505,050
1992	$46,022,470	$1,841,830	$89,780	$21,523,530	$69,477,610
1993	$43,665,080	$1,789,140	$201,410	$24,322,370	$69,978,000
1994	$47,095,890	$2,013,150	$51,920	$17,607,110	$66,768,070
1995	$49,290,470	$2,049,870	$61,730	$17,822,220	$69,224,290
1996	$56,467,380	$2,447,460	$18,710	$15,229,680	$74,163,230
1997	$57,794,130	$3,252,210	$13,450	$14,351,120	$75,410,910
1998	$52,628,530	$3,157,210	$26,520	$13,999,460	$69,811,720
1999	$54,651,200	$4,082,720	$36,810	$14,181,880	$72,952,610
2000	$59,126,340	$4,476,120	$62,570	$12,751,140	$76,416,170
2001	$64,152,860	$4,412,920	$37,390	$11,677,640	$80,280,810
2002	$73,795,030	$4,928,130	-	$12,900,730	$91,623,890
2003	$88,488,940	$6,403,940	-	$11,452,150	$106,345,030
Cumulative Total	**$1,170,987,270**	**$60,836,530**	**$45,510,970**	**$548,224,780**	**$1,825,559,550**

Source: WTA 1970 – 2004.

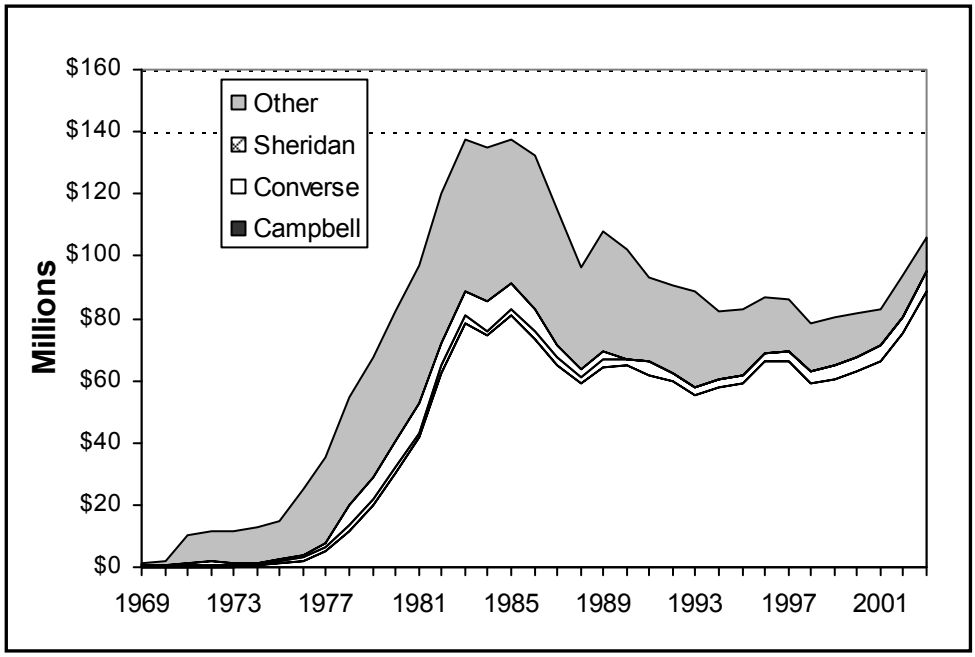
Annual ad valorem tax revenues on a statewide basis increased from $2.4 million in 1971 to $106.3 million (both in nominal dollars) in 2003. The trend has not been one of steady increases over time. Rather, ad valorem tax revenues had an interim peak of $81.9 million in 1985, after which they fell to $68.8 million in 1994. Following a small spike and another decline between 1995 and

1998, total ad valorem taxes have increased in each of the succeeding years, climbing by 52 percent ($36.5 million) in the past 5 years.

Ad valorem taxes generated in Sheridan County and the remainder of the state mirror the trends in taxable values, peaking in the mid-1980s, followed by protracted declines. Receipts in Converse County have grown over time, topping $6.4 million in 2003. Revenues in Campbell County increased in a step-wise fashion after an initial period of rapid growth in the early 1980s that provided revenue to help finance infrastructure and service capacity expansions during the initial boom. Revenues then remained in the mid-$40 million range through 1995, with the exception of 1988. Annual receipts were in the $50 million per year range in the latter 1990s, before rising sharply in the past 3 years.

An estimated total of $1.83 billion in ad valorem taxes have been collected on statewide coal production since 1969. Revenues generated from production in Campbell County total $1.17 billion, or 64 percent of the total. Total revenues generated in Converse, Sheridan, and the remaining counties are $60.8 million, $45.5 million, and $548.2 million, respectively. In 2003 the $88.5 million in revenues derived on production in Campbell County accounted for 83 percent of the statewide total.

In real 2003 constant dollar terms, the estimated ad valorem tax receipts on statewide coal production would total nearly $2.65 billion. The single highest annual receipts of $137.7 million occurred in 1985. Although Campbell County experienced a protracted period of relatively stagnant ad valorem tax revenues, expressed in real 2003 constant dollars, through the late 1980s and early 1990s, Sheridan and the other coal-producing counties other than Converse experienced declines in the real ad valorem tax revenues derived from coal (**Figure 3-43** and **Table S-11**).



Source: Based on WTA 1970 – 2004 (with adjustments by Sammons/Dutton LLC).

Figure 3-43 Estimated Annual Ad Valorem Tax Revenue on Coal Production in 2003 Constant Dollars (1969 to 2003)

3.9.2 Wyoming State Severance Taxes

Wyoming levies a state severance tax on coal and many other minerals produced in the state. That severance tax rate, levied on the value of production, has varied over time. Prior to the dramatic expansion of surface coal mining, the severance tax rate on coal stood at 1.0 percent in 1972. The Wyoming State Legislature raised the rate to 10.5 percent in 1977-78, in part to provide funding for long-term highway, education, and community infrastructure improvements. The severance tax rate has since ratcheted down to 8.5 percent between 1987 and 1992 and to 7.0 percent since, as legislatively established permanent trust fund caps were reached.

Given the tax rate changes, severance tax receipts follow a pattern that varies from the general production and valuation trends described earlier. Statewide receipts, in nominal dollars, grew from $1.3 million in 1973 to a peak of $129.2 million in 1986. Thereafter, receipts declined to $73.7 million in 1995 in response to the falling market prices and the cutbacks in tax rates (**Table 3-23**). Recent production increases yielded statewide proceeds of $86.5 million in 2001, $91.9 million in 2002, and $105.4 million in 2003.

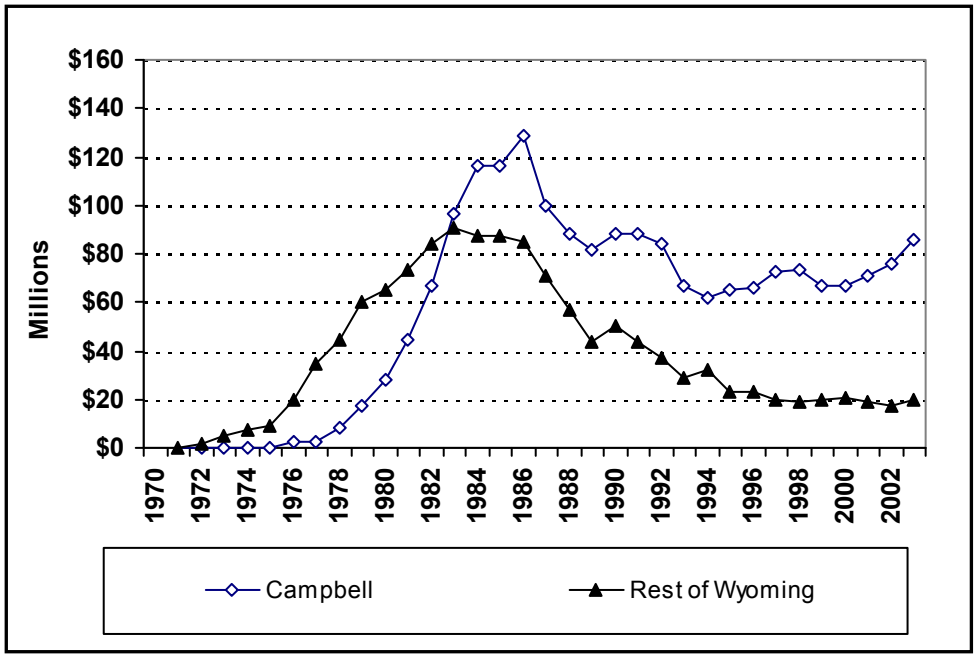
Table 3-23
Estimated Annual Severance Tax Receipts (1970-2003)

Year	Tax Rate (percent)	County			Other	State Total
		Campbell	Converse	Sheridan		
1970	1.0	--	--	--	--	--
1971	1.0	$5,740	$12,970	$6,340	$41,000	$66,050
1972	1.0	$5,030	$12,840	$34,960	$335,940	$388,770
1973	3.0	$17,960	$41,970	$127,810	$1,099,780	$1,287,520
1974	4.4	$28,890	$99,930	$93,350	$1,793,010	$2,015,180
1975	4.8	$86,650	$120,840	$40,220	$2,454,880	$2,702,590
1976	9.7	$658,390	$359,520	$383,660	$5,452,310	$6,853,880
1977	10.1	$898,830	$701,340	$490,740	$10,499,370	$12,590,280
1978	10.5	$3,072,060	$926,150	$614,990	$14,564,180	$19,177,380
1979	10.5	$7,058,910	$1,103,630	$3,100,510	$20,213,670	$31,476,720
1980	10.5	$12,855,990	$1,094,200	$4,108,350	$24,876,660	$42,935,200
1981	10.5	$22,641,750	$1,372,470	$5,792,960	$30,320,920	$60,128,100
1982	10.5	$36,032,960	$1,489,620	$6,952,280	$36,756,680	$81,231,540
1983	10.5	$53,380,100	$1,960,370	$5,717,730	$42,859,850	$103,918,050
1984	10.5	$66,618,810	$1,822,260	$6,587,980	$41,903,690	$116,932,740
1985	10.5	$69,101,630	$1,405,220	$7,237,280	$43,115,910	$120,860,040
1986	10.5	$77,845,180	$1,671,600	$6,763,230	$42,966,320	$129,246,330
1987	8.5	$62,619,890	$1,610,990	$4,963,060	$37,596,720	$106,790,660
1988	8.5	$57,198,990	$1,968,920	$2,535,100	$32,773,380	$94,476,390
1989	8.5	$55,897,130	$1,453,730	$2,119,840	$26,058,810	$85,529,510
1990	8.5	$63,264,860	$2,402,150	$2,060,680	$31,782,340	$99,510,030
1991	8.5	$66,030,940	$2,055,170	$131,910	$30,151,820	$98,369,840
1992	8.5	$64,922,130	$4,254,440	$91,850	$24,254,910	$93,523,330
1993	7.0	$52,955,580	$2,054,320	$84,420	$20,865,340	$75,959,660
1994	7.0	$50,300,490	$1,989,660	$186,380	$23,619,840	$76,096,370
1995	7.0	$54,378,710	$2,231,040	$48,280	$17,073,200	$73,731,230
1996	7.0	$56,502,290	$2,259,820	$57,500	$17,460,700	$76,280,310
1997	7.0	$63,545,110	$2,769,640	$17,540	$14,626,070	$80,958,360
1998	7.0	$65,276,480	$3,466,350	$12,340	$13,525,770	$82,280,940
1999	7.0	$60,973,940	$3,680,690	$26,150	$14,119,380	$78,800,160
2000	7.0	$63,127,670	$4,759,580	$36,510	$14,210,710	$82,134,470
2001	7.0	$68,350,790	$5,237,490	$62,860	$12,903,180	$86,554,320
2002	7.0	$74,592,510	$5,223,120	$38,040	$12,035,040	$91,888,710
2003	7.0	$86,021,600	$5,829,940	-	$13,592,070	$105,443,610
Cumulative Total		**$1,416,267,990**	**$67,441,980**	**$60,524,850**	**$675,903,450**	**$2,220,138,270**

Sources: WTA 1970 – 2003.

Cumulative severance tax proceeds since 1970, in nominal dollars, total $2.22 billion statewide. Severance tax revenues on coal produced in Campbell County total $1.42 billion. Severance tax revenues for the corresponding period total $67.4 million from Converse County, $60.5 million from Sheridan County, and $675.9 million from the remainder of the state. Shares of total annual severance tax revenues in the most recent year were Campbell County – 81.6 percent, Converse County – 5.5 percent, Sheridan – 0 percent, and the remainder of the state – 12.9 percent.

Cumulative severance tax revenues since 1970 total $3.23 billion in real 2003 constant dollars. The rapid expansion of Wyoming's coal mining industry during the late 1970s and early 1980s resulted in annual receipts in excess of $200 million between 1984 and 1987. The first year in which annual severance tax receipts in Campbell County exceeded those generated from the combined production of the remainder of Wyoming was 1983 (see **Figure 3-44** and **Table S-12**). Since 1987, severance tax receipts, expressed in real 2003 constant dollars, trended downward across the remainder of the state, as they generally did from coal produced in Campbell County through most of the 1990s. These declines were, in part, the result of reductions in the severance tax rates. With the tax rate remaining at 7.0 percent since 1993, the higher production in recent years has resulted in total annual severance tax receipts from coal production exceeding $105 million in 2003, more than 81 percent of which was derived from coal production in Campbell County.



Source: Based on WTA 1970 – 2004 (with adjustments by Sammons/Dutton LLC).

Figure 3-44 Estimated Annual Severance Tax Receipts from Coal Produced in Campbell County and the Rest of Wyoming in 2003 Constant Dollars (1970 to 2003)

Distribution formulas for severance tax proceeds are set by the Wyoming legislature, with concurrence by the Governor. Over time, the basic allocation framework has remained relatively consistent, though some specific allocation shares have varied in response to changing fiscal needs. The basic formula includes a constitutionally mandated diversion of the proceeds from a 1.5 percent tax levy into the Permanent Wyoming Mineral Trust Fund (PWMTF). The PWMTF

principal, now in excess of $2.0 billion dollars, is invested and the derived income transferred into the state's General Fund for appropriation by the Legislature. Funds may be loaned to political subdivisions in Wyoming.

Following the above allocations, remaining severance tax proceeds are allocated as follows:

- An amount equal to the proceeds of a 1-cent statewide gas tax is dedicated for environmental remediation of leaking underground storage tanks.

- Remaining amounts, up to an annual cap of $155 million are transferred to the general fund (62.26 percent), water development accounts (14.55 percent), local governments (13.13 percent), highway and state aid to county road funds (7.23 percent), and capital construction (2.83 percent).

- Amounts in excess of $155 million per year are allocated to the General Fund (33.3 percent) and the state's budget reserve account (66.7 percent).

Total projected severance tax receipts on all minerals produced in Wyoming are projected at $473.5 million for 2004.

Earnings from the PWMTF, which like other investments are subject to market condition fluctuations and other risks, were over $61 million in 2003.

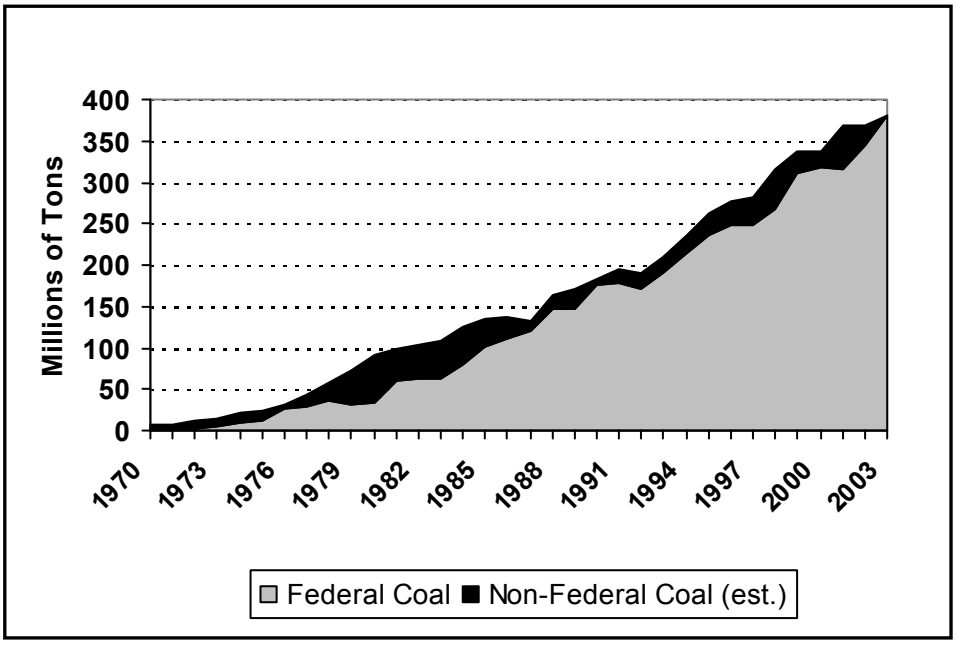
3.9.3 Federal Mineral Royalties

Producers pay a 12.5 percent royalty to the federal treasury on the value of all surface coal production on federal leases. Federal mineral royalties (FMR) also are assessed on natural gas, oil, and other minerals produced on federal leases.

One-half of the FMR receipts subsequently are disbursed to the state in which the production occurred. The size of the resource base, the rate of surface coal production in the PRB, and the predominance of federal ownership, combine to make federal mineral royalties an important revenue source. Across the entire state, 90 to 95 percent of all coal production is from federal coal (**Figure 3-45**).

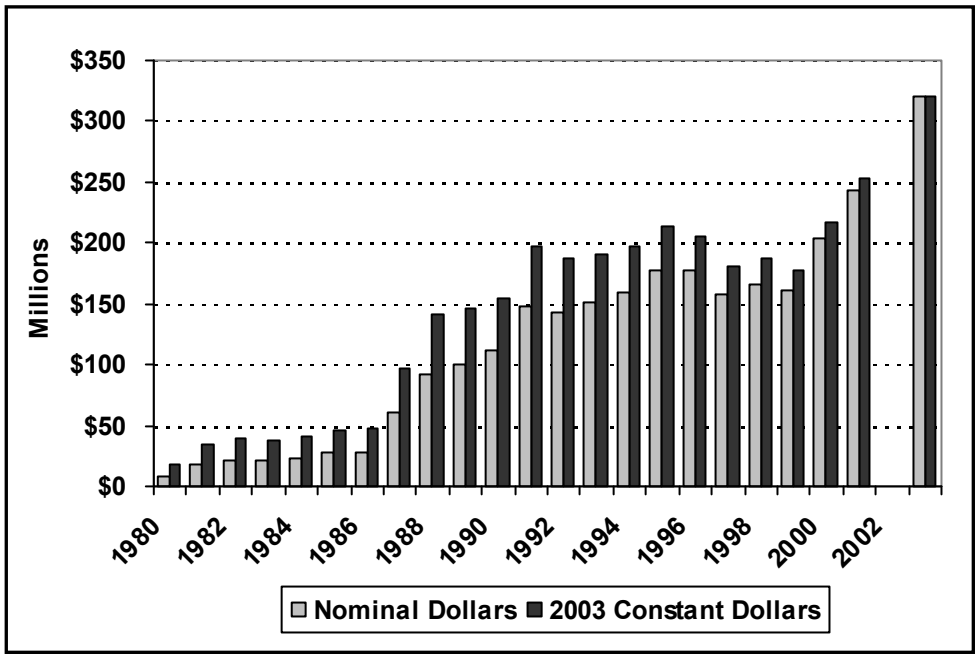
FRM's on coal have grown sharply as production in Wyoming, and in particular the PRB, has expanded. Royalty receipts on coal produced in Wyoming totaled $2.2 million (nominal) in 1975. They had increased more than 12-fold, to $27.7 million, in 1985, topping $100 million in 1989 and $200 million in 1999 (**Figure 3-46** and **Table S-13** in the Appendix of this report). Total federal mineral royalty receipts in 2003 were $321.0 million. Federal mineral royalty receipts on coal produced in Wyoming exceeded $2.76 billion between 1980 and 2003. Annual receipts may double over the next 6 to 8 years based on anticipated production levels.

Cumulative federal mineral royalties on coal produced in Wyoming between 1980 and 2003 total $3.32 billion in 2003 constant dollars. Of that total, $2.24 billion was generated by production in Campbell and Converse counties. **Figure 3-46** shows the annual FMR in nominal and real (2003 constant dollar) terms. **Tables S-13** and **S-14** present the associated data in numerical formats.



Source: U.S. Minerals Management Service 1980 – 2003; WTA 1970 – 2004.

Figure 3-45 Annual Coal Production in Wyoming – Federal Versus Non-federal Ownership (1970 – 2003)

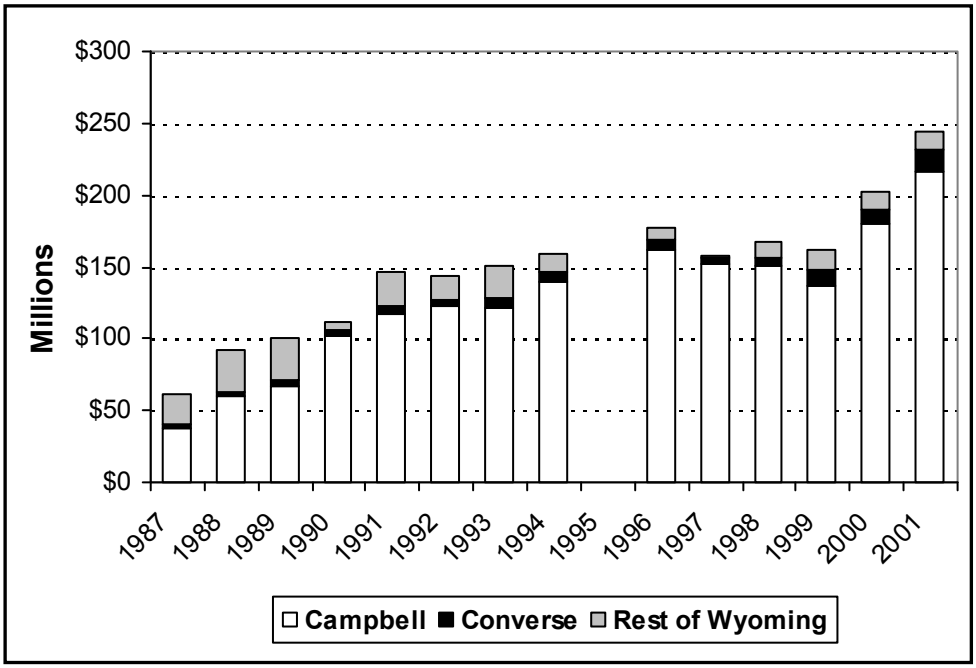


Source: U.S. Minerals Management Service 1987 – 2003 (with adjustments for inflation by Sammons/Dutton LLC).

Figure 3-46 Federal Coal Royalties Collected on Production in Wyoming in Nominal and 2003 Constant Dollars (1980 – 2003)

The increases in FMR receipts on coal production reflect three major factors: 1) the increase in annual production to over 380 million tons a year (2003); 2) changes in the federal royalty tax rate over time; and 3) reductions in the per ton market value of coal. The latter is tied to the increases in production efficiency discussed above.

The Minerals Management Service is responsible for collecting and reporting on the FMR program. Reports covering the periods 1987 to 1994 and 1996 to 2001 (reports are not available for 1995 due to changes in reporting formats) report total federal royalty receipts of $1.77 billion (nominal) and $2.14 billion (2003 constant dollars) collected on coal production in Campbell County. That total represents 85 percent of the total royalties collected on coal produced in Wyoming during the same periods (**Figure 3-47**). Receipts from Converse County were $88 million (nominal) and $105 million (2003 constant dollars), while those from the remainder of the state totaled $219.4 million (nominal) and $291.0 million (2003 constant dollars). In 2001, the most recent year for which detailed data are available, Campbell County coal production yielded FMR of $216.6 million.



Source: U.S. Minerals Management Service 1987 – 2003 (with adjustments for inflation by Sammons/Dutton LLC).

Figure 3-47 Federal Royalties Collected on Wyoming Coal by Location in 2003 Constant Dollars (1987 – 2001)

The annual distribution of FMR to Wyoming was $476.3 million in fiscal year 2003 and is projected at nearly $495 million in fiscal year 2004.

Like severance tax receipts, distributions of the state's FMR receipts follow a legislatively established, two-tier formula. The first tier covers total annual receipts up to $200 million, the second applies to receipts over $200 million per year. Under the tier-one allocation, a 1.0 percent administration fee is first transferred to the general fund. The remaining funds are allocated to the Wyoming School Foundation Program (44.8 percent), the highway and count road funds (32.625 percent), cities and towns (9.375 percent), the University of Wyoming (6.75 percent), and

capital construction projects (6.45 percent). Allocations of the tier-two funds are to the state's budget reserve account (66.7 percent) and the school foundation program (33.3 percent).

3.9.4 Payments in Lieu of Taxes

Congress authorized "payments in lieu of taxes" (PILT) to local governments that have certain federal lands within their boundaries (31 U.S.C. 6901-6907 - 1976). These payments are intended to supplement other federal land receipt-sharing payments that government may receive and to help defray or offset the costs of providing public services such as law enforcement, fire protection, and road construction and maintenance affected by the presence and use of those federal lands.

Payments of PILT are authorized to local governments, generally counties, based on the acres of "entitlement lands" within their boundaries. Such "entitlement lands" consist of lands in the National Forest and National Parks systems, some lands involved in Bureau of Reclamation projects, National Wildlife Reserves, and lands administered by the BLM. The entitlement acreage is updated annually to reflect additions or disposal of federal lands. The amount of PILT to be paid to each local government is based on a formula factoring in the number of "entitlement" acres, a per acre payment rate, deductions for certain other federal land payments, and a ceiling or cap on payments based on the area's population. The sum of the base payments typically exceeds the funding appropriated by Congress, such that the actual payment reflects a pro-rata reduction based on available funds. The amount of PILT is not a function of the land use activity or any mineral production that might occur on the land.

A total of 2,686,782 acres of entitlement land are located in the six PRB study area counties (BLM 2004). Of that total, 42.8 percent is public land managed by the BLM, 56.6 percent is land within the National Forests, and 0.6 percent is other eligible federal lands. PILT eligible entitlement lands total 377,072 acres in Campbell County. Johnson County has the most entitlement acres with 829,469 acres (see **Table 3-24**).

Table 3-24
Entitlement Acreage for Federal Payments in Lieu of Taxes (Fiscal Year 2003)

County	BLM	USFS	Other	Total
Campbell	231,418	145,654	0	377,072
Converse	141,587	252,128	1,061	394,776
Crook	150,925	169,194	15,034	335,153
Johnson	502,588	326,881	0	829,469
Sheridan	48,073	393,627	711	442,411
Weston	74,777	233,124	0	307,901
Six-county Combined	**1,149,368**	**1,520,608**	**16,806**	**2,686,782**
Percent of Total Entitlement Acreage	**42.8**	**56.6**	**0.6**	**100**

Source: BLM 2004.

Total PILT payments received by the six counties have grown by more than 61 percent, in nominal terms, over the past 5 fiscal years, from $1,358,331 in 2000 to $2,188,373 in 2004 (**Table 3-25**). Statewide total annual PILT increased from $8.32 million to $14.63 million during the same period. The higher receipts reflect increases in Congressional appropriations for the program, rather than

increases in the entitlement acreage in the PRB. PILT payments across the PRB study area in fiscal year 2004 ranged from $183,270 in Weston County, to $570,460 in Sheridan County, and $375,692 in Campbell County. Despite having nearly 88 percent more PILT entitlement acres, Johnson County's receipts of $521,588 were nearly $49,000 below those to Sheridan County, the receipts to the former capped due to its lower population.

Table 3-25
Federal Payments In Lieu of Taxes in Nominal Dollars (Fiscal Years 2000 to 2004)

County	2000	2001	2002	2003	2004
Campbell	$266,528	$346,804	$366,002	$393,156	$375,692
Converse	$254,390	$335,541	$356,983	$370,669	$347,185
Crook	$35,348	$87,352	$124,221	$182,313	$190,178
Johnson	$299,137	$432,726	$461,842	$506,573	$521,588
Sheridan	$317,399	$458,606	$492,508	$550,012	$570,460
Weston	$185,529	$207,491	$221,308	$220,430	$183,270
Six-county Combined	**$1,358,331**	**$1,868,520**	**$2,022,864**	**$2,223,153**	**$2,188,373**

Source: BLM 2004.

Cumulative PILT payments to the six counties, in 2003 constant dollars, totaled $9.82 million over the past 5 years (**Table 3-26**). Of that total, Sheridan County received 25 percent, Johnson County 23 percent, and Campbell County 18 percent. Crook County had the lowest total receipts of PILT, $623,651, or 6 percent of the total.

Table 3-26
Federal Payments in Lieu of Taxes in 2003 Constant Dollars (Fiscal Years 2000 to 2004)

	2000	2001	2002	2003	2004	5-Year Total
Campbell County	$283,746	$359,428	$374,164	$393,156	$367,802	$1,778,296
Converse County	$270,824	$347,755	$364,944	$370,669	$339,894	$1,694,086
Crook County	$37,631	$90,532	$126,991	$182,313	$186,184	$623,651
Johnson County	$318,461	$448,477	$472,141	$506,573	$510,635	$2,256,287
Sheridan County	$337,903	$475,299	$503,491	$550,012	$558,480	$2,425,185
Weston County	$197,514	$215,044	$226,243	$220,430	$179,421	$1,038,652
Six-county Combined	**$1,446,079**	**$1,936,535**	**$2,067,974**	**$2,223,153**	**$2,142,416**	**$ 9,816,157**

Source: BLM 2004 (with adjustments for inflation by Sammons/Dutton LLC).

3.9.5 Local Fiscal Conditions

County Government Revenues

Mineral and energy resource development, the associated indirect and induced economic activities, population growth, and changing demands for public services and facilities are reflected in the key revenue sources of local governments and school districts. In some instances, such as property taxes, the effects are linked to the physical location of resources and facilities, while in other cases, the impacts reflect the location of indirect activities or the residential choices of the affected work forces. Local fiscal conditions also reflect the effects of other factors, such as the structure of the economy, land use and ownership patterns, natural and human-created attractions that promote

tourism, and the location of interstate highways and other transportation facilities that generate travel-related commerce through a community, being some of the more important. These other factors notwithstanding, key public revenues reflect the dominant character and concentration of development and activity in Campbell County.

Property Taxes. Among the most obvious barometers of the differences in the scale of public revenues in the PRB are the assessed value and the corresponding property taxes levied and collected by the respective counties. As discussed above, Campbell County's assessed value was nearly $2.7 billion in 2003, about eight times that of Converse County, the second highest among the six counties at $348.3 million. The mill levies for general fund purposes are relatively comparable among the counties, ranging from 7.522 in Sheridan County to 9.329 in Crook County. Thus, the relative magnitude of annual property tax revenues of the counties correlate strongly with assessed values (**Table 3-27**).

Table 3-27
2003 Property Tax Collections by County

County	Assessed Value (millions)	Property Tax Revenues			
		General Fund	Other Countywide	Other	Total
Campbell	$2,686.7	$22,850,207	$16,093,209	$1,482,869	$40,426,285
Converse	$348.3	$2,995,362	$1,254,716	$905,912	$5,155,990
Crook	$92.1	$858,823	$706,190	--	$1,565,013
Johnson	$111.2	$920,969	$1,245,566	$372,211	$2,538,746
Sheridan	$267.9	$2,014,951	$1,735,490	$522,867	$4,273,308
Weston	$77.7	$695,885	$703,505	$291,812	$1,691,202

Source: WTA 2003.

As shown, property tax collections in 2003 ranged from $695,885 in Weston County to $22,850,207 in Campbell County.

Countywide property taxes also are levied to support hospital districts, weed and pest control, libraries, the county fair, and, in some counties, other services and purposes. Property taxes for these other functions ranged from just over $700,000 in Crook and Weston counties, to $16.1 million in Campbell County. Other taxes are levied to support special districts or services that are not countywide in scope. Such taxes ranged in amount from $0 in Crook County to $1.48 million in Campbell County. Fire protection and recreation are the two most common beneficiaries of the sub-county district, with the taxing districts centered around communities and excluding most of the rural farm areas.

Combined property tax collections for the three categories totaled $40.43 million for Campbell County in 2003. Converse County had the second highest total property tax receipts, $5.16 million, just 12.7 percent of its northern neighbor. Among the six PRB counties, Crook County with $1.56 million, had the lowest property tax receipts.

Sales Taxes. Sales and use tax receipts derived from retail purchases of equipment, supplies, motor vehicles, consumer goods, meals, and other taxable items are another important source of

locally generated revenue for local governments, though more so for cities than for counties. Local sales tax collections within each county provide another insight into the relative sizes of the local economies and some of the fiscal implications of mineral development.

Countywide sales tax collections for 2003 are shown in **Table 3-28** below. The effect of the mining industry, in this instance including CBNG, is apparent as the total collections in Campbell County were nearly $75 million. Collections in the retail trade sector accounted for the largest amount and share of the total; the wholesale trade, mining, and services all generated significant sales tax collections in the county. Sheridan County ranked second in the PRB region, largely on the strength of collections in the retail trade sector, which benefit from a large trade area that extends into Montana; a relatively more affluent resident population; and commercial travel and tourism associated with the interstate highway and the scenic amenities and recreation attractions in the county.

Table 3-28
Sales Tax Collections, by Industrial Sector (2003)

	Industrial Sector					
County	Mining	Wholesale Trade	Retail Trade	Services	All Other[1]	Total
Campbell	$12,611,648	$16,182,231	$18,361,595	$13,164,874	$14,637,766	$74,958,114
Converse	$583,338	$1,580,392	$3,150,954	$1,191,449	$3,285,242	$9,791,374
Crook	$154,658	$300,179	$1,291,883	$411,487	$1,045,360	$3,203,566
Johnson	$673,330	$355,258	$2,091,757	$874,451	$1,792,739	$5,787,535
Sheridan	$1,096,476	$1,482,965	$13,039,913	$3,151,953	$6,217,270	$24,988,577
Weston	$226,948	$364,881	$1,581,006	$336,015	$1,033,990	$3,542,839

[1]Other includes agriculture, manufacturing, construction, transportation, finance and real estate, and public administration.

Source: WDAI 2004c.

The remaining four counties all recorded total sales tax collections of less than $10 million in 2003, Crook County again the lowest at $3.2 million. Sales tax collections in the four counties follow a more traditional pattern with retail trade accounting for the single largest source or generator of sales tax collections.

Sales tax collections by major merchandise line within the retail trade sector again reveal significant differences between the counties (**Table 3-29**). General merchandise and motor vehicles and automotive service sales each accounted for about $3.4 million in retail sales tax collections. Sales by food stores generated nearly $3.0 in Campbell County, followed by $2.3 million from restaurant sales. The differences in the relative scales of the retail trade sectors among the counties is apparent in that only the general merchandise and restaurant sectors in Sheridan County generated sales in excess of $2.0 million.

Also apparent in **Table 3-29** is the changing landscape occurring with respect to retail trade in rural areas, whereby many smaller towns no longer support locally-owned general merchandise stores or full service grocers in the face of competition from Wal-Mart, Target, K-Mart, and other big box retailers in the larger, more urban communities. The larger stores offer larger selections and lower prices, enticing customers to drive from an extended trade area. In the process, the outflow of retail sales in other sectors also increases. The remaining sales tend to be concentrated in outlets catering to essential and convenience purchases of fuel, snack foods and basic foodstuffs, eat-in

and take-out meals, liquor, and some building materials and hardware. One indication of the impact of the dynamic changes that are occurring in retail trade is the annual per capita retail sales tax collections in the PRB counties that range from highs of $507 and $481 in Campbell and Sheridan counties, respectively, to $281 and $237 in Crook and Weston counties.

Table 3-29
Retail Sales Tax Collections by Retail Sector (2003)

County	Retail Sector					
	General Merchandise	Food Stores	Auto Dealer and Gas Service	Restaurants	All Other[1]	Total
Campbell	$3,447,388	$2,948,620	$3,379,330	$2,296,418	$6,289,839	$18,361,595
Converse	$217,055	$965,494	$349,256	$539,451	$1,079,698	$3,150,954
Crook	$29,843	$300,427	$227,496	$197,203	$536,914	$1,291,883
Johnson	$22,684	$336,746	$260,780	$400,160	$1,071,387	$2,091,757
Sheridan	$4,270,215	$1,827,411	$1,240,610	$2,029,839	$3,671,838	$13,039,913
Weston	$224,428	$495,876	$144,336	$237,132	$479,234	$1,581,006

[1]Other includes building materials, apparel, and miscellaneous trade.

Source: WDAI 2004c.

Campbell County Budgeted Expenditures

Residents, businesses, and visitors to Campbell County are afforded access to a broad range of public facilities and services. To a large extent, the range and quality of services provided reflect the county's financial resources, much of which is due to the coal, CBNG, and other related energy development. At the same time, those activities and associated population and business activity impose demands for services and the need for facilities.

The increased demand on the county accompanying the initial boom in the 1970s outpaced the community's ability to meet those demands or to expand facility capacity in a timely fashion. Inherent lags between the timing of demand increases and when counties and cities realize increases in taxes and other revenues to respond contributed to the problem. Long-term debt, grants, loans, and a focus on essential services allowed Campbell County to weather the initial boom. Subsequently, the county has maintained a long-term program of capital facility and service improvements. Recognizing the potential volatility of market conditions, for example, the uranium industry's sudden reversal of fortunes or the impact of falling coal prices on the taxable value of coal, the county has largely eschewed the use of long-term debt. Instead, the county tends to accumulate surpluses and reserves during periods of economic strength, drawing on those resources to fund capital projects without resorting to debt.

A consequence of the county's fiscal management approach is relatively high variability in the year-to-year budgeted expenditures, particularly for individual functions or departments. Commonly the variation is attributable to major capital expenditures. Such variability is evident in **Table 3-30**, which summarizes the county's budgeted expenditures for selected years over the past decade. As shown, total general fund expenditures varied between $32.8 million and $70.2 million (both in nominal values) in the selected years, with the highest budgeted expenditures occurring in 2003.

Over time, transportation, justice, and law enforcement consistently account for the largest shares of the county's general fund operating and maintenance outlays. Those functions, which for this report are defined to include the sheriff, attorney, coroner, engineer, road and bridge, court, and jail, had combined expenditures of $18.4 million. Administrative functions including the commissioners, clerk, treasurer, and assessor had budgeted expenditures of $6.8 million in 2003. Capital construction and other general fund expenditures totaled $45.1 million. That sum includes funding for the county Children's Center, funding for the Joint Powers Fire Board, $5.5 million in county grants for other purposes, and $10.8 million for programs and facilities funded under a 1.0 percent optional sales tax.

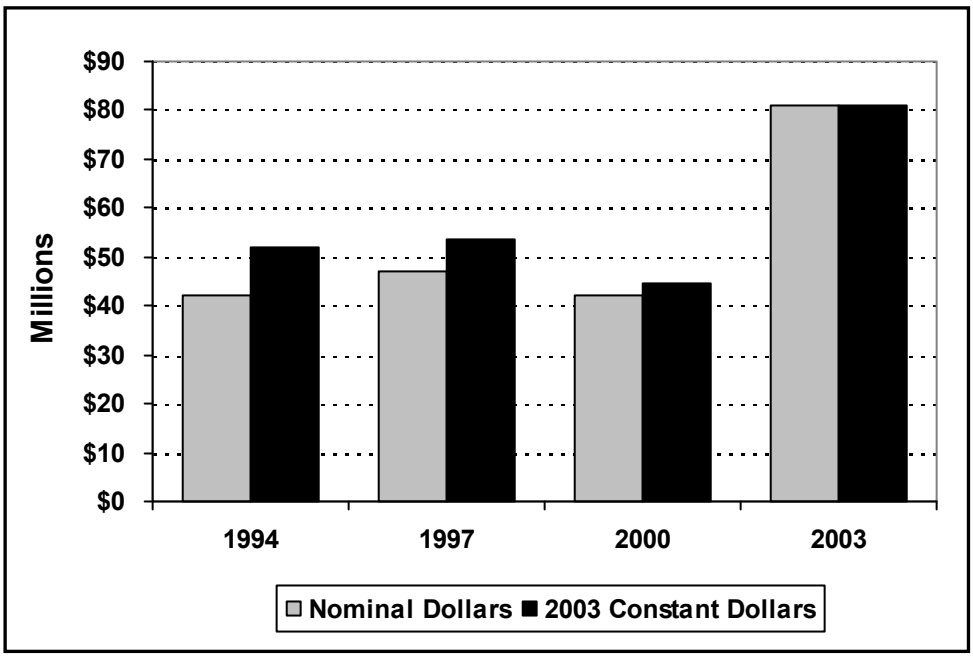
Table 3-30
Budgeted Expenditures for Campbell County (Selected Years)

	1994	1997	2000	2003
General Fund				
County Commissioners	$7,963,566	$3,985,672	$2,731,125	$3,825,090
Clerk, Treasurer and Assessor	$1,870,379	$2,060,853	$2,042,720	$2,970,148
Sheriff, Attorney, Coroner	$3,445,579	$3,699,497	$4,116,789	$6,885,935
Court and Jail	$2,752,015	$2,960,871	$5,809,567	$5,150,798
Engineer and Road and Bridge	$5,309,777	$4,513,020	$4,101,875	$6,330,112
General Fund - Capital Construction	$7,823,206	$14,692,583	$1,747,050	$9,836,620
Other General Fund	$6,459,573	$7,360,853	$12,299,709	$35,226,202
Total General Fund	**$35,624,095**	**$39,273,349**	**$32,848,835**	**$70,224,905**
Other Funds				
Airport	$445,798	$663,029	$822,489	$1,247,026
Library	$1,349,159	$1,465,355	$1,573,300	$2,402,716
Recreation	$1,926,827	$2,073,673	$2,923,777	$4,061,751
Joint Powers Fire	$1,286,050	$1,538,445	$1,576,474	--
Other Funds	$1,591,727	$2,053,335	$2,261,264	$2,938,759
Total Other Funds	**$6,599,561**	**$7,793,837**	**$9,157,304**	**$10,650,252**
Total Budgeted Expenditures	**$42,223,656**	**$47,067,186**	**$42,006,139**	**$80,875,157**

Source: Campbell County Commissioners 1981 - 2003.

In addition to the general fund, Campbell County also has a series of special service/district funds. These include operations of the Gillette/Campbell County Airport, library system, recreation district, fair, and other smaller districts. Until recently, the Gillette/Campbell County Fire District also was included in the county's budget, but it is now administered as a separate entity. Total budgeted expenditures for these other districts, which tend to be more closely correlated with population levels and growth, have trended upwards over time, climbing from $6.6 million in 1994 to $10.7 million in 2003.

Total annual budgeted expenditures by Campbell County increased at 7.5 percent CAGR, in nominal terms, between 1994 and 2003. The compounded growth rate was 5.0 percent CAGR in real terms, as budgeted expenditures, in 2003 constant dollars, increased from $52.1 million to $80.9 million between 1994 and 2003 (**Figure 3-48**). That growth outpaced population growth over the same period as the county invested more funds in infrastructure and expanded services. The increase also reflects the county fiscal policies of higher spending during periods of economic expansion while eschewing long-term debt as a means of limiting fiscal hardships during periods of economic weakness. Those policies are apparent in the recent increase in budgeted expenditures on the heels of strong public sector revenue growth associated with higher natural gas production and rising energy prices.



Source: Campbell County Commissioners 1994 – 2003 (with adjustments for inflation by Sammons/Dutton LLC).

Figure 3-48 Total Budgeted Expenditures for Campbell County in Nominal Dollars and 2003 Constant Dollars (Selected Years)

City of Gillette

While the Town of Wright owes its existence to coal mining, the City of Gillette is the community most heavily affected by coal and other development in the region. Not only is it the largest community in terms of population, it is the regional trade and service center for much of northeastern Wyoming. As a result, the city's revenues, in nominal dollars, have increased dramatically over time (**Table 3-31**). Over the past decade, the city's total general fund revenue has grown from $9.5 million in 1994 to $17.4 million in 2003. The net change represents an average of 6.5 percent on a CAGR basis. All major sources of revenue have increased, with higher tax revenues accounting for most of the revenue growth as annual tax receipts increased by $6.9 million. Revenue growth in real (2003 constant dollar) terms averaged 4.5 percent CAGR (**Table S-15**).

Table 3-31
General Government Revenues by Source, City of Gillette, in Nominal Dollars (1994 – 2003)

Source	1994	1997	2000	2003
Taxes	$7,246,967	$8,017,932	$10,868,165	$14,118,881
Intergovernmental	$1,170,312	$1,582,538	$1,668,583	$1,642,598
Licenses and Permits	$118,141	$117,690	$115,148	$158,025
Charges for Services	$345,096	$306,830	$538,868	$421,420
Fines and Fees	$164,808	$162,275	$244,486	$372,448
Interest	$377,413	$226,016	$614,583	$578,417
Miscellaneous	$100,767	$213,010	$81,672	$151,559
Total	**$9,523,504**	**$10,626,291**	**$14,131,505**	**$17,443,348**

Source: City of Gillette 1985 – 2003.

Sales and use taxes are the dominant revenue source for the City of Gillette. Receipts from such taxes, in nominal dollars, reached an all-time peak of $11.7 million in 2002, declining to $10.8 million in 2003. Long-term and more recent trends both reflect Gillette's growth as a trade and service center and the economic injections accompanying CBNG development. Noteworthy is the decline of almost $850,000 (nominal) in sales and use taxes from 2002 to 2003 (**Table 3-32**) following the initial wave of CBNG development, although such taxes continued to account for the single largest source of the revenue and the overall decline in tax revenues between 2002 and 2003. The decline during the same period in 2003 constant dollars was approximately $1.11 million (**Table S-16**).

Table 3-32
City of Gillette Tax Receipts, in Nominal Dollars, by Major Source (1999 – 2003)

Tax Source	1999	2000	2001	2002	2003
Severance	$604,749	$972,604	$1,972,564	$1,049,246	$891,173
Property	$533,538	$578,788	$599,135	$614,929	$700,836
Sales and Use	$6,846,212	$8,027,435	$9,669,325	$11,662,321	$10,813,313
Other Taxes	$1,847,622	$1,289,338	$1,406,425	$1,638,513	$1,713,559
Total Taxes	**$9,832,121**	**$10,868,165**	**$13,647,449**	**$14,965,009**	**$14,118,881**

Source: City of Gillette 1985 - 2003.

Despite the substantial sum of severance taxes generated in Campbell County, the City of Gillette does not receive a directly earmarked share of those proceeds. Rather it receives a population based share, the same as other Wyoming cities and towns. While those revenues have increased over time, severance tax proceeds accounted for only about 6.3 percent of the city's 2003 general fund revenues. In prior years, severance taxes had accounted for larger shares of the total, peaking at 14.4 percent in 2001.

The city has resorted to long-term debt and loans for capital improvements, generally related to water and wastewater facility expansion. Like the county, it tends to avoid those mechanisms to the extent possible.

Operating and maintenance expenditures have increased dramatically over the past decade, with 2003 general expenditures of $17.55 million (nominal), compared to annual expenditures of $10 to $11 million annually through much of the latter 1990s (**Table 3-33** and **Table S-17** [2003 constant dollars]). As with Campbell County, law enforcement and public works are the two departments/functions in the city's budget. Higher revenues realized in recent years have allowed the city to fund several major capital projects, include road improvements and upgraded technology. The city does not have fire or recreation departments, as those functions are provided by a joint powers authority or the county respectively.

Recent operating budget increases are reflected in the expansion of the city's staff. During the 5-year period from 1999 to 2003, the city added 31 full time positions, a 17.6 percent increase. Staff was added in most departments, with the largest increases occurring in administration and the police force (**Table 3-34**). The former is tied to staff associated with expanded use of new technology and information management systems, the latter to population growth and the upsurge in economic activity that trigger increases according to staffing standards adopted by City Council.

Table 3-33
City of Gillette General Fund Expenditures by Major Category in Nominal Dollars
(1994 – 2003)

Category	1994	1997	2000	2003
Administration	$1,398,091	$1,855,606	$2,174,660	$3,097,996
Community Development	$425,243	$473,443	$521,438	$629,480
Police	$2,475,365	$2,856,402	$3,233,728	$5,084,150
Public Works	$5,253,334	$4,207,679	$3,756,593	$5,191,371
Miscellaneous/Other	$364,865	$599,003	$1,326,152	$3,469,655
Capital Outlay	$76,873	$57,312	$11,052	$29,132
Debt Service	--	--	$4,103	$45,131
Total	**$9,993,771**	**$10,049,445**	**$11,027,726**	**$17,546,915**

Source: City of Gillette 1985 – 2003.

Table 3-34
City of Gillette Budgeted Full-time Employees by Department (1999-2003)

Department	1999	2000	2001	2002	2003
Administration	23	23	21	32	35
Finance/Treasurer	4	4	5	4	4
Community Development/Planning	9	9	9	10	10
Police	55	58	61	64	66
Public Works	29	28	25	29	31
Utilities	56	56	59	61	61
Total	**176**	**178**	**180**	**200**	**207**

Source: City of Gillette 1985 – 2003.

The city operates several enterprise activities, including water and wastewater systems. These systems operate with separate budgets and are funded largely through user fees, grants, and loans, but with little or no direct tax support. The combined budgeted expenditures for enterprise funds were $18.6 million in 2003.