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To: Members, 61st Legislature

From: Bill Mai, Budget/Fiscal Manager

Subject: April 2012 Revenue Update

The information presented in this report constitutes the April 2012 revenue update. The LSO budget/fiscal section prepares revenue updates annually in April and July, which together with the October and January CREG reports provide revenue information on a quarterly basis. Please note this report does not change the January 2012 CREG projections or the goldenrod dated March 12, 2012. Those are still the official fiscal documents. This report is intended to provide a comparison of actual revenues as they currently stand, to the projections made in January for FY 2012.

General Fund

An analysis of general fund revenues is presented in Table 1. The three largest sources of general fund revenue are shown individually as follows: severance taxes; sales and use taxes; and investment income. All other sources are grouped together.

Column 1 reflects the total FY 2012 CREG projection of general fund revenue by major source. Column 2 contains the actual YTD revenue received from each source. Column 3 is the percentage of the projection that has been received (column 2 divided by column 1), and column 4 is the percentage of the projection expected at this point in the fiscal year. Column 5 shows the difference of the percentage of actual revenue to date as a percentage of the total amount forecast for FY 2012 versus the expected pace of the FY 2012 forecast (column 3 minus column 4).

As you can see from column 5 in Table 1, actual total revenues received are currently 3.5% ahead of expected levels. Severance

tax and investment earnings categories are running ahead of January 2012 projected levels.

General Fund severance tax receipts are 4.1% ahead of projections, due primarily to the high price of oil and better than expected strength in actual natural gas prices through December 2011. These two factors have yielded the early strength CREG expected in severance tax revenues through this point in the fiscal year. Bear in mind that substantially lower natural prices are forecast for the second half of the fiscal year, and that forecast is supported by prices at the major trading hubs, which have been trading well below \$2/mcf on most days since the beginning of March. So, although revenues at this point in time look very positive, it is likely they will be somewhat diluted by the end of the fiscal year. Resulting total FY 2012 severance tax revenues to the general fund will likely total very near the projected level of \$214.5 million.

Table 1 shows year to date sales and use tax revenues tracking closely with the projected levels. So far this fiscal year, actual revenues received are trailing projected levels by 0.2%. Fiscal year totals should end near the \$490.2 million forecast.

Investment income received to this point in time exceeds the estimate by 15.5%. If the current pace of investment earnings continues, approximately \$30 million beyond the projected \$189 million would be deposited into the general fund by the end of the fiscal year. It is important to note that Section 300 (c) of the 2012 budget bill provides for a transfer to the abandoned mine lands fund balancing account of general fund revenue in an amount equal to investment income from the permanent Wyoming mineral trust fund in excess of the levels estimated by CREG in its January 2012 report, up to \$30 million.

The "All Other Sources" category is tracking very close to projected levels, lagging expectations by less than 1%. Several revenue sources are included in this category, and not all of them flow with predictable timing. Overall, the miscellaneous categories should end relatively close to the projected levels, and therefore no additional projected income from these sources is included in the general fund total of this update.

Bottom-line - General Fund

It is possible that actual revenues will exceed the FY 2012 general fund January 2011 CREG projections by about \$30 million. However, due to the source of extra revenue, under provisions in the 2012 budget bill, that amount would be transferred to the abandoned mine lands fund balancing account. This report will be updated in July with any changes in the revenue outlook.

Mineral Severance Taxes

Following the same columnar format as Table 1, Table 2 shows that total severance tax revenues are 7.5% ahead of FY 2012 expected levels. This positive severance tax news is being driven by oil and gas prices, as mentioned in the preceding General Fund section. High natural gas storage levels entering the historic injection season continue to be a threat to Wyoming's severance tax revenues. Strong oil prices and coal prices and production will, hopefully, continue to provide a degree of balance in overall severance tax revenues.

Bottom-line - Severance Taxes

If current trends continue, total severance taxes should meet the projection of \$862.7 million for FY 2012.

Federal Mineral Royalties

Included in Table 2 of this report is an analysis of federal mineral royalties (FMRs). The columns in this table are identical to those in Table 1, with column 5 indicating that currently we are 5.4% ahead of expectations for the year. Total FMRs should meet the \$777.8 million projection for FY 2012, but for the same reasons already mentioned regarding natural gas prices, I would not expect significant excess FMR revenue.

Coal lease bonuses are also shown in Table 2. Actual receipts of coal lease bonus payments occur on a payment schedule determined at the time the federal government finalizes the lease agreement, therefore amounts reflected here are not indicative of revenue trends. Barring additional coal lease sales, the amount shown in column 1 as projected revenue will be the amount finally received by the state for the fiscal year.

This category is shown as a separate line to clarify the variable flow of regular federal mineral royalties, so the totals can be readily tied to the projections in the CREG report.

Other Revenue Issues of Note

On April 4, 2012, the Office of State Lands and Investments held an oil and gas lease auction, which netted approximately \$11.7 million in total revenues to the state. Due to the location of lands in that lease auction, the two primary beneficiaries are the school foundation program account, in an amount slightly exceeding \$10 million, and the general fund, which will receive approximately \$1.3 million. These amounts will be reflected in subsequent fiscal profiles.

Conclusions

At the current pace of collection, the general fund may exceed projections by \$30 million from investment income sources. All other accounts and sources seem to be on pace with current CREG estimates.

Another update will be provided in July with the latest available revenue information.

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

Table 1 - FY 2012 General Fund Revenue Update

(Revenues received from July 1, 2011 through March 31, 2012)

Source	1 Projected FY12 Total	2 Actual Revenue Received. YTD	3 Actual as % of Proj.	4 % of Proj. Expected	5 Actual % vs. Proj. %
Severance Tax	\$214,500,000	\$159,621,401	74.4%	70.3%	4.1%
Sales & Use Tax	\$490,200,000	\$326,011,839	66.5%	66.7%	-0.2%
PMTF & Pooled Interest	\$189,000,000	\$170,992,091	90.5%	75.0%	15.5%
All Other Sources	\$134,600,000	\$99,914,518	74.2%	75.0%	-0.8%
Totals	\$1,028,300,000	\$756,539,849	73.6%	70.1%	3.5%

Table 2 - FY 2012 Mineral Severance Tax & Federal Mineral Royalty Revenue Update

(Revenues received from July 1, 2011 through March 31, 2012)

Source	1 Projected FY12 Total	2 Actual Revenue Received. YTD	3 Actual as % of Proj.	4 % of Proj. Expected	5 Actual % vs. Proj. %
Total Severance Tax	\$862,700,000	\$583,435,098	67.6%	60.1%	7.5%
FMR's					
FMR's wo/coal bonus	\$777,800,000	\$519,539,991	66.8%	61.4%	5.4%
Coal lease bonus	\$115,900,000	\$93,524,028	80.7%	NA	NA
Total FMR's	\$893,700,000	\$613,064,019	68.6%	NA	NA