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Introduction. Good morning Mr. Chairman and members of the Committee, I am Eli Bebout, State Senator from Fremont County, Wyoming. It is a pleasure to appear before the U.S. Senate Committee on the Budget and relay advantageous characteristics of Wyoming's biennial legislative budgeting process. Wyoming's legislative budget process exemplifies unique qualities of efficiency, effectiveness and is grounded in a common sense fiscal approach. Wyoming is blessed with many natural resources. Our revenue raising mechanisms are dependent upon those abundant natural resources like oil, natural gas, coal, trona, and uranium. As a result, Wyoming has among the most volatile year-over-year revenue collections in the nation. [See slide 2.] Perhaps in part because of that revenue volatility, Wyoming also boasts the largest rainy day fund balance as a percentage of general fund expenditures according to both Forbes and The Pew Charitable Trusts.^{1,2} [See slide 3.] Despite Wyoming's revenue volatility and limited available economies of scale to deliver state government services to 577,737 citizens across nearly 98,000 square miles, the Mercatus Center and George Mason University ranks Wyoming #6 by Fiscal Condition.³

Before relaying the benefits of biennial budgeting, let me introduce myself and offer a brief summary of Wyoming's legislative budgeting process. I have served in the Wyoming

¹ Chuck DeVore, *State Fiscal Health: 10 States Facing Tough Times and 10 States Looking Strong*, Forbes, February 5, 2019. [<https://www.forbes.com/sites/chuckdevore/2019/02/05/state-fiscal-health-10-states-facing-tough-times-and-10-states-looking-strong/#359e032a4f57>; accessed April 20, 2019]

² Barb Rosewicz, Justin Theal, and Daniel Newman, *Budget Surpluses Are Helping Many States Boost Their Savings*, The Pew Charitable Trusts, March 11, 2019. [<https://www.pewtrusts.org/en/research-and-analysis/articles/2019/03/11/budget-surpluses-are-helping-many-states-boost-their-savings>; accessed April 20, 2019]

³ Eileen Norcross, *State Fiscal Rankings*, Mercatus Center, George Mason University, October 9, 2018. [<https://www.mercatus.org/statefiscalrankings/Wyoming>; accessed April 20, 2019]

Legislature for 25 years, including service as the House Minority Whip, Speaker of the House, and most recently, President of the Senate. It was my honor and professional privilege to serve with Chairman Enzi during some of Wyoming's most challenging budget periods - the late 1980s and early 1990s. Currently, I appear before you as the Chairman of Wyoming's Senate Appropriations Committee, where I am serving my second stint as Chairman.

Senator Enzi and I share the honored experience of serving in a truly citizen legislature that literally rolls up our sleeves and wrestles with the policy issues of the day all without the benefit of personal staff. We have both spent many late nights, weekends, and hours of committee time ensuring Wyoming's place among those with the lowest individual tax burden while simultaneously sustaining a high level of government service and, importantly, upholding a long-term balanced budget.

Complementing our shared involvement in public service, a more significant set of shared experiences may be those we cultivated as small businessmen. The private sector background has been integral to safeguarding efficient, effective budgeting and ensuring government expenditure controls. Senator Enzi's training is in accounting, while I earned a degree in engineering. Senator Enzi managed inventories and customer service in a successful retail enterprise, while my business career has been in energy development. We both have signed the back and the front of monthly paychecks and created job opportunities in our communities. I have had the pleasure of hiring and working with dozens of committed employees as well as the unfortunate experience of letting staff go under the weight of stifling government regulations or when energy markets abruptly shift. Perhaps most importantly, I have modified my companies' business plans, engaged in new lines of contracting and services, and shifted focus as my business has matured. The private sector should not have a monopoly on

flexible responses and prudent budgeting. Governments must restrain spending and respond in an effective manner to new needs and an emerging global economy. Our hands-on, private sector experience is integral to successful public budgeting. Conditions change. Expected public services change. Revenues swell and recede. Interwoven in Wyoming's formal biennial budgeting process is the ethic of a citizen legislature and the experiences of businessmen and women dating back to the state's founders. In other words, the framework of a sound, proven budgeting system is necessary, though it is not sufficient. In that light I would recount a few excerpts from Wyoming's Code of the West that directly relate to Wyoming's budgeting ethic:

- Always finish what you start.
- Be tough, but fair, and
- Know where to draw the line.

History of Biennial Budgeting and Budget Process in Wyoming. [See slide 4.]

Wyoming's State Legislature met every two years until 1974. For nearly the first 85 years of existence, annual budgeting was not an option in Wyoming. After 1973, the Legislature was guided by a change to our constitution that provided for a Budget Session in even-numbered years and a General and Budget Session (General Session) in odd-numbered years.⁴ Annual budgeting is not prohibited by Wyoming's Constitution, although there is a strong history and tradition of biennial budgeting that has not been abandoned. Even in more recent years, the Legislature has researched and considered annual budgeting, though it is an idea that has not garnered broad support.

⁴ Wyoming Constitution Article 3, Section 6.

Wyoming's Constitution limits the number of legislative working days to just sixty per each two-year cycle, except when called into Special Session.⁵ The same section of Wyoming's Constitution limits meeting days to 40 in any one calendar year.⁶ Wyoming's policymakers have traditionally elected to hold a Budget Session of roughly 20 to 22 days and a General Session of approximately 37 to 40 days.

Leading up to 1994, Wyoming, much like Congress, divided its budgets into several different appropriations bills reflecting the various functions of government. In 1994, Wyoming shifted to a single, mirror budget bill for most appropriations. In more recent years, in addition to the mirror budget bill which covers appropriations for all of the general operations of state government, Wyoming has considered approximately three (3) other appropriations bills: (i) state capital construction appropriations; (ii) direct appropriations for support for local governments; and (iii) school capital construction. It is also important to note that Wyoming does not impose budget caps for each functional area, unlike Congress. In other words, there is no equivalent of a Budget Resolution in Wyoming's process. As a result, under the process of adopting multiple different budgets for various functions of government, timing mattered – more resources were available to the earlier bills in the process.

Finally, two (2) additional critical ingredients in Wyoming's biennial budget process are noteworthy for comparison purposes. First, the Wyoming Legislature gives considerable weight to the Governor's proposed budget recommendations, unlike the Chief Executive's budget at the federal level. There may be hundreds of successful modifications to the Chief Executive's recommendations in Wyoming, but the Governor's recommendations form the basis for the

⁵ Ibid.

⁶ Ibid.

discussion and further modification to the budget. Second, Wyoming's Legislature, like Congress, delegates the authority for developing the appropriations bill, or bills, to a committee. In our case, the Joint Appropriations Committee drafts the budget. It is comprised of seven (7) members of the House of Representatives and five (5) members of the Senate. This Committee meets for at least four (4) weeks to hear testimony from every unit within Wyoming's state government and mark-up the bill for subsequent consideration by our legislative colleagues. These four (4) weeks include full, or nearly full, attendance by all committee members for eight (8), ten (10), twelve (12) hours, or longer each day. The Committee takes limited breaks, regularly eats at the dais, listens and actively questions the testimony, thoroughly reviews, and ultimately modifies each agencies' budget. Unlike many state legislatures, Wyoming's Appropriations Committee considers the smallest of expenditure details including replacement of computers, increases in professional contracts, purchases of vehicles, agency travel, new employee hires, changes to benefit packages, and expansion or reduction of services. It is not a rubber stamp process, nor is it a part-time endeavor. Again, Wyoming's legislators have no personal staff. Committee members work informally, and collectively, with agency staff and a small number of non-partisan legislative staff on weekends diving into detailed issues. Finally, all our meetings are broadcast with live audio over the internet and more recently, nearly all the documents available to the committee are also available to the public in real time with the goal of providing open and transparent government to Wyoming citizens.

State Budgeting Comparisons. The National Conference of State Legislatures (NCSL) prepared a study in 2011 (2011 NCSL study) that considered state uses of biennial and annual

budgeting.⁷ The study noted that 19 states use the biennial budgeting approach, compared to 44 states in 1940. Among the states with biennial budgeting, Wyoming is one of just two, at the time of the study, along with North Dakota that practices consolidated biennial budgeting, which is the enactment of a two-year budget rather than the enactment of two, single-year budgets. That study cites several anecdotal conclusions in favor and against biennial budgeting. It did conclude that biennial budgeting “may reduce executive branch costs (in terms of staff time and salaries) of preparing budgets, since the process is more consolidated than annual budgeting.”⁸ The study noted that “Annual budgets create greater pressures on all budget staff and policymakers than biennial budgets, since closing the previous year’s budget, administering the new year’s budget and beginning to plan the following year’s budget occur almost simultaneously.”⁹ As a practitioner of the process, I concur. Our experience is that biennial budgeting saves time of both the executive, and in my opinion, the legislative branches. Admittedly, the study indicated that, “In terms of the time a legislature spends on budgeting, nonetheless, the evidence is inconclusive.”¹⁰ Again, from Wyoming’s experience, the biennial budget process is more efficient for both the executive and legislative branches. This is not just my opinion, our head, non-partisan staff shares this viewpoint. By the simplest measure, Wyoming’s Joint Appropriations Committee spends measurably more time in agency budget hearings and preparing the biennial budget as compared to the “off-year” or supplemental budget. The “off-years” also provide additional time to focus on programmatic oversight, and non-budget related bills.

⁷ Ronald K. Snell, *State Experiences with Annual and Biennial Budgeting*, National Conference of State Legislatures, April 2011.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

Benefits of Biennial Budgeting. [See slide 5.] In addition to the time and resource savings of biennial budgeting, there are at least four (4) distinct benefits of biennial budgeting for Wyoming which merit attention. First is a dedicated legislative period in which to focus primarily, though not exclusively, on the budget. As indication of this priority task, Wyoming's Constitution requires all bills except the budget bill garner a two-thirds vote prior to being considered during a Budget Session.¹¹ While the Budget Session in Wyoming has addressed a wide variety of bills, there is an emphasis in terms of time and priority given to the development of a budget. While there are numerous powers and authorities given to legislative branches in our democracy, including advice and consent, etc., the two fundamental powers are (i) the power of the purse, or the power to budget and appropriate and (ii) the power to pass legislation. Biennial budgeting allows for each of the primary duties to be a focus for an identified period.

Second, while I take some issue with some of the conclusions of the previously cited 2011 NCSL study, a biennial budget allows for longer-term planning of important initiatives, programs, and government services. This longer-range approach can assist when ramping up or reducing programs. Emergencies and unforeseen items can, and are, addressed in off-budget years, in a much narrower appropriations bill, referred to as the "Supplemental Budget." In 2019, the General Fund appropriations contained in the Supplemental Budget, or "off-year" budget was just four percent (4.0%) of the biennial budget, illustrating the opportunity to make necessary adjustments but the strong tradition to limit debate to unanticipated and emergency items. [See slide 6.]

A third benefit is the smoothing effect on volatile revenues, both increases and decreases, biennial budgeting can offer. Rarely do economic recessions exactly mirror the biennial budget

¹¹ Wyoming Constitution Article 3, Section 6.

period or does uncertainty last for twenty-four (24) months. Even during the national recession of 2008 and 2009, the impacts in Wyoming were spread over two biennia and bookended by strong energy market prices in calendar year (CY) 2008 and the beginning of recovery in CY 2010. Wyoming's biennial budget provides certainty, which is an ingredient essential to incentivize business growth as well as offer stability in our state governmental operations.

Finally, a fourth and significant benefit is unrelated to fiscal issues. In the "off budget years" or during a General Session, legislators can focus more exclusively on legislation other than the budget. Not only does this provide devoted time for such endeavors, it can lead to resolution of issues that are not mired in passions about fiscal policy.

Total Budget Control, or Top Line Budget Limits. [See slide 7.] As previously noted, Wyoming does not have a two-stage appropriations process wherein overall caps on appropriations or appropriations for specific subject areas are established. Nonetheless, Wyoming has a strong tradition and history of not spending beyond its means. For example, Wyoming has not even accessed bond financing for most state capital facilities, including recent major renovations to the state Capitol, state hospital, and numerous academic facilities at the University of Wyoming or Wyoming community colleges. Wyoming has no state general obligation bonds outstanding and less than \$20 million in revenue bonds outstanding, which mature in 2020 and 2024.¹²

Assisting in the process to maintain a well-understood level of revenue available for appropriation, Wyoming employs a Consensus Revenue Estimating Group (CREG). It is analogous to a combined Office of Management and Budget (OMB) and Congressional Budget

¹² 2018 Wyoming State Treasurer Annual Report, page 43.
[<https://statetreasurer.wyo.gov/assets/reports/annualreport2018.pdf>; accessed April 20, 2019]

Office (CBO), including staff from both branches, economists, geologists, and other revenue forecasters. Put differently, Wyoming has taken disputes of revenue forecasts between the executive and legislative branches off the table. Rather than competing revenue forecasts, both the legislative and executive branches (and members of both political parties) use and respect the revenue forecasts of the Consensus Revenue Estimating Group. Policymakers have historically adhered to groups expectations and forecasts of available revenues. Wyoming also biennially sets aside approximately five percent (5%) reserve amount in the General Fund, not a separate reserve account, which is available to address revenue estimate shortfalls in our General Fund.

During severe economic downturns, such as that Wyoming experienced in CY 2016 resulting from broad declines in several energy markets, the Legislature appropriated from its rainy-day fund for the first time in more than a decade. The Legislature did so only in conjunction with across-the-board and surgical budget reductions. Since then, the Legislature has continued to appropriate from the state's primary rainy-day account, though I am pleased to report that this biennium, it is projected that Wyoming will grow our rainy-day fund by approximately \$26 million.

Metrics in Budgeting. The Wyoming legislative budget process follows a traditional budgeting process, as opposed to a zero-based or performance-based budgeting structure, though we have certainly experimented by incorporating features of both zero-based and performance-based budgeting for either specified agencies, e.g., Enterprise Technology Services, or some categories of expenditures, e.g., equipment, travel, maintenance agreements, and professional contracts. The Legislature has also budgeted incentive funding tied to metrics such as higher education enrollment.

More regularly, Wyoming legislative oversight is incorporated into the existing system of budgetary requests. Examples include

- requiring a written and subsequently verbal explanation of all exception budget requests from the agency director and recommendation from the Governor;
- directly citing agency program statute for each budget request;
- providing a detailed, not overview, of each requested budget expenditure category from the purchase of a vehicle, number of employees, compensation and benefits, and supplies and equipment;
- communicating with legislators assigned to the standing committees with substantive oversight of the agency; and
- assigning each agency to one senator and one representative, without regard to political affiliation, to each agency. The assigned legislator takes the lead on becoming knowledgeable in that agency's budget and activities.

When assessing the effectiveness of appropriation levels, agency performance reviews can be the subject of one of three committees: (i) the Joint Appropriations Committee comprised of House and Senate members who meet outside of the formal Session a few times per year; (ii) the joint standing committees with subject matter oversight during the interim; or (iii) a statutorily-created Management Audit Committee that directs more lengthy, e.g., nine (9) month performance evaluations of specific government programs or entire agencies somewhat akin to the Government Accountability Office (GAO) at the federal level. The Wyoming Legislature also employs a small, non-partisan staff to provide Joint Appropriations Committee members an objective assessment and analysis of agency budget requests.

Finally, ultimate evaluation of programs and budget requests is driven through constituent contact. As a citizen legislature, Wyoming legislators are very approachable and accessible to the public. We do not have personal staff, and as a result, we respond directly to constituent phone calls, emails, letters, and in-person conversations. Above all else, the direct feedback we receive regarding the quality, scope, effectiveness, and timeliness of state government services, shapes the consideration of levels of appropriations in the two-year budget cycle. This results in an environment of continual reassessment. For example, during the most recent budget reductions in 2017, the Legislature eliminated the majority statewide livestock enforcement officers. It was a difficult decision and resulted in both anticipated and unanticipated consequences. For example, the Legislature received feedback that the lack of training and time spent on new enforcement actions was taking a toll on Wyoming's county sheriffs with the shift in enforcement responsibilities. In 2019, the Legislature did not re-instate these state costs and personnel. However, we established a fund to provide training for affected sheriffs' offices and reimburse certain enforcement expenditures.¹³ The point is Wyoming's biennial budget process is subject to continual review and evaluation by our constituents. Even though the primary budget is adopted every two years, it does not prohibit timely responses to changing conditions. When we appropriate too much money, it becomes evident in the pace and type of expenditures. When the Legislature restrains spending too onerously, it can be equally notable what functions cannot meet their mission without unintended or unpalatable consequences.

Thank the Committee for the opportunity to share the benefits of biennial budgeting from my first-hand experience , and I look forward to any questions you may have.

¹³ See 2019 Wyoming Session Laws, Chapter 182. [<https://www.wyoleg.gov/2019/Enroll/SF0066.pdf>; accessed April 20, 2019]