

WYOMING FUTURES PROJECT

ECONOMIC STABILITY TASK FORCE

FINAL DRAFT REPORT

January, 1987

ECONOMIC STABILITY TASK FORCE

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WYOMING FUTURES PROJECT

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ECONOMIC STABILITY TASK FORCE REPORT

TABLE OF CONTENTS

	PAGE
INTRODUCTION.....	5
THE WYOMING ECONOMY AND MINERALS	8
STATE MINERAL POLICY	9
REVIEW OF STATE MINERAL REGULATIONS	9
STABILIZATION OF OIL PRICES	10
FEDERAL ACID RAIN LEGISLATION	11
COAL IMPACT TAX W.S. 39-6-303	12
ENERGY RESEARCH	13
COORDINATION OF STATEWIDE ECONOMIC DEVELOPMENT ACTIVITIES	14
INTERIM ECONOMIC PLAN	14
OBTAIN PROFESSIONAL ASSISTANCE	15
INVESTIGATE SECURITIES RESTRICTIONS	16
STATE ECONOMIC COORDINATION BY THE ECONOMIC DEVELOPMENT AND STABILIZATION BOARD	17
BROADEN SUPPORT FOR VAO'S	18
IMPLEMENTATION OF CONSTITUTIONAL AMENDMENT FOUR	19
Role of the Public Sector	21
Role of the Private Sector	24
TRANSPORTATION ISSUES	26
INVENTORY OF STATE BUSINESSES	28
DATA ACCESSIBLE BY COMPUTER	31
ADDRESS CONFIDENTIALITY	31
ONE AGENCY TO MAINTAIN DATA	31
COMPLETE AGENCY SURVEY	32
DEVELOP USERS DOCUMENT	32
A REVIEW OF STATE AND LOCAL TAX POLICIES	33
BROADENING THE TAX BASE	33
ACCOUNTABILITY	34
TAX STABILITY	35
RE-EXAMINE THE TAXING SYSTEM	36
THE ROLE OF HIGHER EDUCATION IN FOSTERING A CLIMATE CONDUCIVE TO BUSINESS DEVELOPMENT....	37
CONTINUE THE RESEARCH EFFORTS AT THE UNIVERSITY OF WYOMING	39

	PAGE
ESTABLISH POSITIONS AT THE UNIVERSITY WHICH CARRY SPECIFIC RESPONSIBILITY FOR ECONOMIC DEVELOPMENT OUTREACH	39
EXPAND SCOPE AND ROLE OF SMALL BUSINESS DEVELOPMENT CENTERS	40
DEVELOP ENTREPRENEURIAL TRAINING PROGRAM	40
HOSPITALITY WORKSHOP PROGRAM	40
HOSPITALITY MANAGEMENT CURRICULUM	40
EXCHANGE PROGRAM	41

APPENDICES

I. PROFILE OF WYOMING	43
II. STATE AND FEDERAL REGULATORY REQUIREMENTS OF THE MINERAL INDUSTRY	51
III. BUSINESS ASSISTANCE PROGRAMS IN WYOMING AND OTHER STATES	56
IV. SUPPORTING DATA AND COMMENTARY FOR TAX POLICY QUESTIONS	67
V. PUBLIC COMMENTS	74

ECONOMIC STABILITY TASK FORCE
FINAL DRAFT REPORT

INTRODUCTION

Just over one year ago, the Wyoming Futures Project released the report "Building a Stronger Wyoming - Opportunities in a Troubled Economy," prepared by SRI, Inc. The SRI Report analyzed Wyoming's economy and ways of life, past and present, and identified opportunities for the future.

The SRI Report functioned as a lightning rod for discussion at a statewide conference on October 19, 1985. Based upon participants' reactions to the Report and from their recommendations, the WFP held a conference on Venture Capital in January 1986. They then formed five task forces to examine other critical areas of concern for Wyoming. The first report was released by the Tourism Task Force. This report of the Economic Stability Task Force is the second in the series. Subsequent reports will address Communication/ Transportation, Agriculture/Ranching, and Organization of State Government.

The original SRI report saw economic diversification as one of the greatest challenges facing Wyoming. Economic diversification is especially difficult since our economy depends upon the extraction industries and many crucial economic factors and considerations are beyond the state's control.

In an April 1986 update, SRI cited three "wild cards" that affect Wyoming's current situation and could alter their original suggestions: the plummeting price of oil, passage of the Gramm-Rudman Act to reduce the federal budget deficits, and, a slight bright spot, the decline of the overvalued dollar relative to many other currencies.

The original SRI strategies were long term. They included: diversify the economy; improve higher education; improve physical infrastructure; and identify specific opportunities for existing and new business to produce goods and services now provided from outside the state. SRI in their updated report remained convinced that overall, these strategies can work for Wyoming. Current conditions, however, are so poor and compelling that it is tempting to look for short-term solutions. The report failed to identify any foolproof short-term efforts to significantly improve the state's overall economic competitiveness.

The interim report did suggest the following stop-gap measures:

- State loan guarantees backed by realistic repayment plans to prop up in-state small business that may rebound in one to two years. Wyoming cannot afford to lose its energy-related economic capacity due to near-term failures of small businesses when most agree some rebound in oil prices is likely.
- Survey to identify new markets.
- Survey regional purchasing officers to identify opportunities for Wyoming import substitution.

The Economic Stability Task Force was formed in June 1986. It brought together a cross section of individuals concerned about the Wyoming economy. Representatives came from both the public and private sectors, including small business, large industry interests, and environmental interests.

The Task Force agreed to focus its attention on five areas:

- The importance of minerals to the state's economy.
- Coordination of statewide economic development activities to insure that the needs of business at all levels are met.
- Expansion and dissemination of business related data collection in Wyoming.
- Review of state and local tax policies, and policies for distribution of funds and grants.
- Review of higher education in fostering a climate conducive to business development.

Wyoming has fallen upon hard times. The recent collapse of oil prices and the decrease in demand for other Wyoming minerals, has sent tremors throughout the Wyoming economy resulting in increased unemployment and bankruptcies; the failure of many businesses, and a population decrease of 6,244 from 1982 to 1986. According to November 1986 figures of the Department of Administration and Fiscal Control (DAFC), Wyoming will lose an additional 3,000 people in 1987. Very slow population growth is expected after 1987.

Employment figures echo the population figures. DAFC's November 1986 figures indicate 284,039 persons employed in 1981, versus projected employment of 268,581 in 1987, reflecting a loss of 15,458 jobs for this period. According to Industrial Siting Council figures, employment in the extractive industry grew from 34,500 workers in 1976 to a peak of 58,000 in 1981, only to decline to 31,400 in 1986. In contrast, employment

in the non-extractive industries was 204,300 in 1981, rising to 215,000 in 1986, according to the Department of Labor and Statistics. Despite an overall drop in employment due to the fluctuating value of Wyoming's minerals, there has been a shift in employment to the non-extractive industries.

In 1986 oil prices dropped from \$25.75/bbl in January to \$15.00/bbl in December. The low for the year was \$11.50/bbl in July 1986. Indeed, some sources (Casper Star-Tribune, October 26, 1986) suggest that our current economic situation is worse than during the Great Depression of the 1930's. The rapidity of the current decline must be recognized. For example, five years ago Wyoming's per capita income exceeded the national average by 16%, while at the end of 1985 (before the fall in oil prices), our per capita income was 4% below the national average. (See Appendix I for a more detailed profile of Wyoming).

Economic Stability, in the short term, will largely depend upon forces beyond Wyoming's control because of the overwhelming importance of the minerals industry to the state's economy.

Diversity, on the other hand, is a slower process. The passage of Constitutional Amendment Four provides both an opportunity to use state money to "prime the pump", and suggests the state is ready for bold moves.

I. THE WYOMING ECONOMY AND MINERALS

A. INTRODUCTION

Development of Wyoming's vast mineral resources during the 1970's resulted in the creation of a large number of jobs and the collection of significant amounts of tax revenue. Declining oil prices, and in turn, declining General Fund revenues and employment, leave Wyoming looking for new answers and ways to strengthen its mineral sector.

To a large extent, Wyoming is not the master of her own destiny in that the prices for her natural resources are determined beyond her borders, and in the case of oil, beyond the boundaries of the United States.

The State of Wyoming has large reserves of coal, oil and gas, and uranium. Wyoming ranks second in coal production, sixth nationally in oil production, sixth in the production of natural gas, first in trona production, and second in uranium resources, according to the Wyoming Geological Survey. As a result of the energy crisis of the --70's, Wyoming experienced rapid development of these mineral resources. Since 1970, Wyoming has seen an increase of 1906% of its coal production, 18.3% decrease in oil production, and a 64.8% increase in gas production. In the same period there has been a 251.2% increase in trona production, and the growth and decline of the uranium industry.

The development of these mineral resources is done mainly by out-of-state corporations. This development creates a large number of jobs and results in the collection of a vast amount of tax revenue. Despite the state's dependence upon the minerals industry, a coherent policy toward the management of its energy resources has never been stated. Clearly a defacto policy, influenced heavily by the economic needs of out-of-state companies, has been established. Through legislative action, the state has implemented regulatory requirements and taxation of the mineral resources. This section briefly reviews state and federal laws which affect regulation of the economics of the minerals industry in Wyoming, and proposes components of a policy to direct the state's management of its energy resources.

The growth of mineral production which Wyoming experienced occurred very rapidly during the 1970's. Coincidentally with this growth, both the state and federal governments adopted a variety of laws to regulate the operations of mineral development. The most important state legislation was the creation of the Oil and Gas Commission in 1951, the Environmental Quality Act in 1973, and the Wyoming Industrial

Development Information and Siting Act in 1975. (See Appendix II for a specific description of state and federal legislation affecting mineral development.)

B. A WYOMING MINERALS POLICY

Despite the state's dependence upon its mineral wealth, a non-renewable resource, a coherent state policy toward the management of its energy resources has never been articulated. Clearly a defacto policy has been established through the implementation of state and federal regulatory requirements and taxation of the minerals resources.

1. State Minerals Policy - Proposed Statement of Purpose

The Economic Stability Task Force recommends that the Governor and Legislature establish a coherent minerals policy and that the following "Statement of Purpose" be used as a general guideline in developing specific aspects of the policy:

"IT IS THE POLICY OF THE STATE OF WYOMING TO MAKE IT SIMPLE, CONVENIENT AND PROFITABLE FOR BUSINESSES TO SEARCH FOR AND DEVELOP WYOMING'S ENERGY RESOURCES AND AT THE SAME TIME PROMOTE ECONOMIC STABILITY AND MAINTAIN THE QUALITY OF LIFE AND ENVIRONMENTAL RESOURCES OF THE STATE."

2. Regulatory Overlap and Conflict

Many state and federal agencies regulate the minerals industry. Sometimes the areas regulated by these agencies overlap and conflict. Interpretation of enabling statutes through agency rules and regulations sometimes create conflict or inconsistencies with other rules of the agency or with different agencies.

Although Wyoming cannot unilaterally change federal statutes or the rules and regulations promulgated by federal agencies, Wyoming agencies must be aware of federal agency requirements which modify or supercede state requirements.

a. PROPOSAL - State Regulation Review

WYOMING SHOULD ESTABLISH A MECHANISM TO REVIEW STATE REGULATIONS AND STATUTES TO IDENTIFY AREAS OF OVERLAP OR CONFLICT, AND REQUIREMENTS WHICH HAVE EVOLVED IN THE RULE MAKING PROCESS, THAT EXCEED THE NEEDS OF PUBLIC AND ENVIRONMENTAL PROTECTION.

The Economic Stability Task Force recommends that

the Governor establish a Mineral Regulation Review Task Force to study Wyoming State regulations and policies which affect mineral development. The study of overlap between the Wyoming Department of Environmental Quality and the Industrial Siting Council currently being done by the Legislature's Joint Mines and Mineral Subcommittee is acknowledged. The Mineral Regulation Review Task Force is not intended to hinder nor supplant that legislative work.

This inventory of conditions should result in recommendations to the Legislature regarding the amendment or consolidation of state regulations and statutes to attain consistent and efficient protection of public and environmental values while minimizing overlapping and unnecessary regulations.

The Mineral Regulation Review Task Force should be appointed by the Governor; with a membership of eleven persons, selected to provide a broad representation of industry, local government, State Legislators, environmental and other affected interests. The Task Force suggests it be administered through the Wyoming Governor's office, and hold public hearings as well as meetings by invitation, issuing a final report and recommendations by October 1, 1987, and then disbanding.

The Legislative Service Office and state agencies could provide staff support and need to cooperate with the Task Force in its work.

3. Wyoming Influence Over Federal Legislation

Wyoming is not a self-sufficient, independent economic unit. Wyoming purchases products and services created beyond the state's borders and also needs to sell HER products and services in national and international markets.

a. PROPOSAL - Stabilization of Oil Prices

THE TASK FORCE SUPPORTS GOVERNOR SULLIVAN AND THE WYOMING CONGRESSIONAL DELEGATION IN THEIR EFFORTS TO FIND A SOLUTION TO THE PROBLEM OF UNSTABLE AND UNPREDICTABLE OIL PRICES THROUGH AN IMPORT FEE OR IMPORT QUOTAS.

Oil prices have had and continue to have a major effect on Wyoming's economy. Although there have been fluctuations in price with the resulting economic

effects, there have only been two real busts: one in 1921 when oversupply caused the Salt Creek Crash in the Wyoming oil industry, and the other in 1982 when world oversupply caused the present crash. The large volume of Wyoming's oil reserves necessitate a stable oil price at a rate that allows for profitable development and production.

Participants in Wyoming's oil industry, large out-of-state major corporations, small out-of-state companies, and in-state operations, all have differing views on import fees and import quotas. The major companies, with overseas production, refining and marketing wish to see no controls on oil. Most independent operations that are dependent on cash flow from production only favor an import fee.

The State of Wyoming has a high stake in cash flow from oil production and related activities, similar to the independent operators.

Aside from the national security interest, it is clearly in the best interest of Wyoming to encourage stable, economically sound prices for oil. An import fee or quota is the only way to insulate the United States and Wyoming wellhead price from the erratic price fluctuation caused by foreign governments. The Wyoming Futures Project Economic Stability Task Force makes this recommendation with its "Wyoming hat on" and with its Wyoming interests in mind, independent of the company affiliation or the political persuasion of each individual task force member.

a. PROPOSAL - National Acid Rain Policy

The Governor and other state leaders should work with Wyoming's congressional delegation to implement legislative changes which make Wyoming's energy resources more competitive in the national and international marketplaces while protecting the unique environment of the state.

The adoption of federal acid rain legislation will affect Wyoming consumers, utilities, and coal companies. A FEDERAL ACID RAIN POLICY MUST INCORPORATE THE FOLLOWING PRINCIPLES.

- (i) A "LEAST COST APPROACH" ALLOWING UTILITIES THE CHOICE OF HOW TO REDUCE EMISSIONS, BUT NOT AN OPTION AS TO WHETHER THEY REDUCE EMISSIONS. APPROACHES COULD INCLUDE SCRUBBING, FUEL

SWITCHING, OR USE OF NEW TECHNOLOGY.

- (ii) NON-POLLUTING CONSUMERS SHOULD NOT HAVE TO SUBSIDIZE CLEANUP FOR POLLUTING STATES. MANY CONSUMERS IN THE WEST ALREADY HAVE AND ARE PAYING FOR CLEANER AIR.
- (iii) NO POLICY SHOULD BE ADOPTED WHICH PLACES WESTERN LOW-SULFUR COAL AT A COMPETITIVE DISADVANTAGE TO EASTERN HIGH-SULFUR COAL.

4. Coal Impact Tax

Wyoming has the world's second largest reserve of coal. It is a tremendous and valuable asset which needs to be developed responsibly and with sensitivity to Wyoming's quality of life and environmental integrity. A coal impact tax assessed against coal company revenues, was imposed in 1975 and to date has yielded \$163 million in state revenues. Money raised from the tax is used to lessen the impact of coal mining on the state's natural environment. The tax was assessed at .4% in 1975, gradually increasing to the present rate of 2%. The legislation stated that when the tax reached a bench mark of \$160 million in total raised revenues, it would expire.

a. PROPOSAL - Coal Impact Tax

AS AN ECONOMIC INCENTIVE TO ENCOURAGE CONTINUED DEVELOPMENT OF WYOMING'S VAST COAL RESERVES, WE RECOMMEND THE NEW GOVERNOR AND STATE LEGISLATURE NOT ENACT ANY LEGISLATION THAT WILL EXTEND OR RENEW W S. 39-6-303 (A) (B) "COAL IMPACT TAX". THIS 2% TAX WILL EXPIRE JANUARY 1, 1987.

5. Minerals Industry Research

The task force recommends that our political, industry and academic leaders support the concept that Wyoming develop a leadership position in the area of energy research. Success in this area would permit the retention of many existing jobs; it would create new jobs and it would give prominence to Wyoming's academic institutions in the eyes of its sister states and the nation.

It has been estimated that the oil and gas which could be recovered by enhanced oil technology in Wyoming has a significant value and could represent a significant number of jobs with high-tech requirements. Coal reserves in Wyoming are gigantic and further development of this resource is also critical to Wyoming's future.

Research in the areas of oil recovery and beneficiation of our coal resource is vitally important to the future energy policy of Wyoming.

Funding for research in Wyoming comes from a variety of sources: federal, state, corporate, and combinations of these three. Research undertaken generally is in response to the interests of the sponsor as well as the expertise and interests of the investigate.

Research facilities and capabilities of the University of Wyoming are currently under utilized. Also, a better connection between the University of Wyoming and Wyoming businesses is needed. (See Section V on The Role of Higher Education).

a. PROPOSAL - Energy Research

Applied research and development at the University of Wyoming must be expanded. As discussed in Section V, the federal government funding of long-term basic research at universities produces technical innovation and creative talent. This federally funded basic research can be converted to new products and new jobs if states and their industries fund the applied research and development deemed appropriate to each state. THE UNIVERSITY OF WYOMING SHOULD CONTINUE TO ENLARGE ITS BASIC RESEARCH EFFORTS WITH PARTICULAR EMPHASIS ON THOSE AREAS AND TECHNOLOGIES MOST LIKELY TO LEAD TO DIVERSIFICATION OF WYOMING INDUSTRY. AT THE SAME TIME THE STATE SHOULD PROVIDE FUNDING FOR APPLIED RESEARCH AND DEVELOPMENT, IN COORDINATION WITH WYOMING BUSINESS, TO TRANSLATE BASIC RESEARCH STRENGTHS AT THE UNIVERSITY OF WYOMING INTO PRODUCTS. Other states, for example, Montana, have established a specific fund for such applied research and development.

II. COORDINATION OF STATEWIDE ECONOMIC DEVELOPMENT ACTIVITIES

A. INTRODUCTION

Wyoming is a mineral producing state. So much of its wealth is tied to minerals that to change its economic base, Wyoming needs to: produce and process more minerals; change to a different economic base; or a combination of these two, very deliberately planned and implemented.

The third choice is logical and, in time, would give sound employment opportunities to our citizens while minimizing the effect of the cyclical swings that prevail in Wyoming's commodity-based industries. To accomplish this goal the state needs to develop an active partnership between public and private groups and funding sources. Wyoming must also plan to use its resources in good times to diversify, and not just undertake these efforts in desperation. Such a partnership needs to have the following fundamental objectives:

1. Comprehensive Package of Programs - The State of Wyoming, through the legislature and the Governor's office, needs to develop a comprehensive set of programs that build upon each other and support the creation of a more stable and stronger economic base over a period of years. A piecemeal approach to such programs has not worked in the past for Wyoming. Other states are now implementing integrated programs that address a wide range of inter-related issues. Wyoming must do the same and should consider professional assistance when developing a comprehensive strategy.

This comprehensive package of programs must be aimed at economic and entrepreneurial development and involve state governments as well as other organization and constituencies throughout the state and beyond its borders. These programs must involve out-of-state organizations, particularly our out-of-state corporate citizens, and have funding from state and private sources. They must also make full use of the resources of state educational institutions and the wide range of existing developmental agencies throughout the state.

a. PROPOSAL - Interim Economic Plan

THE TASK FORCE RECOMMENDS THAT THE STATE DEVISE A SYSTEM OF COOPERATION BETWEEN INDUSTRY AND THE STATE FOR IMPLEMENTATION OF AN INTERIM ECONOMIC PLAN DESIGNED TO TAKE WYOMING FROM A RAW MINERAL PRODUCING PROVINCE TO A MATERIALS AND TECHNOLOGY SUPPLY SOURCE

FOR INDUSTRY. This cooperative effort must establish the framework for Wyoming as a National Resource Park with balanced development of our mineral, recreational, animal, human and other natural resources.

b. PROPOSAL - Obtain Professional Assistance

THE STATE NEEDS PROFESSIONAL CAPABILITIES TO DEVELOP OVERALL STATE ECONOMIC DEVELOPMENT STRATEGIES AND TO ORGANIZE AND IMPLEMENT MINERAL, RECREATIONAL, HUMAN, AND ECONOMIC DEVELOPMENT PROGRAMS. PROFESSIONAL CAPABILITIES ARE NECESSARY TO COORDINATE AND INVOLVE ALL THE DIVERSE INTERESTS ESSENTIAL TO A STATEWIDE ECONOMIC DEVELOPMENT PROGRAM.

2. Competitiveness - Wyoming's economic development program must help Wyoming's existing industries, particularly newer and growing companies, to compete in a nationally and internationally competitive environment. The program must attract new or existing out-of-state companies to locate or expand in Wyoming. Wyoming also needs to select and fully support the few new venture opportunities that have potential for substantial growth of sales and earnings by exporting products and services to national and international markets.

Many other states look upon themselves as independent economic entities that must marshal all of their resources (people, management, technology, natural resources and capital) to compete effectively with efforts in other states doing a better job of supporting economic growth. Wyoming must compete with these efforts. Wyoming is not an economic island. It must learn to "export" products and services in order to "import" wealth and jobs. Otherwise, it will languish in the economic doldrums.

3. Balance Existing Industries with New Opportunities

In the short term, Wyoming must emphasize on business retention and providing assistance to the existing Wyoming industries. If however, Wyoming, is to stabilize its economy, it is clear that the base of industries must be considerably broadened.

A variety of new industries can be created or attracted to Wyoming. High technology industries should neither be written off nor over-emphasized. It should be recognized that the University of Wyoming is the logical connection point in efforts to promote high-tech businesses. Statewide efforts in the mineral sector of the economy could include developing natural gas markets;

looking for ways to reduce coal transportation costs; financing the development of a carbon dioxide pipeline into the Powder River Basin; and, possibly, attracting hazardous waste storage.

B. ECONOMIC DEVELOPMENT ACTION PROGRAMS

This Task Force recommends that the following action programs receive top priority by state government and other interested organizations because they have the potential to provide a positive impact on economic development.

1. Strengthen Capital Resources - Wyoming must take a fresh look at deployment of capital. Capital resources for economic development, particularly equity investment funds, provide insufficient support for new venture growth. Although state lending programs are currently quite good, many promising new ventures have difficulty finding equity capital. Wyoming must augment private funds with public funds to develop the infrastructure and services necessary to accelerate the growth of new enterprises. One way to achieve this merger of public and private funds is through the implementation of Constitutional Amendment Four. An implementation plan for Amendment Four is included at the end of this section.

a. PROPOSAL - Investigate Securities Restrictions

THE WYOMING LEGISLATURE AND THE SECRETARY OF STATE SHOULD INVESTIGATE RESTRICTIONS CONTAINED IN THE STATE'S CURRENT SECURITIES REGULATIONS THAT LIMIT THE ABILITY OF SMALL WYOMING GROWTH COMPANIES TO OBTAIN PUBLIC EQUITY FUNDING. This is a particular problem for small companies that make a private placement through their principals and try to raise up to \$500,000 of equity funding to establish a balanced debt to equity financial statement.

2. Economic Development Coordination - Wyoming already has a wide range of locally, regionally, statewide and federally funded economic development organizations and programs (Exhibit A). Appendix III has a more complete description of these programs. Some are funded by local private investors on either a for-profit or not-for-profit basis. Other programs rely, particularly or wholly on state, federal or local government funding.

According to a September 1986 Wyoming Futures Project survey of Business Rendezvous participants, the various economic development programs in Wyoming do not effectively coordinate their efforts, and many people eligible for assistance do not know what assistance is available.

The majority of those polled thought Wyoming was a good state in which to do business, but many cited the following specific concerns: a lack diversity in the Wyoming economy; bankers' unfamiliarity with high tech and manufacturing loans; a lack of markets for Wyoming products; an inadequate transportation network; and the inability of local manufacturers to secure state and local government contracts (Exhibit B).

a. PROPOSAL - State Economic Coordination by The Economic Development and Stabilization Board

The Economic Stability Task Force believes that existing organizations needs to coordinate their efforts more effectively; however, Wyoming can accomplish coordination by using existing organizations. THE TASK FORCE RECOMMENDS THE ECONOMIC DEVELOPMENT AND STABILIZATION BOARD ACT AS COORDINATOR FOR ALL STATEWIDE ECONOMIC DEVELOPMENT ACTIVITIES. IT SHOULD HOLD SEMI-ANNUAL STATEWIDE EDUCATIONAL MEETINGS FOR ALL PUBLIC AND PRIVATE ECONOMIC DEVELOPMENT ENTITIES. These meetings would allow for an exchange of information among state and local programs. In addition, the EDS Board should consider encouraging state financial participation in local development efforts, and in private equity and debt funding of promising Value Added Opportunities (VAO's). (Discussed in the following section, B(4)).

The EDS Board would also COORDINATE DEFINITION OF THE ROLES AND RESPONSIBILITIES OF EACH OF THE STATE'S ECONOMIC DEVELOPMENT ACTIVITIES AND CONTINUE TO SUPPORT DEVELOPMENT OF STATEWIDE TRAINING ACTIVITIES FOR POTENTIAL ENTREPRENEURS AT EXISTING EDUCATIONAL FACILITIES.

Finally, the EDS Board needs to link entrepreneurs seeking funding with local economic development agencies able to provide that support. In addition to financial support, A POOL OF MANAGEMENT TALENT IS NEEDED TO SERVE AS BUSINESS CONSULTANTS TO ENTREPRENEURS AND TO HELP THEM BUILD VIABLE MANAGEMENT TEAMS. (Build upon the support currently offered by Wyoming Business Development Center.)

3. Institutes of Excellence - Wyoming has achieved a strong position in a number of technologies related to minerals and agriculture. The University of Wyoming has taken the lead in research for some of these technologies, but development of new business ventures based on these strong technological positions has been slow. These "institutes"

should not be based only on technical strengths. They need to include service sector enterprises, such as management or small business enhancement. Specific proposals for support of the service sector are included in the section of The Role of Higher Education.

4. Accelerated Development of Value Added Opportunities - The largest opportunities within Wyoming for real economic growth (outside of the cyclical minerals, energy, and petroleum industries) result from the development of new product manufacturing and service companies referred herein as "Value Added Opportunities" or VAO's. VAO's create wealth and employment for the community by selling products and services both in and out-of-state. They must fit the area's resources, satisfy a real need, and have the potential to create revenues for the company in excess of \$1 million per year in three to five years. VAO's must create profits and equity which build to the benefit of investors, and aim toward successfully competing in national and international markets. To qualify for management assistance and financial support, VAO's must present sound business plans to professional, experienced business people who, in turn, make funding decisions.

Several requirements must be met within Wyoming, however, before we will see an adequate flow of VAO's. Economic development organizations providing funding assistance need education to help them identify viable VAO's. Other requirements and the action steps needed to satisfy them are:

When VAO's seek financial support that includes public funds it is imperative they be evaluated by professional, experienced business people so that only those with sound management teams and product/service concepts receive full financial support, particularly infusion of equity capital. Those VAO's that pass this test would then be eligible for management assistance provided by the evaluating organizations. Only the best growth opportunities will receive ongoing management assistance.

- a. PROPOSAL - Broaden Support for VAO's

(i) Broaden Equity Capital Sources

THE EDS BOARD AND THE STATE LEGISLATURE SHOULD TAKE IMMEDIATE STEPS TO ASSIST IN THE DEVELOPMENT AND FUNDING OF:

ONE OR MORE SEED CAPITAL FUNDS WHICH MAY BE ASSOCIATED WITH BUSINESS INCUBATOR FACILITIES.

A START-UP VENTURE CAPITAL FUND THAT HAS LARGER EQUITY INVESTMENT RESOURCES THAN THE STATE'S ONLY SUCH FUND, CAPITAL CORPORATION OF WYOMING.

AN EXPANSION CAPITAL FUND SUCH AS THE PROPOSED WYOMING ENTERPRISE FUND.

(ii) Enhance Worker and Management Resources

ADDITIONAL WORKER TRAINING PROGRAMS NEED PROMOTION AND SHOULD PROVIDE ENTREPRENEURS AND THE MEMBERS OF THEIR MANAGEMENT TEAMS WITH THE TRAINING AND SUPPORT THEY NEED TO DEVELOP THEIR COMPANIES INTO PROFITABLE EMPLOYERS.

(iii) Technical Support

THE UNIVERSITY OF WYOMING SHOULD ORGANIZE AN OFFICE WITH RESPONSIBILITY FOR PROVIDING TECHNICAL SUPPORT AND ASSISTANCE TO NEW ENTERPRISES, PARTICULARLY VAO'S. THIS OFFICE WOULD PARTIALLY OFFSET THE LACK OF AN ESTABLISHED PRIVATE TECHNICAL/ENGINEERING PRODUCT SUPPORT INFRASTRUCTURE.

(iv) Marketing Programs

STATE-SUPPORTED MARKETING PROGRAMS, SUCH AS THE RECENT "WYOMING BUSINESS RENDEZVOUS" TRADE SHOW IN CASPER AND THE WYOMING PRODUCTS CATALOG, ARE ENCOURAGED, AS THEY COULD MAKE A MAJOR CONTRIBUTION TO VAO SUCCESS, SINCE VAO'S MUST EXPORT TO GROW.

C. A PLAN FOR THE IMPLEMENTATION OF CONSTITUTIONAL AMENDMENT FOUR

1. Introduction

One of the greatest challenges facing Governor Sullivan and the 1987 Wyoming Legislature is the implementation of Constitutional Amendment Four. While implementation must be well-considered, swift and cohesive, it will take time to see the results. The program can build on the strengths of the state: a strong work ethic, rural values, a crime-free and drug-free environment, an entrepreneur oriented and skilled work force, and a nearly pollution-free environment.

It is tempting to fix problems by creating new organiza-

tions. With a few adjustments, however, existing organizations can implement Constitutional Amendment Four. It is important to remember that there are no quick fixes or easy solutions to Wyoming's current economic woes. Diversification of the Wyoming economy must occur over several years.

Funding of Constitutional Amendment Four needs to be directed to projects that will fulfill the functional needs of economic development in the state. It is the role of the public sector to administer the public purpose of the financing. The public sector must also allocate funds to and verify the performance of the private sector distribution groups.

The private sector, assuming some risk, must select the specific projects to receive funds and allocate the funds to the project.

2. Functional Needs of the State

Funding from Constitutional Amendment Four for economic development must meet the functional needs of the state. These needs occur at several levels and fall into four basic categories:

a. Local Economic Development Efforts

Constitutional Amendment Four needs to fund local economic development efforts. This funding could provide support for local marketing efforts and business recruitment. Business plan assistance and coordinated financing plan assistance should also take place at the local level and needs funding. Finally, direct financing to local economic development agencies could provide incubators, seed capital funds, and financing for building and site leases.

b. Venture Capital

The legislature should allocate some funds to venture capital efforts. Specifically, this money should be available for start-up and expansion capital pools. The strength of venture capital pools lies in their professional management skills in financing specific projects and companies for investment, in their portfolio, and providing ongoing portfolio company management assistance.

c. Intermediate and Long Term Credit Lending

Part of the funding for Constitutional Amendment Four needs to be used for intermediate and long term credit lending, and should be administered by banks and thrift institutions. This money should supplement available funds for lending and the lending institution must share the risk. These funds would be available for new financing only.

d. Public Purpose

A portion of the Constitutional Amendment Four funds could be dedicated to public purposes where a financial return on the investment is not the critical consideration. These uses include: start-up grants; public interest job stabilization; and financing to preserve existing business. These funds could also be used to improve infrastructure that serves the public interest. For example: transportation; telecommunications; institutes of excellence associated with higher education institutions; and destination tourism facilities.

3. Participants

Many groups need to be involved in the implementation of Constitutional Amendment Four, including:

- Economic Development and Stabilization Board (EDS Board)
- Wyoming Community Development Authority (WCDA)
- Local economic development organizations
- Capital Corporation of Wyoming (WIDC)
- Wyoming Business Development Center
- Banks and Thrift Institutions
- Wyoming Enterprise Fund (WE-Fund)
- Venture and seed capital funds

4. The Role of the Public Sector

Many participants from the public sector must be involved in the implementation of Constitutional Amendment Four. This section discusses the specific role of some of these groups.

a. Legislature

The legislature must determine what functions the funds from Constitutional Amendment Four will serve, and allocate percentages of the available funds to those functions. It is also the legislature's role

to establish broad criteria for receipt of the Constitutional Amendment Four funds. Those criteria should include:

- Matching ratios such as an enterprise putting up one-third of the overall funds to receive a two-thirds match from the state.
- Certification of economic development programs Programs must meet certain educational and program requirements which are overseen and administered by the EDS Board.
- Economic development funding should be applied to new money financing, and should not be used to finance old loans.
- Established collateral requirements which will vary according to the program. State needs to have an interest in the collateral.

Consideration of whether jobs are created or maintained.

- Consideration of competition with existing enterprises.
- Consideration of environmental factors.

b. Economic and Development Stabilization Board

Under this plan the EDS Board would allocate funds from Constitutional Amendment Four to the primary managers of the funds in accordance with the legislation. A primary manager is any organization or institution, public or private, that meets legislative criteria to qualify as a distributor of funds. The EDS Board should establish the rules and regulations for the qualifications and guidance of the primary managers based on the legislature's broad criteria.

The EDS Board would certify primary managers to administer contracts under the guidelines established by the legislature. They would also review the performance and compliance of primary managers. The EDS Board would have primary responsibility for administration of: the public purpose financing function; Community Development Block Grants; and planning and research projects (i.e., marketing feasibility studies). Under this proposal the EDS

Board would oversee business retention programs. Business retention programs extend grants or loans to major state employers in financial difficulty where preservation of the jobs or industry is deemed important to the state, even though the financial return is minimal or non-existent.

Expenditure decisions for very large public interest infrastructure financing (such as establishment of transportation and telecommunications systems, destination tourism facilities, and institutes of excellence associated with higher education institutions) would be made by the legislature, monitored by the EDS Board and administered by the qualifying organization.

c. Wyoming Community Development Authority

This plan contemplates that Wyoming Community Development Authority (WCDA) could qualify as a primary manager. WCDA offers financing for traditional single and multifamily structures, and administers bond financing programs. At the state's request, WCDA could raise additional funding for Constitutional Amendment Four programs by issuing bonds.

Finally, WCDA could oversee direct lending programs for public purposes (described above in EDS Board section) and very large private projects.

d. Wyoming Business Development Centers

Wyoming Business Development Centers (WBDC) could qualify for funds as primary managers. They are currently doing an excellent job and need to keep doing what they already do: assist business owners and people developing businesses by providing help with feasibility studies, marketing and business plans, and training of management and employees.

e. Local Economic Development Corporations

Many Wyoming communities have one or more local economic development activities. These efforts vary in quality and their staffs have differing levels of expertise.

Local economic development corporations could gain access to Constitutional Amendment Four funds by qualifying as a primary manager. To do this they must meet the certification requirements adminis-

tered by the EDS Board, and agree to the matching funds financing scheme such as raising one-third local funds to access two-thirds state funds. It is also suggested they work to qualify for Small Business Administration loan programs. Limitations on the use of Constitutional Amendment Four funds, however, do not permit using the funds for administrative purposes. Administrative costs could come from the one-third portion of the funds raised locally.

Local economic development programs should receive incentives to provide funds for local development efforts such as:

- Marketing the local area consistent with state marketing plans.
- Establishing Incubators - A development corporation, local government, or college would provide entrepreneurs with free or subsidized building space, and secretarial and other support services. Incubator models have been established around the country by Control Data Corporation. Others exist in Pueblo, Colorado, and South Carolina.
- Seed capital funds for entrepreneurs starting a new or expanding an existing business.
- Build-to-suit programs where a new business is attracted by an offer of custom-designed space usually offered on a rent free or lease-subsidized basis.
- Assistance to entrepreneurs in coordinating financing packages. Staff knowledge of available financing is so important it should, perhaps, be a condition for certification.

5. The Role of the Private Sector

a. Intermediate and Long Term Credit Lending

The private sector makes all project selection decisions. Private decision makers must be in an "at risk" position for at least one-third of the funds or resources being loaned. Generally, these intermediate and long-term loans can be administered by two different types of entities: banks and thrift institutions and venture capital corporations.

(i) Commercial Banks and Thrift Institutions

Commercial banks and thrift institutions could access funds provided by Constitutional Amendment Four for new financing. The institution would have total responsibility for project selection and loan servicing. The state would only provide the funds. Institutions must provide for equitable collateral position participation so that if the loan sours the state participates in its share of the remaining collateral. A one-third institution and two-thirds state ratio for financing and collateral is used as an example in this proposal.

The state could provide favorable interest rates for its portion of the loan, or could allow the institution to participate in interest "buy-down" programs. The institution must retain flexibility in package design.

Two types of financing would be available from the state. The most preferable is for the state to guarantee the loan, still with a one-third/two-thirds matching ratio, for example. The state could provide direct funds for the loan if the loan amount would exceed the legal limits for the institution or if the institution chose not to make the entire loan. The loan ratio of one-third/two-thirds would still apply.

(ii) Venture Capital Funds

To gain access to Constitutional Amendment Four monies, Venture Capital Funds would need to meet certification requirements. They, too, would have to comply with the same matching ratio for independently raised funds. In other words, Venture Capital Funds independently must raise one-third of their funds to gain access to the two-thirds match by the state.

Venture Capital Funds could only qualify for a loan that expires after a predetermined period of time and could not have funds in perpetuity.-

Venture Capital Funds would need to have a domestic presence to tap into Constitutional Amendment Four funds. Project investment would

need equity or equity characteristics. Active management participation would also be a condition of Venture Capital Fund certification. Like the institutions, Venture Capital Funds would have exclusive project selection authority, and their determinations could not be overridden by the state.

Exhibit C lists the possible participants in Constitutional Amendment Four programs and their involvement in the four functional needs of the state when establishing a program.

D. Transportation Issues

The Economic Stability Task Force recognizes that transportation plays a key role in the economic development of Wyoming. It is important that the movement of goods and services, as well as human resources, be accomplished in a timely, consistent and cost-effective fashion. This is true for all modes of transportation.

Wyoming tend to be far removed from suppliers, end-users, consumers and large markets. This geographical disadvantage is important since the cost of shipping products to the "next-user" must be added into the cost of doing business. The time factor for suppliers is even more important. The shipment of spare parts for mining/manufacturing operations is a prime example. The uncertain weather in Wyoming also affects transportation.

There are really two basic transportation modes on which the state needs to concentrate: air and ground. Air transportation covers the major areas of passenger service and air freight, both interstate and intrastate. The interstate service is subject to national trends and the markets of major air carriers.

Interstate air travel is at an acceptable level with relatively good service from major Wyoming cities into the Denver and Salt Lake City hub airports. Availability of intrastate air travel service is poor and must be improved. One of the principal benefits of improved intrastate air travel may be more opportunities for Wyoming firms to do business with each other. It is often much more convenient to do business with a Denver firm than a Sheridan firm if air transportation is an important factor in the business relationship. This is particularly true for air freight.

Ground transportation can be broken into the categories of rail, truck, bus and private vehicles. Although the highway system itself is relatively good, the distance from major population points is great and the road conditions may be suspect. Rail transportation for the movement of large volumes is good, but may not be cost effective.

The Task Force acknowledges that the Communication and Transportation Task Force has the expertise to study these issues. This Task Force recommends that the transportation and communication issues considered by the Communication and Transportation Task Force be studied in light of their impact on economic development in Wyoming.

III. INVENTORY OF STATE BUSINESSES

A. Introduction

New and existing businesses considering expansion need information about Wyoming opportunities and markets. The Task Force found that, in contrast to agriculture and the mineral industry, little published data exists about businesses in the manufacturing and service sectors. Ironically, the State of Wyoming collects business related data, however it is frequently not published, and when published often not widely distributed. Most potential data users don't know the data exists, how to use it, or how to access it. Other states, with larger populations, have responded to business demands for data. Wyoming may never have sufficient pressure from its population to address these issues. If they are not addressed, Wyoming cannot effectively deploy state resources to build existing enterprises, nor can it effectively compete with the business recruitment efforts of other states.

The recognition of the importance of this type of information for economic development purposes creates an attitude and an image of Wyoming as a state capable of understanding and providing for the needs of business and industry.

Wyoming must make better use of existing business data and work with business to determine what data is needed and then develop additional data capabilities.

The EDS Board currently collects information which identifies virtually every aspect of business type, location and employment statistic. This data is primarily the result of the Employment Security Commission's reporting requirements, but is also, in part, collected by the Department of Labor and Statistics, and by the Economic Development and Stabilization Board.

A survey has been prepared by staff members of the Research and Statistics Division of the State Department of Administration and Fiscal Control (DAFC) and the EDS Board to identify all business related data being gathered by each state agency. Survey results should be available by January 1, 1987.

B. BUSINESS RELATED DATA COLLECTION

Most of the information collected by the various state agencies is computerized, and the majority of the data is easily transferrable between agencies. Currently the EDS

Board is involved in the following business related data collection:

1. Profile and Inventory - The EDS Board has available an inventory of businesses and has developed a state business profile from data initially collected by the Employment Security Commission (ESC), and data generated by the EDS Board. The profile identifies businesses by Standard Industrial Classification (SIC) Codes and can identify the county in which the business is located and the number of employees in each business.

The use of SIC codes allows the profile to range from rather general identification of industry, using single digit SIC codes, to very specific identification, using four digit SIC codes. The list of one and two digit classifications is attached as Exhibit D. An example of the specificity possible through use of four digit SIC codes is in the area of retail trade. Retail Trade is a one digit classification, with Furniture, Home Furnishings, and Equipment Stores being a two digit classification, and Music Stores a four digit classification.

The profile has narrative and graphic capability and can also produce comparative data both between industries and between counties. Exhibit E is an example of a general industry profile, while Exhibit F is an employment profile. Both are by county using a single digit SIC code. A four digit SIC code would allow much greater specificity. (Note: Dots on Exhibits E and F are randomly placed.)

Exhibit G demonstrates the profile's ability to produce comparative data both between industries and between counties. Again, this example utilizes single digit classifications. Finally, the ability to profile the industries within a single county is demonstrated by Exhibit H, using Sweetwater County as the example.

Work force demographic information is available through the Wyoming Department of Labor and Statistics. This information is not currently available by SIC code, but is being converted to this format. When converted, arrangements have been made which will allow the integration of this data into the EDS Board business profile.

The EDS Board will help businesses design individual data profiles which target their particular industry or need.

Deficiencies:

- ESC data not comprehensive
- Confidentiality requirements prevent certain uses.
- Businesses don't know it exists and don't understand applications.
- Accessible only through contact with EDS Board personnel.

2. The Directory of Mining and Manufacturing - The Directory of Mining and Manufacturing, compiled annually, lists around 450 manufacturing and mining companies in Wyoming alphabetically, geographically, by product and with SIC codes.

Deficiencies:

- Must be kept current if it is to have value.
- Must have wider distribution. For example, send it to businesses inquiring about opportunities in Wyoming.

3. Business Rendezvous Directory - The EDS Board is overseeing compilation of the Business Rendezvous Directory.

Deficiencies:

- This document should be expanded and combined with the Mining and Manufacturing Directory rather than have two similar documents, neither comprehensive.

4. Input-Output Model - The EDS Board has an input-output model that measures the impact of movement in one sector of the Wyoming economy, on all other sectors of the economy. The model can do this statewide or by county.

Deficiencies:

- Basic data weighted toward agriculture so EDS Board needs to balance by adding more detailed information regarding other sectors.
- Businesses don't know it exists and don't understand applications.
- Accessible only through personal contact with EDS Board personnel.

5. The Wyoming Industrial Numeration System - The Wyoming Industrial Numeration System (WINS) compares the cost of doing business in one community or county in Wyoming to other locations and selected out-of-state communities.

It compares the cost of labor, utilities, rent, local taxes, etc.

Deficiencies:

- Must be kept current to be of value. Only limited number of out-of-state communities for comparison available, so should be expanded.
- Accessible only by contacting EDS Board personnel.
- Businesses don't know it exists and don't understand applications.

The Task Force recommends that:

a. PROPOSAL - Data Accessible by Computer

ALL THESE DATA RESOURCES BE COMPUTERIZED AND ACCESSIBLE BY MODEM FOR IBM-PC COMPATIBLE EQUIPMENT.

b. PROPOSAL - Confidentiality

CONFIDENTIALITY ISSUES MUST BE ADDRESSED REALISTICALLY, AND IF NECESSARY, WYOMING SHOULD ADOPT LEGISLATION TO REMOVE SOME OF THE CONFIDENTIALITY OBJECTIONS SO THAT IT CAN RELEASE DATA THAT INCLUDES: BUSINESS NAME, ADDRESS, NUMBER OF EMPLOYEES, AND PRODUCT LINES AND SERVICES.

7. The Industrial Siting Council - The Industrial Siting Council is currently working on two projects relevant to this discussion:

- a. They have asked Wyoming businesses what they purchase. That information will be used to match Wyoming producers with purchasers both in and out of state.
- b. "How to Start a Small Business in Wyoming" is a step-by-step guide to completing the forms necessary to begin a business in Wyoming. It has a worksheet the business owner fills out and then may use to complete all the other forms filed with various entities. This project is being coordinated through the State Planning Coordinator's office and awaits the Governor's approval before it is released.

1. PROPOSAL - One Agency to Maintain Data

THE TASK FORCE RECOMMENDS THE LEGISLATURE GIVE A SINGLE AGENCY THE RESPONSIBILITY AND AUTHORITY TO TRACK AND MAINTAIN A LISTING OF ALL BUSINESS-RELATED DATA SOURCES

IN STATE GOVERNMENT. The public needs one point of contact when requesting or posing questions about available data.

2. PROPOSAL - Complete Agency Survey

THE CURRENT SURVEY OF AGENCIES TO DETERMINE WHICH AGENCY HAS WHAT KIND OF BUSINESS-RELATED DATA MUST BE COMPLETED AND USED TO DEVELOP THE ABOVE-REFERENCED LISTING. IT SHOULD BE UPDATED ANNUALLY.

3. PROPOSAL - Develop Users Document

THE EDS BOARD SHOULD CONTINUE TO ENCOURAGE INTERAGENCY COORDINATION AND ACCESS TO DATA FOR ECONOMIC DEVELOPMENT PURPOSES. THE EDS BOARD NEEDS TO DEVELOP A DOCUMENT AIMED AT DATA USERS DESCRIBING WHAT DATA IS AVAILABLE, HOW IT CAN BE USED, AND HOW TO ACCESS THE DATA. This document should be available at all economic development agencies, Chambers of Commerce, city halls, and court houses. The document should be shared with persons inquiring about business opportunities in Wyoming. It should include a statement that the EDS Board is willing to assemble a tailor-made data profile for any person who requests it. Fees charged for this service should be minimal and if deemed expedient, should be waived.

IV. A REVIEW OF STATE AND LOCAL TAX POLICIES

A. INTRODUCTION

Wyoming's recent taxing structure evolved and responded to the state's mineral related economic development. As the minerals industry experiences cutbacks, so too do the tax revenues available for state and local spending. Once again Wyoming is moved by the forces beyond her borders that control commodity prices, so the state must now act to improve the tax related conditions of the state in preparation for a constructive future for Wyoming.

The Task Force could not agree whether lowering severance taxes would result in increased economic activity by the minerals industry. Also, the group was not certain whether tax related incentives for business affected location decisions. The experience of some other states questions the value of tax breaks and lower corporate rates for businesses as a recruiting tool. Even our own experience should raise questions. Wyoming's relatively low non-mineral corporate tax rate has not resulted in flocks of new businesses locating in Wyoming. In any event, Wyoming has certain unique problems, and the Task Force was able to agree that the issue needs further study.

There was also a difference of opinion as to whether the focus of discussion should be on broadening the tax base to include more types of taxation or expanding and diversifying the economy on which to tax.

Task Force discussion finally focused on three separate areas: the need for a broader tax base; the desirability of increased accountability by the groups that spend tax revenues; and finally, a hope that Wyoming could develop a taxing system that assures greater stability in revenue flow. The state must address particular issues in each of these areas with the goal of creating economic stability and diversity.

B. BROADENING THE TAX BASE

Wyoming lacks a broad based taxing system. The state basically relies upon only three major taxes: the property tax; the sales tax; and the severance tax. Wyoming's only substantially broad-based tax is the sales tax, since more than 70% of property taxes result from mineral production, and all of the severance tax arises from minerals. The current decline in the market value of oil, however, reveals how vulnerable the mineral producing states are to such a tax policy.

Wyoming has been criticized for taxing minerals at levels beyond what can be justified. It is not clear whether the high tax rate on Wyoming's minerals places the state at disadvantages compared to other states with lower mineral tax rates. Questions also exist as to whether high mineral tax rates will inhibit economic recovery.

Some people justify high selective tax rates on minerals, since minerals, unlike other types of property, are taxed only once, at the time of severance or production.

Issues that need to be examined include:

1. Should the State of Wyoming take steps over time to broaden its tax base, not necessarily to increase tax revenues, but to provide greater stability and continuity, as well as to improve accountability and citizen involvement in spending decisions?
2. Wyoming should examine its mineral taxation policy from the view of encouraging economic recovery and stability.
3. If greater taxing powers are extended to local governments, should this action take place within a policy of revenue neutrality so that corresponding tax reductions take place at the state level?
4. As the state completes major re-assessment studies regarding the property tax, it needs to discuss using a uniform assessment ratio for all properties except minerals. Since it is our largest single tax source, other aspects of the property tax must be carefully examined as well.

C. ACCOUNTABILITY

Another issue that Wyoming must examine is accountability, particularly by local governments. Wyoming's tax system provides little accountability when raising taxes to increase revenues, since funds are dispatched downward from state and federal levels. Problems also arise from the lack of uniform auditing in relation to revenues acquired and expenditures made.

Since Wyoming is heavily dependent upon mineral taxation, individuals and some businesses in Wyoming have not participated significantly in the cost of the tremendous expansion of government and governmental programs in this state. The system creates a disincentive for justification of government spending because the voters do not pay most of the tax costs.

When discussing accountability, the following issues merit consideration:

1. Should Wyoming move away from earmarking of state revenues and consider developing methods for objective measurement of need as the basis for distribution of state funds to local governments?
2. As part of the development of objective criteria of need on the part of local governments, does Wyoming need to provide for uniform auditing of local government finances?
3. Should Wyoming consider giving local governments greater independent tax resources to enhance local political accountability and responsibility or is there merit in retaining or developing a positive statewide taxation identity to market the state as a whole?
4. Should Wyoming examine the practice of Farm Loan Board authorization of loans and grants to local governments, or, at least review the magnitude of such loans and grants?
5. Since tax policies and laws in Wyoming may have resulted in the proliferation of special districts and other indirect funding mechanisms, perhaps tax structures and limitations should be re-examined to consider bringing these governmental functions back under the direction of elected representatives and traditional forms of governments such as cities and counties.

D. TAX STABILITY

One significant feature of an attractive business climate is tax rates which are, within reason, constant and can be counted upon for business financial planning and budgeting.

When emphasizing tax stability, Wyoming must also provide for both techniques and funds to meet periodic pressures for revenue. During the past 15 years of Wyoming's boom times, a specific or relatively specific revenue need for one or a few government units has often been met by general funding increases for all such governments statewide. These specific revenue needs sometimes result in earmarking of tax revenues. In some instances, earmarking may have led to over- or underfunding. Wyoming needs to develop criteria and formulas for aid to local government based upon measured need.

The following issues surrounding tax stability deserve discussion:

1. During times of recession or economic disequilibrium, should the state develop policies of flexible taxation for the benefit of specific industries?
2. Wyoming needs to consider utilizing certain state funds for "foundation funding" to assure local government and schools have minimum funding, particularly in economic downturns.
3. Wyoming's state and local governments need to cooperate in developing a policy for the use of tax incentives and deductions to spur economic development. The policy could discourage or at least control the use of incentives if these incentives are inappropriate or ineffective.

Tax policies must fit the economic times within Wyoming. For example, Wyoming is presently going through a severe economic shake out. Policies that are appropriate under current conditions may not fit in more upbeat times. Obviously, basic policies should not be altered frequently.

Perhaps such policies could fit within two broad approaches: policies appropriate for recession, or times of negative economic growth, and policies applicable to stable and growing periods. Additional supporting data and commentary is included in Appendix IV.

PROPOSAL - Re-examine the Taxing System

THE TASK FORCE RECOMMENDS THAT THE LEGISLATURE UNDERTAKE A COMPLETE RE-EXAMINATION OF WYOMING'S TAXING SYSTEM FROM THE POINTS OF VIEW OF ACCOUNTABILITY, STABILITY, AND BROADENING THE TASK BASE WITH THE GOAL OF CREATING ECONOMIC DIVERSITY AND STABILITY. Divergence of opinion on the Task Force prevented a group resolution of taxing issues. For example, the Task Force discussed moving to a tier system of taxation, but could find no common ground on which to base a recommendation. The Task Force offers its assistance as a forum for further debate and resolution of these issues, if the Legislature and the Wyoming Futures Project Board desire them to do so.

The hard times now being experienced in Wyoming could have a positive result if they spur a careful review and revision of existing tax policies, or result in adoption of new tax policies, if necessary.

V. THE ROLE OF HIGHER EDUCATION IN FOSTERING A CLIMATE
CONDUCTIVE TO BUSINESS DEVELOPMENT

A. Introduction

Earlier chapters of this report discuss the severity and rapidity of Wyoming's economic decline. The nature of bureaucracies makes it very difficult for state agencies to effectively respond to change in such a short time. For example, until recently, the University of Wyoming and the state's community colleges had not been asked to take a major role in economic development and diversification.

In the last year, however, Wyoming's higher education institutions have moved decisively to aid in the development and diversification of the Wyoming economy. It must be made clear, however, that the lead role in the state's efforts must be played by the Governor and the most relevant state agencies. Higher education should not play the lead role, but it certainly plays a unique and critical role because higher education is a key in efforts to retain business and diversity the economy.

The long term key to stability is an economy which depends on a much broader base of industries than currently exists in Wyoming. A broader base includes value-added industries and industries which are essentially nonexistent in Wyoming, such as high-tech industries. In order to create and/or attract these new businesses, higher education needs to expand its connections with existing and new Wyoming businesses.

First, higher education can often provide advice and assistance to ailing Wyoming businesses and assist in the retention of Wyoming firms. There are definite limits on how much higher education can help, but more could be done than is presently being attempted.

Second, higher education can assist in the start-up of new businesses, particularly in the areas of market feasibility studies and the development of business plans. These areas are often identified as the weak point in proposed new businesses in Wyoming. Higher education can also help in the early stages of developing a new company, and incubation centers developed by local communities and the Economic Development and Stabilization Board can aid this effort. Such incubation centers would typically provide low cost space along with shared services, such as secretaries and maintenance. Wyoming's higher education institutions can help communities establish incubation centers and provide continued interaction with start-up businesses via the centers.

Third, higher education can channel new ideas, specifically new technologies, to entrepreneurs. For example, the University of Wyoming (UW) employs an expert in the composite materials which are being used at a rapidly increasing rate by industry in everything from fishing rods to airplane bodies. This expertise could be connected to new companies that produce composite material components. This role for higher education as a "technology transfer agent" or "engineering extension agent" extends beyond technology to encompass a broad range of ideas which could lead to new Wyoming businesses. For example, a current UW study comparing Wyoming's tax structure to that of neighboring states, should contain specific recommendations for new businesses which would be most competitive if based in Wyoming. This linkage of Wyoming higher education and entrepreneurs, which has already started, must continue nationally and internationally.

Fourth, the research program at the University of Wyoming needs to be expanded. Basic research produces the technological innovation and creative talent which underlie all new products. However, the long pay-off period for basic research is such that states and companies cannot normally afford such long term investment. Thus, the federal government has substantially increased the monies available for basic research to respond to a severe erosion in the international industrial competitiveness of the United States. It is up to states and corporations to capitalize on federally funded basic research in order to convert it into new product development. For example, the Utah Innovation Center provide funds, often on a matching basis with industry, to convert their university's basic research into new businesses and new jobs. Most of the money specially allocated to the University of Wyoming for economic development and diversification for fiscal year 1987 was used for this purpose.

Based on these areas of involvement, The following goals can be projected for Wyoming higher education's involvement in economic development and diversification:

1. Better contact between the University of Wyoming and Wyoming businesses; the community colleges are already reasonably well connected to the businesses of their service region. The University of Wyoming needs a specific, on-campus, contact point for incoming requests along with an "in-the-field" outreach effort.
2. Expanded involvement by Wyoming higher education in applied research and development which impacts present or prospective Wyoming businesses. Excellent communication of these research results to business must be required.

3. Expand entrepreneurship in Wyoming by providing instruction on the essentials of setting up a business as part of higher education course offerings, or by consultation with specialists.
4. Assist ailing Wyoming businesses whenever possible. In the short term the state must place an emphasis on business retention.

B. PROPOSALS:

The members of the Economic Stability Task Force suggest that the proposals listed here should receive special consideration from both the executive and legislative branches of the Wyoming government in order to maximize the impact of the higher education community on the Wyoming economy.

1. PROPOSAL - CONTINUE THE RESEARCH EFFORTS AT THE UNIVERSITY WHICH WERE STARTED IN 1986.

During 1986, the Wyoming legislature made a special allocation to the University for a new economic development and diversification effort. A Priority and Review Committee was then appointed to administer the special allocation, and the members of the Committee have approved funding for thirteen projects (Exhibit I). The members of the Task Force recommend that, after appropriate review of the projects which are underway, this work be continued and enlarged.

2. PROPOSAL - ESTABLISH POSITIONS AT THE UNIVERSITY WHICH CARRY SPECIFIC RESPONSIBILITY FOR ECONOMIC DEVELOPMENT OUTREACH.

The University has proposed the establishment of at least two positions which will carry specific responsibility for economic development activities. These permanent positions would be established through reallocation of current positions and through an increased funding request to the legislature. The specific positions which will be proposed would be:

- a. A high-level University contact person to receive all inquiries regarding economic development and diversification activities.
- b. A person who would travel around the state to make contact with Wyoming businesses, with other state agencies involved in economic work, and with the related programs at the community colleges.

3. PROPOSAL - EXPAND THE SCOPE AND THE ROLE OF THE WYOMING NETWORK OF SMALL BUSINESS DEVELOPMENT CENTERS.

Wyoming has a network of small business development centers located in the larger communities in Wyoming. After the new administration has established its economic goals for Wyoming, the members of the Task Force recommend that additional centers be established and that the centers be provided with the resources to take an even more active role in development and diversification of Wyoming's economy. Funding for expansion must be considered in the light of the economic priorities of the new administration.

4. PROPOSAL - DEVELOP AND IMPLEMENT AN "ENTREPRENEURIAL TRAINING" PROGRAM FOR WYOMING.

Using the video tapes which are being developed in the Institute of Business and Management Services as a model, information can be made available to potential Wyoming entrepreneurs. The "package" would include the basic business methods and skills which are necessary for successful business start-ups. The "package" would be presented in a variety of formats, perhaps including University and community college courses, workshops, or correspondence materials. (Exhibit J is an example of a possible one-day workshop entitled "Minding Your Own Business", that leads to a one-year certificate in Entrepreneurship).

5. PROPOSAL - ESTABLISH A "HOSPITALITY WORKSHOP" PROGRAM FOR WYOMING.

In Canada, the province of British Columbia instituted a "hospitality workshop" program in conjunction with the Expo. The goal of this program is to teach effective public relations techniques to all residents in recognition of the importance of tourism to their economy. A similar program would be appropriate here, operated through the Wyoming Small Business Development Center network, participating local Chambers of Commerce and participating institutions of higher education. The goal of the program would be to sell Wyoming as a more attractive location for recreation activities (Exhibit K).

6. PROPOSAL - MONITOR THE POTENTIAL FOR DEVELOPMENT OF A WYOMING "HOSPITALITY MANAGEMENT" CURRICULUM.

Discussions to establish an interdisciplinary "hospitality management" curriculum for Wyoming have begun between some of the traditional departments at the University, and between the University and some of the

community colleges. An assessment of demand and cost may be followed by a recommendation for the establishment of such a curriculum, which could include preparatory courses at the community colleges towards a final four-year degree from the University.

7. PROPOSAL - STRENGTHEN TIES AND UNDERSTANDING BETWEEN THE UNIVERSITY AND INDUSTRY BY ESTABLISHING AN EXCHANGE PROGRAM FOR UW FACULTY AND INDUSTRY EMPLOYEES.

Select UW faculty members could spend a period of time, three to six months for example, in private industry, and private industry employees would be encouraged to teach courses at the University. The primary employer would continue to pay the individuals participating in this program. UW faculty could help industry identify research needs and match the needs with University capabilities, while industry representatives could expose undergraduate and graduate students to the perspectives of business.

In summary, it is essential to strive to implement a partnership between the University, the community colleges, the state, and the private sector. This partnership will diversify and strengthen the Wyoming economy through the most effective use of the state's resources.