

Freudenthal urges legislators to avoid spending reserves

'Take your cue from the private sector'

By JOAN BARRON - Star-Tribune capital bureau | Posted: Tuesday, February 9, 2010 12:05 am



Governor Dave Freudenthal is greeted by lawmakers before giving his annual State of the State address on the opening day of the legislature on Monday at the state Capitol in Cheyenne. (Dan Cepeda/Star-Tribune)

CHEYENNE -- Gov. Dave Freudenthal pushed for his wind energy package, called for more money for school capital construction and repeated his admonition to leave the state's reserve funds alone during his message to the Legislature on Monday.

The main thrust of the governor's hourlong speech was for legislators to resist pleas of special interest groups to dip into the state's \$800 million to \$1 billion in reserves to augment spending for the 2011-2012 fiscal years.

Emphasizing the need to be fiscally conservative, Freudenthal said he continues to believe that recovery from the recession will be slow and difficult largely because of the absence of available credit for small businesses.

"I would ask you to take your cue from the private sector," he said, noting that many businesses have retrenched and reined in spending as have many residents of the state.

Wyoming, he pointed out, now has its highest unemployment rate in the past 26 years.

Yet, he said, the state is in relatively good shape because of actions over the past year or two, including the Legislature's authorizing him to cut 10 percent in agency budgets, restrict new hires and to use stimulus dollars only to defer state spending, not to supplement state dollars.

"We arrive here the envy of many states, not by accident but by design," Freudenthal said. He added that the state's economic condition has been helped by a doubling of the capacity of natural gas pipelines and legislative spending policies in general.

The State of the State address may have been the last for Freudenthal, a Democrat finishing the final year of his second term as governor. He gave no hint as to whether he intends to challenge the state's term limits law. The governor said earlier he would make his intentions known after the 20-day budget session ends in early March.

Freudenthal urged the legislators to set aside the issues of an election year and focus on the session.

His talk covered a lot of ground, but the only mention he made of the push to increase financial help for cities and counties was the Joint Appropriations Committee's decision to tap \$20 million from a fund, and a difference of opinion over whether it was a bona fide reserve fund.

The JAC added \$20 million to the governor's recommendation for a total of \$80 million in direct contributions for the two-year budget period, an amount many local governments say is inadequate.

School funding cuts

The governor had some reservations about the JAC's \$3 billion budget to run state government for the 2011-12 election years:

* He objected to the cut from his request for \$165 million for new school construction. The committee approved \$113 million and eliminated four projects from the construction list.

"About the only thing that's going to generate jobs in the state is publicly funded construction over the summer," Freudenthal said.

He said the state is getting "remarkable" bids for the projects and, moreover, needs to fulfill its agreement with the local school districts.

"We have told school districts if you play by the rules and not come to the Legislature and ask for special bills, we will keep building schools," he said.

The Legislature, he said, shouldn't change the system more than halfway through the list of school projects.

* He encouraged the Legislature to approve money for a new liquor warehouse and to avoid "getting into a row" over how it will be financed.

The JAC approved a short-term loan to be repaid with higher prices on liquor and wine, a move opposed by the Wyoming retail liquor dealers.

The governor recommended a longer-term loan to be paid out of warehouse profits.

* He said he was nervous about increasing the employee contribution to the state retirement system beginning this year. He wants one year to evaluate the mix in the plan before proceeding with the contribution rate change.

"This is a decision that has severe implications for employees. We're talking about a \$1 billion decision here," he said

* He wants the budget footnote on school district recalibration rewritten to be sure the legislators ask hard questions about the outcomes from the state's huge investment in K-12 public schools.

Freudenthal also said the Medicaid program does not have surplus money, as some maintain, and instead is about \$300 million "under water," including the federal government's 50 percent share, because of an 8 percent increase in enrollment.

Wind tax

Pitching his wind energy package, which includes a \$3-per-megawatt-hour excise tax, he said the wind industry is the most heavily subsidized industry in the United States and is not entitled to a free ride in Wyoming.

Freudenthal urged legislators to think before making "a political decision" not to implement the tax this year.

The other controversial wind energy bill in the package would impose a one-year moratorium on eminent domain rights of the companies to condemn land for collection lines. The goal, the governor said, is to encourage free market negotiations between the companies and the landowners.

Freudenthal also said he supports bills to strengthen the state's seatbelt law, improve the juvenile justice system, toughen penalties for drunken driving, grant a sales tax break for data centers, clarify the method of valuing certain types of natural gas production and set up a health care pilot project for uninsured residents.

Freudenthal also pushed for his resolution calling on Congress to adopt a constitutional amendment to ensure state sovereignty. He said he doesn't want a constitutional convention, but adoption of the amendment by the states, which has happened 27 times in the past.

"I am not talking about secession," he said, but about the prerogatives of the states in a federal system.

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