Community Funding:
Rethinking Local Government Finances in Jackson Hole
January, 2021

Foreword

I have served as a Jackson Town Councilor for two years.

During that time, the town council has dealt with an array of issues falling into three general categories:

- The basic functions of local government
  - For example, water and sewer, streets, utilities, and building permits
- The community's rapid growth and change
  - Housing (affordable and otherwise), transportation, environmental quality, and commercial development
- Unforeseen issues
  - COVID-19, and the role of police

At one level, these are independent issues. Over my time in office, though, I've developed a gut feeling that they are connected at some deep level. I've also developed a related sense that, if I'm right, this interconnectedness might be a root cause of the stresses permeating all levels of town government.

My curiosity led to an exploration, which in turn led to this paper.

My big conclusion? My gut feeling is right. In particular, underlying the stresses and tying together all these seemingly independent issues is a common problem: When it comes to local government, Jackson Hole's eyes are bigger than its wallet.

By this I mean that Jackson Hole's residents, businesses, and visitors are asking local government to do more – far more – than it has the resources to effectively do. Certainly more than it can do at a high level. And there's a chance – perhaps low, perhaps high – that the town's government is trying to do more than it can ever hope to actually do.

To their credit, both of Jackson Hole's local governments – Teton County and the Town of Jackson – are trying their best to do all that is asked of them. The inevitable result, though, is an over-stressed system creating problems for all involved.

For constituents, these problems manifest themselves as a local governance system that can seem chaotic, hard to understand, and unresponsive; a system that too often disappoints. For those working inside the system, the number and complexity of the issues facing local government can be overwhelming, leading to sub-optimal decisions and employee burn-out.

Equally disturbing is a larger, meta-issue: Because government does not have the resources to do all it is being asked to do, its inevitable failures erode faith in institutions in general, and government in particular.

Institutions bind communities together. As a result, a community, state, or nation can never be stronger than its institutions. And as 2020's myriad challenges demonstrated, this is particularly true in tumultuous times, when society asks government to do things only government can do.

For institutions to be effective, though, people have to trust them, and trust is a fragile thing. In Jackson Hole's case, constituents neither know nor care that government is being asked to do more than it has the resources to do. Instead, what matters to them is whether government is doing what the community expects it to do. If it is – great. If not, each time government fails to meet expectations, constituents' faith erodes a bit. If this happens too often, government will lose the support it needs to adequately serve the community.

Ultimately, the issues raised in this paper can be fully addressed only by properly aligning the resources we give government with the things we ask it to do. One way to do that is to ask Jackson Hole's governments to do less. My preference, though, is to do the opposite – to provide Jackson Hole's governments with the resources they need to adequately play their unique and critical role in helping the community achieve the goals of the Jackson/Teton County Comprehensive Plan.

To properly do this – to get local government the resources it needs to do all the community is asking it to do – will require Wyoming to fundamentally restructure how it funds state and local government, to abandon its current rooted-in-the-mid-20th-century system for a system aligned with today's 21st century economic realities.

Until then, there are steps the community can take to help address the disconnect between the resources available to local government and what we ask local government to do. While this paper discusses potential steps, perhaps the most important thing it can do is provide the community a shared understanding of the root causes of local government's challenges.

Over the past many years, the town and county have done a valiant job addressing a series of thorny issues. They have done so, however, without a clear understanding that each one of those issues is a symptom of a larger, more fundamental problem. My hope is that by developing a shared understanding the disconnect between what we ask of government and the resources available to it, the community can begin addressing root causes instead of simply treating symptoms. If so, then this effort just might help all those who want to leave Jackson Hole a better place for future generations.

One final note.

This paper focuses on local government revenue, and doesn't discuss expenditures. The very practical reason for this is that local government finances are complicated and difficult to understand, especially when trying to compare the budgets of the county and town. This is because the two entities' financial reporting systems are so different that, especially on the expenditure side, it is quite challenging to make apples-to-apples comparisons.

While making such comparisons would add richness to this study, it wouldn't fundamentally change the conclusions. That's because the fundamental problem facing local government isn't spending. Instead, the fundamental problem is the two mis-alignments inherent in Wyoming's system for funding local government:

- The mis-alignment between Jackson Hole's 21st-century economy and Wyoming's 20th century method for funding local government; and
- The mis-alignment between what Jackson Hole wants its local government to do and how much money can be raised by Wyoming's system for funding local government.

Throw in the challenges of addressing the Comp Plan's goals, and when it comes to what Jackson Hole is asking of local government, the community's eyes are indeed far bigger than its wallet.

Summary

Jackson Hole is a 21st century community with a 20th century operating system.

"21st century community" means that Jackson Hole's economy, culture, actions, and spirit are all firmly aligned with the 21st century's realities and possibilities.

"20th century operating system" means that Jackson Hole's governments operate under a system of state laws designed in and for the 20th century, a system increasingly disconnected from 21st century life.

The growing disconnect is most clearly seen in how Wyoming funds state and local government. This system underwent its most recent major overhaul around 1970. In the 50 years since, Jackson Hole has grown and changed and gentrified so much that it arguably leads the nation in the most significant indicator of a 21st century economy: location-neutral income.

In contrast, Wyoming's three-legged stool of governmental funding – taxes on sales, property, and mineral extraction – is so firmly rooted in the mid-20th century that it is no longer serving the state well. It is also strikingly detached from Jackson Hole's economic realities.

The practical consequence the 21st century/20th century disconnect is this. On the one hand, as Jackson Hole gentrifies and grows wealthier, the community is asking local government to do more and more. On the other hand, because that gentrification and growing wealth don't directly contribute to local government funding, it is becoming increasingly difficult for local government to generate the funds it needs to provide the services the community wants.

Underlying this problem are three root causes.

Root Cause #1: An economically-disconnected funding system

Wyoming's current governmental funding system was designed to capture revenue from state's mid-20th century economy, and has proven incapable of adapting to how the economy has changed over the last half-century. Particularly in Jackson Hole, the result is that generating governmental revenues is increasingly detached from the actual economy.

Root Cause #2: Inadequate funding capacity

Wyoming's current governmental funding system was designed to generate enough revenue to pay for the services its mid-20th century residents expected from their government. 50 years later, the system can't generate enough revenue to pay for the extra services 21st century Wyoming residents expect from their government. Here again, the problem is particularly acute in Jackson Hole, where the community's increased wealth and gentrification have led constituents to ask local government to do much more than it did five decades ago – to provide not just more services, but a higher level of services.

Root Cause #3: Jackson Hole's self-imposed unfunded mandate.

By adopting the 2012 Jackson/Teton County Comprehensive Plan, the town and county committed to addressing a number of challenges facing the community, including affordable housing, mass transit, and environmental protection. Properly addressing any one of those challenges requires a great deal of money; properly addressing them all requires vast sums. Yet the Comp Plan is silent on how its goals should be funded, relying instead on Wyoming's wholly inadequate local government funding system to somehow magically create the money needed to address the Plan's ambitious goals.

Added together, these three root causes have created a three-fold dilemma. Jackson Hole's local governments are:

1. Trying to do far more than they currently have the resources to do;
2. Trying to do far more than can be done with the resources Wyoming's governmental funding system is capable of producing; and
3. Profoundly overworking themselves trying to make a system work that, in its design, cannot adequately fund all that the governments are trying to do.

For two related reasons, the situation is even more challenging for the Town of Jackson:

1. Wyoming's governmental funding system disfavors towns like Jackson; i.e., towns which play an outsized role in the larger community because they serve as their region's commercial and social hub; and
2. The Comp Plan concentrates future population and commercial growth in Jackson without providing any mechanism for covering the costs of that additional growth.

Ultimately, addressing these shortcomings requires addressing their root cause; i.e., Wyoming's antiquated and failing system for funding state and local government. Until then, Jackson Hole's local government can take voluntary steps to help address some of the problems the system creates. These fall into three categories:

- Short-term – use government's "Bully Pulpit" to create new public/private funding partnerships to address the community's shared goals.
- Medium-term – raise more money under Wyoming's current government funding structure.
- Long-term – develop a funding system which more accurately reflects Jackson Hole's 21st century socio-economics and community values, and then actively lobby Cheyenne to implement it.

To be successful, any new approach toward helping the community address Jackson Hole 21st century/20th century dilemma will require a new level of cooperation between Teton County and the Town of Jackson. The payoff will be a community better able to address the Comp Plan's Vision.

Introduction

Jackson Hole is a 21st century community with a 20th century operating system.

The foundation of that 20th century operating system is Wyoming's three-legged stool of funding state and local government.

The first leg – property taxes – is enshrined in the state's constitution, and took effect when Wyoming became a state in 1890.

The second leg – sales taxes – dates to the 1920s, when Wyoming authorized its first statewide sales tax.

The third leg – taxing mineral extraction – underwent its last fundamental change in the 1970s. Since then, only minor changes have been made to Wyoming's basic government funding mechanism.

During those 50 years, though, the global and national economies have undergone profound change. In Wyoming, those changes have been most evident in Jackson Hole, which has become not only the most 21st century of Wyoming's communities, but arguably one of the most 21st century small-to-mid-sized communities on the planet.

Between 1970 and 2020, Teton County went from being an agricultural and summer tourism backwater to America's wealthiest county. It also ranks at the very top of American counties in its proportion of location-neutral income, the quintessential indicator of a 21st century economy. (At its essence, location-neutral income is income which can be earned from any location with an internet connection and cell phone service.)

Yet none of that wealth and none of that location-neutral income directly supports Wyoming's governments, whether state or local.

This disconnect would be challenging enough if Jackson Hole's residents, businesses, and visitors expected their 21st century governments to provide a 20th century level of services. Making things far more challenging is that Teton County and the Town of Jackson are rightfully being asked by their 21st century constituents to provide a 21st century level of services; i.e., both more services and higher-quality services than were expected 50 years ago.

Local government can be thought of as an iceberg – most of what it does isn't obvious or visible. These "submerged" activities are government's core services: police, fire/EMS, water, sewer, plowing, and the like. Done properly, they draw the public eye only on those rare occasions when things go wrong.

When Wyoming set up its government funding system, local government wasn't asked to do much more than provide a level of core services which, by today's standards, seems fairly minimal. In turn, the funding system was designed to generate only the revenue needed to fund that minimal level of service.

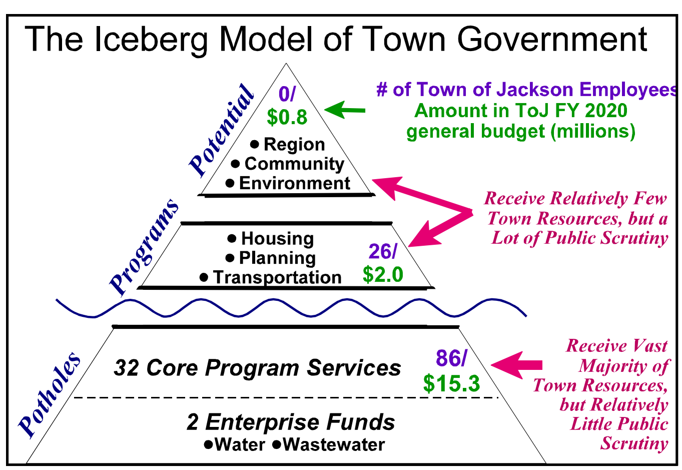

Figure 1

Today, however, local governments are being asked to do far more. In Jackson Hole, Teton County and the Town of Jackson are not only expected to provide core services, but take the lead in addressing many other challenges facing the community, including affordable housing, transit, and environmental protection. (Figure 1 – previous page)

Hence the disconnect. While Jackson Hole's residents want their local governments to both provide a high level of core services and address these "above the waterline" 21st century challenges, Wyoming's system for funding local government can barely produce the revenue needed to address the community's relatively minimal 20th century level of core services.

Three root causes underlie the funding problems facing Jackson Hole's local governments:

- *Root Cause #1: An economically-disconnected funding system*
  - Jackson Hole's 21st century economy is increasingly disconnected from Wyoming's 20th century system for funding local government
- *Root Cause #2: Inadequate funding capability*
  - The amount of revenue needed to fund the services expected by 21st century Jackson Hole is greater than the amount that can be produced by Wyoming's 20th century system for funding local government
- *Root Cause #3: Jackson Hole's self-imposed unfunded mandate*
  - The Jackson/Teton County Comprehensive Plan commits the town and county to addressing significant challenges without providing a funding mechanism for doing so.

These problems are particularly challenging for the Town of Jackson, for reasons captured by four statistics and one concept:

1. 45 percent v. 55 percent
2. 34 percent v. 66 percent
3. 23 percent v. 77 percent & 0 percent v. 100 percent
4. 31 percent v. 124 percent
5. Concentrating growth in Jackson

This paper will use the three Root Causes to explain the funding challenges facing Jackson Hole's local governments, and the "4 Statistics and 1 Concept" framework to shed light on the Town of Jackson's particularly challenging situation. It will then offer suggestions for what Teton County and the Town of Jackson can do to better meet the community's expectations and the Comp Plan's Vision.

Ultimately, the 21st century/20th century conundrum will only be properly addressed when Wyoming creates a 21st century funding system to meet its 21st century challenges. Until then, the hope of this paper is that a better understanding of the conundrum will provide all those who care about Jackson Hole's future a better shot at, as the Comp Plan envisions, "...ensuring a healthy environment, community and economy for current and future generations."

Root Cause #1: An Economically Disconnected Funding System

Consider four metrics of a community's change:

- population growth,
- per capita total income growth,
- per capita investment income growth, and
- per capita job growth

In each of these areas, here is how the United States and Wyoming (less Teton County) changed in the 50 years between 1969 and 2019:

- Population
  - America grew 63 percent
  - Wyoming grew 71 percent

- Per capita total income
  - America grew 1,337 percent
  - Wyoming grew 1,400 percent

- Per capita investment income
  - America grew 1,830 percent
  - Wyoming grew 1,793 percent

- Per capita jobs
  - America grew 37 percent
  - Wyoming grew 43 percent

The basic take-away? Between 1969-2019, Wyoming and the nation as a whole grew at a similar pace.

Now add Teton County into the mix:

- Population
  - America grew 63 percent
  - Wyoming grew 71 percent
  - Teton County grew 396 percent, roughly 6 times more than Wyoming and the nation.

- Per capita total income
  - America grew 1,337 percent
  - Wyoming grew 1,400 percent
  - Teton County grew 3,829 percent, roughly 2.5 times more than the state and nation.

- Per capita investment income
  - America grew 1,830 percent
  - Wyoming grew 1,793 percent
  - Teton County grew 50,493 percent, roughly 16 times more than the state and nation.

- Per capita jobs
  - America grew 37 percent
  - Wyoming grew 43 percent
  - Teton County grew 111 percent, roughly 3 times more than the state and nation.

Other indicators tell the same story, namely that Teton County has grown and changed far more rapidly and far more significantly than Wyoming or the nation.

Teton County is not alone in growing and changing, of course. Over the past 50 years, America, Wyoming, and Wyoming's communities have all grown and changed, and each is struggling with challenges specific to its situation. These struggles are acting as a "stress test" of how well Wyoming's governmental funding system can cope with rapid growth and change. Unfortunately, the answer is "not well," Statewide, Wyoming's finances are on shaky ground. For Wyoming's counties and municipalities, things are similarly challenging. This is especially true in Jackson Hole, which is a fundamentally different place today than it was 50 years ago. As a result, Jackson and Teton County are facing a singular suite of challenges, including:

- The growth and change in Teton County's income has produced the nation's greatest income inequality, creating a tremendous and growing need for affordable housing.
- The combination of the affordable housing problem, rapid job growth, the changing nature of work, and a road network designed for a quieter, less-populous community has created the need for local government to run a multi-county, multi-state mass transit system.
- In committing to the Comp Plan's Vision – "Preserve and protect the area's ecosystem in order to ensure a healthy environment, community and economy for current and future generations" – Jackson Hole has pledged to do something no community in human history has ever accomplished.

To successfully address these and other pressing needs requires a great deal of money, far more than can be generated by Wyoming's 20th century funding mechanism. Making matters worse, this mechanism is proving itself increasingly disconnected from Wyoming's 21st century's economy, especially in Jackson Hole.

One telling example of this disconnect is found in the second leg of Wyoming's "funding stool": sales taxes. Since emerging from the Great Recession, Teton County's sales taxes have annually accounted for 51 to 53 percent of local government's combined revenues. Yet the businesses producing those taxes account for no more than 17 percent of Jackson Hole's total economic activity, and likely less.

The 83-plus percent of economic activities that do not directly contribute to local government coffers include residents' income, real estate sales, professional and recreational services, and a host of other services and goods exempt from sales taxes. These are not only the fastest-growing areas of Teton County's economy, they are also the drivers of the community's rapid growth and change. Yet under Wyoming law, none of them directly contributes a penny to government's efforts to address the consequences of that growth and change.

Because Wyoming's current mechanism for funding state and local governments is unraveling at an alarming rate, the legislature will eventually have to revamp how the state funds its governments. Given the legislature's increasingly conservative bent, however, it will likely be several years until such changes are even discussed, and many more after that before they are meaningfully addressed. Until then, the continuing growth and change sweeping over Jackson Hole will mean the town and county governments will be asked to do ever-more while relying on an increasingly inadequate revenue-generating mechanism.

Root Cause #2: Inadequate Funding Capability

The Town of Jackson and Teton County offer different services to their constituents. For example, the town provides water, sewer, snow plowing, and street sweeping to its residents, while the county doesn't. On the other side of the ledger, the county is legally obliged to operate a number of departments – e.g., Assessor, Coroner, the Fair, the Library, and Public Health – not required of the town.

Regardless of who offers them, though, by any measure the range and quality of core services provided by Teton County and the Town of Jackson is very high. This has not always been the case.

In 1970, Jackson's population was 2,688. Another 2,135 people lived in the unincorporated county. The county's per capita income was $6,328.

Today, Jackson's population is over four times higher than it was in 1970. The unincorporated county's is over five times higher. And the county's per capita income is over 36 times higher (if you adjust for inflation, it's over five times higher).

The Jackson Hole of 1970 had neither a public transportation system nor an affordable housing program. The town was physically smaller, with few sidewalks beyond the Town Square's boardwalks, far fewer miles of paved streets, and a far more limited sewer system. And because the community's economic connections to the outside world were constrained by its geographic isolation, the community's housing prices were still in line with local wages.

Today, of course, things are very different. In the unincorporated county, most new homes are high-end, and many are second homes. In the town, gentrification is running rampant, with older, low-end homes and commercial buildings rapidly being replaced by far more up-market versions.

From a government services perspective, all this change has had three significant effects.

First, a bigger, more-affluent population demands a greater quantity of services.

Second, a bigger, more-affluent population demands a higher quality of services.

Third, as gentrification exacerbates Teton County's wealth disparity, the community has looked to government for solutions to the resulting socio-economic challenges.

These realities are exemplified by the community's boom in capital facilities.

Until the mid-1980s, Teton County and the Town of Jackson had to fund new capital projects out of general revenues or by issuing bonds. As a result, the community had relatively few capital facilities.

In 1984, however, Jackson Hole lobbied for, and the legislature approved, a new law, one which allowed Wyoming's towns and counties to levy a sales tax specifically targeted at funding capital projects (originally called the Capital Facilities tax, it's now known as the Special Purpose Excise Tax, or SPET).

In 1985, Teton County's voters approved the first Capital Facilities project, a $1.3 million measure to help fund a new jail. Over the next 15 years, they authorized an additional ten projects. As a result, between 1985-2000, Teton County added new capital facilities worth a total of $66 million, an average of $4.1 million/year. (Figure 2)

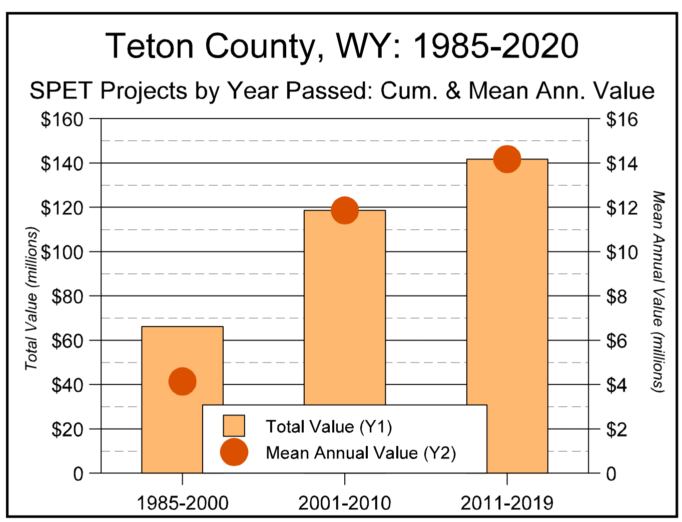

Figure 2

During the following 10 years – from 2001-2010 – voters approved an additional 30 SPET projects, costing a total of $119 million, an average of $11.9 million/year.

In the most recent 10 years – between 2011 and 2020 – voters approved 22 more SPET projects, with a total value of $142 million, an average of $14.2 million/year.

Added together, in the past 35 years Teton County's voters have approved 63 new tax-funded capital improvements, worth a combined total of $327 million. Another 14 proposed projects were voted down. Approved projects range from pathways to wastewater systems; from affordable housing to vehicle fleet maintenance buildings.

All of these were projects voters felt the community needed. And that sense of need is escalating: The 22 projects approved in the last decade accounted for 35 percent of the total number of projects and 43 percent of the total amount raised.

From a government finance perspective, though, each SPET project produces an unfunded mandate.

The problem is that, by law, SPET funds can be used only for construction. As a result, once the project is finished, its operations, maintenance, and depreciation must be paid for our of its owner's annual operating revenues. The result? While the community receives more and better services, there are no new revenues to pay for the added costs of those services.

Beyond capital facilities, 21st-century Jackson Hole residents also enjoy a much broader range of governmental services than did the community's mid-20th century residents. For example, neither the town nor county had a planning department until 1979, the Parks & Rec department barely existed until the 1980s, and the community's recycling effort started as a voluntary effort in the 1980s (it became a county department in early 2000s). Further, both the town and county offer financial support to the community's many social services providers, few of which existed until the 1980s and 1990s.

To varying degrees, the money to pay for these and other efforts comes from local government's general revenues. Adding richness to the challenge, as each effort becomes established and more successful, its clients and constituents ask it to do more and more. Which, of course, puts increasing pressure on the town and county budgets.

Where does that money come from?

Because Jackson Hole lacks significant mineral resources, to fund their efforts the Town of Jackson and Teton County rely on a combination of sales taxes and property taxes. While both have produced growing revenues over the past 50 years, by national standards both Jackson Hole's sales and property tax rates are low – and compared to many places, quite low.

More importantly, while 50 years ago the two sources might have generated enough revenue to fund the core services needed by a smaller, poorer, and less-demanding community, today that's not the case. Instead, this combination of sales and property taxes is proving increasingly unable to generate enough revenue to fund the greater scope and higher quality of core services expected by Jackson Hole's current residents, businesses, and visitors.

As a result, Teton County and the Town of Jackson have had to become increasingly nimble in balancing the services they can afford to provide with those their constituents want them to provide. But the simple reality facing both bodies is that people who pay millions of dollars for a property will not readily tolerate streets that aren't plowed well and in a timely fashion, or first responders who don't show up quickly in an emergency, or roads that are rutted or massively congested. Hence the demand for not just increasingly more services, but increasingly higher-quality services.

Wyoming's Taxation Paradox

Underlying this dilemma is the paradox at the heart of Wyoming's approach to taxation.

On the one hand, the state's "on-shore, off-shore tax haven" tax and trust laws are designed to lure wealthy individuals to the state. On the other hand, because that wealth is not taxed, local governments have to look elsewhere to fund the higher level of services expected by the well-to-do. They also have to look elsewhere for the funding needed to address the socio-economic disruption caused by that wealth.

Making the situation even more intractable for Jackson Hole is Teton County's limited amount of private land. When combined, the taxation paradox and private land scarcity have, in effect, set up two significant problems: one for the public sector, and another within the private sector.

The Public Sector Problem

The core of local government's problem is that most government services are labor-intensive. As a result, the quantity and quality of local government services can never be better than the number and quality of employees local government can afford to hire.

In turn, this requires paying highly-qualified employees enough for them to live in the region, and ideally the community. Yet in the same way Jackson Hole's growing population of "location-neutral residents" is helping fuel demand for more and better services, so too is it driving housing prices beyond that which can be supported by local government salaries.

Through property taxes, some of this property value growth becomes governmental revenue, but not enough to keep up with rising property prices.

Hence the public sector problem: the community's increasing wealth is creating demand for more and better services, while simultaneously making it harder for government to pay enough to hire the workers needed to provide those services. Making things more problematic still is that local government funding has no direct connection to the dynamics driving the growing disconnect.

Sadly, it gets worse. When current long-term employees retire, where will their replacements live? They will need housing, and it's an open question whether local government will be able to pay enough for them to find that housing in the Jackson Hole valley.

The Private Sector Problem

Making matters more vexing still is that it's not just government feeling the squeeze. Gentrification is complicating matters for the private sector because Wyoming's overall approach to taxation is also creating increasing problems for Jackson Hole's most important industry: tourism

The essence of the problem is this.

On the one hand, Wyoming's favorable income tax and trust laws are making the state increasingly attractive to people looking to shelter that most location-neutral of all incomes: investment income. As a result, Teton County leads the nation in per capita investment income.

On the other hand, because of its robust tourism economy, Teton County ranks 18th in the nation – the top 0.6 percent of all counties – in its percentage of jobs in that most tourist-oriented of all industries: hospitality (i.e., lodging and restaurants).

For Jackson Hole, this creates a competition between the high-income, location-neutral economy of investments and professional services and the low-income, location-dependent economy of tourism. This is a competition which, ultimately, tourism is destined to lose.

Why? Because tourism's business model – the model undergirding its constituent industries of lodging, restaurants, recreational services, and retail – is to hire a lot of people and pay them relatively low wages. For that model to work requires a lot of affordable housing, which in turn requires a lot of inexpensive and available land. Which Teton County does not have.

This hasn't always been true. Until the mid-1980s, Jackson Hole's geographic isolation also largely insulated it from the larger global economy, particularly the higher incomes earned by people living in major cities. As a result, housing prices were in line with local wages.

That all began to change in the 1980s, however. The personal computer was introduced. FedEx started serving Jackson Hole, and the Jackson Hole Airport welcomed its first direct jet service. As these and other changes in technology and the economy began growing and building upon one another, Jackson Hole became less economically isolated and its housing prices began de-coupling from local wages. All to the disadvantage of the community's tourism workforce.

This same dynamic is playing out nationwide, but as with so much of Jackson Hole, it is especially extreme here: in 2019, Teton County's per capita investment income was $161,411, 11.5 times greater than its per capita hospitality income of $14,005 (Figure 3). As a result, those making location-neutral incomes can readily out-compete those working in tourism for the community's increasingly-scarce housing supply, making it increasingly difficult for tourism to house the large numbers of relatively low-paid workers demanded by its business model.

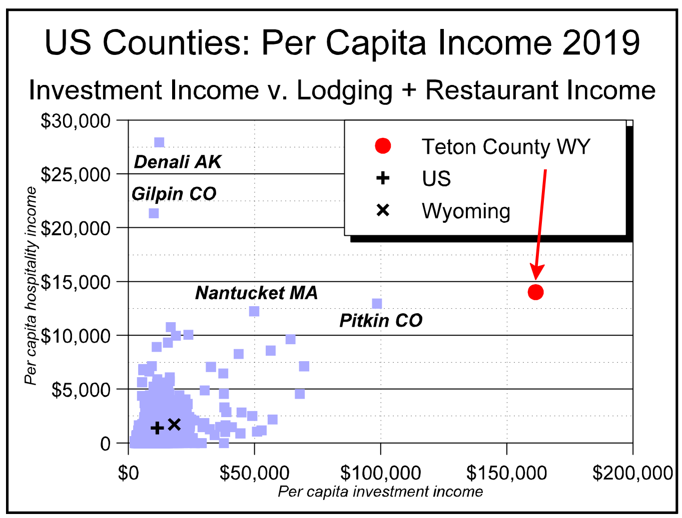

Figure 3

The Public Sector-Private Sector Nexus

The final complicating factor in this paradox is that tourism generates a substantial proportion of local government revenues, while location-neutral income directly generates none. As a result, while Wyoming's tax laws and Jackson Hole's desirability combine to attract increasing numbers of people earning location-neutral incomes, government is being asked to do increasingly more. At the same time, though, those very attractants are making it increasingly difficult for the tourism industry to find and house the employees it needs to thrive. And because Wyoming's governmental funding system makes Jackson Hole disproportionately dependent on a thriving tourism economy, the tension between Jackson Hole's attractiveness to those earning investment income and the exigencies of its tourism industry is creating increasing problems for Jackson Hole's socio-economic fabric. Stuck in the middle is local government.

In the Iceberg Model of local government, some of the resulting issues fall “below the waterline” (i.e., in core services or “Potholes”). Others are immediately “above the waterline” (i.e., “Programs”). Root Cause 1 is primarily linked with core services, while Root Cause 2 spans both Potholes and Programs. Linking them all together is the simple fact that, because of its inherent flaws, Wyoming’s local government funding system simply can’t generate enough money to pay for the current level of services the community expects, much less those never envisioned 50 years ago.

Nor, as discussed in the next section, can it properly fund the two levels of the Iceberg Model’s “above the waterline” challenges that Jackson Hole has voluntarily chosen to address.

Root Cause #3: Jackson Hole’s Self-imposed Unfunded Mandate

Before COVID-19, much of Jackson Hole’s growth and change was already being driven by the rise of location-neutral income. As with so many other trends affecting Jackson Hole, though, COVID-19 poured gasoline on that fire, bringing to the community ever-larger numbers of new residents with location-neutral incomes. In turn, this has exacerbated many of the community’s long-standing socio-economic challenges, most prominently affordable housing and transportation.

Jackson Hole started formally dealing with public transit in the 1980s, and affordable housing in the 1990s. Recognizing fresh approaches to these and other issues were needed, though, around 15 years ago Teton County and the Town of Jackson launched an effort that culminated in the 2012 Jackson/Teton County Comprehensive Plan. The Plan’s eight chapters identified the major challenges facing the community, and committed local government to addressing each:

1. Stewardship of Wildlife, Natural Resources and Scenery
2. Climate Sustainability through Energy Conservation
3. Responsible Growth Management
4. Town as the Heart of the Region - The Central Complete Neighborhood
5. Local Workforce Housing
6. A Diverse and Balanced Economy
7. Multimodal Transportation
8. Quality Community Service Provision

In many ways, the 2012 Comp Plan has been a great success, particularly in how it has identified and led local government to focus on Jackson Hole’s major challenges. Unfortunately, though, for all its thoroughness the Comp Plan overlooked one major challenge: how to pay for the efforts the community commits to in the plan.

Adequately addressing any one of the challenges identified in the Comp Plan would require significant sums of money. Adequately addressing them all would require far, far more than Wyoming’s system of funding local government has proven itself capable of raising in Teton County.

Further complicating matters is the fact that, as the global economy becomes increasingly location-neutral, all of the challenges identified in the Comp Plan will become correspondingly more difficult, requiring increasing amounts of money. Unfortunately, though, nothing in Wyoming’s very 20th century governmental funding mechanism allows the town and county to generate anything close to the money needed to comprehensively address these very 21st century challenges.

Here again, this problem is especially acute for the Town of Jackson, for Chapter 4 of the Comp Plan commits the community to concentrating future commercial development and affordable housing in the town. That the town has little open land and a road system designed for fewer cars than it has today are problems currently facing town government. That the town's future population will be even larger and more densely-packed is an issue simply not addressed in the Comp Plan.

A Related Challenge: Doing That Which Has Never Before Been Done

The problems noted above are all real, all important, and all incredibly complicated. That noted, none are not unique to Jackson Hole. From London to Los Angeles, from Tel Aviv to Telluride, regardless of size, every attractive place on Earth is facing housing, transportation, and related problems. None has "solved" them.

What makes Jackson Hole unique, though, is that it has voluntarily chosen to address a challenge facing no other community on Earth: preserving and protecting the area's ecosystem.

The onset of the Industrial Revolution in the 1760s marked a fundamental shift in the relationship between humans and the natural world, for the technological forces unleashed by the Industrial Revolution have allowed humans to become increasingly effective in exploiting natural resources for economic benefit. One consequence has been that, with perhaps the exception of the Tetons region, for the past 250 yeas no community on Earth has developed a successful industrial or post-industrial economy without fundamentally compromising the health of its environment.

Viewed in that light, by adopting the Comp Plan and its Vision to "Preserve and protect the areas's ecosystem in order to ensure a healthy ecosystem, community and economy for current and future generations," Teton County and the Town of Jackson committed to do something that has never been done in human history. And however unintentionally, to finance that effort they have also committed to relying on Wyoming's antiquated and failing funding mechanism.

On the positive side of the ledger, Jackson Hole knows what it wants to do: "Preserve and protect the area's ecosystem..." And why it wants to do it: "... in order to ensure a healthy environment, community, and economy for current and future generations." To put a word on all this, what Jackson Hole wants to do is achieve a state of "Co-Thriving;" i.e., to reach a place where both the region's human community and its ecosystem simultaneously thrive.

In its pursuit of Co-Thriving, Jackson Hole can turn to the Comp Plan's land use tools, particularly those that direct future growth into the town. Bigger picture, though, history tells us that neither land use regulations nor any of the Comp Plan's other tools will allow Jackson Hole to achieve its vision – if such tools did work, other places would long ago have achieved a state of Co-Thriving.

But they haven't – to put it bluntly, a state of Co-Thriving has never been achieved. And because it hasn't, Jackson Hole must pursue its vision without a road map or blueprint or recipe to follow. All it can be sure of is that trying something new is always an endeavor filled with mis-steps and false starts, one filled with problems that not only cost money but can erode faith in the effort.

What to do? There's no clear answer, a reality made manifest by the fact that since the Comp Plan was adopted in 2012, neither the town nor county has taken any meaningful steps toward pursuing its Vision. No departments have been created; no staff hired; no line items inserted into the budget that can be pointed to as an example of how the town and county are actively working to preserve and protect the area's ecosystem.

Unfortunately, 250 years of history suggest that relying on the Comp Plan alone will not result in Jackson Hole achieving its Vision. Instead, bucking global precedent will require Teton County and the Town of Jackson to collectively make an active, sustained, and well-financed effort . Where will the necessary funds come from? That, too, is not clear. What is clear, however, is that Jackson Hole cannot rely on Wyoming's current local government funding mechanism to provide the revenue needed to address the community's many growth-related challenges, much less the Comp Plan's Vision.

What is also clear is that, as illustrated in the next section, this pressure is already being felt most acutely by the Town of Jackson, a reality that will only increase as Jackson Hole's growth increasingly concentrates in town.

Four Statistics and One Concept: The Challenges Facing the Town of Jackson

Statistic 1: 45 Percent v. 55 Percent

The 2010 decennial US Census found that 9,630 of Teton County's 21,297 residents – 45 percent – lived in the Town of Jackson. The remaining 11,667 – 55 percent – lived in the unincorporated county.

Legally, this matters because Wyoming law specifies that each county's overall sales tax revenues are split between town and county governments based on the most recent Census's population count.

In Teton County, this has meant that, since 2011, the town's government has received 45 percent of Teton County's total sales tax revenues, and the county's government 55 percent. In FY 2020, this translated into the town receiving $16.5 million in sales taxes, and the county $19.6 million. (Figure 4)

This town/county split will be re-calibrated in 2021, based on the 2020 Census. The resulting split will remain in force until 2031, regardless of whether or how the town/county population ratio changes over those ten years.

The 45/55 split is also important because it provides the rationale for how the town and county governments currently divide the costs of running the eight joint Town/County departments.

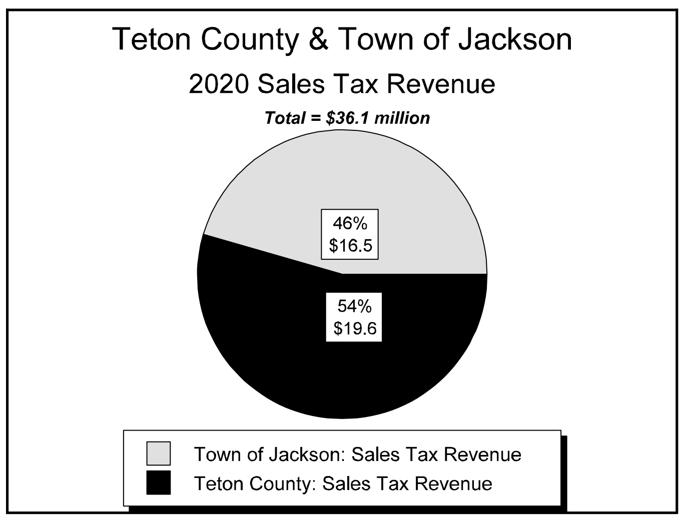

Figure 4

Five of these departments are run by the county: Dispatch, Fire/EMS, Housing, Parks & Rec, and Pathways. The other three are run by the town: the Animal Shelter, START, and Victim Services. Regardless of who runs them, though, each receives 45 percent of its operating revenue from the Town of Jackson, and 55 percent from Teton County.

The 45/55 sales tax split is mandated by the state. The 45/55 split for funding joint departments is not. Instead, it's the result of a handshake agreement between the town and county based on 2010 population. Before that agreement, the two entities split the costs of joint departments evenly; legally, the two bodies can split the costs any way they want.

Statistic 2: 34 Percent v. 66 Percent

In Jackson Hole, local government revenues come from three basic sources:

- *Sales taxes:* in FY 2020, sales taxes accounted for 52 percent of the combined revenues of the Town of Jackson and Teton County
- *Property taxes:* 17 percent
- *All other sources:* 31 percent

As Figure 5 shows, in FY 2020 the two governments received a total of $68.9 million in general revenues. Of this, 66 percent went to Teton County, and 34 percent to the Town of Jackson.

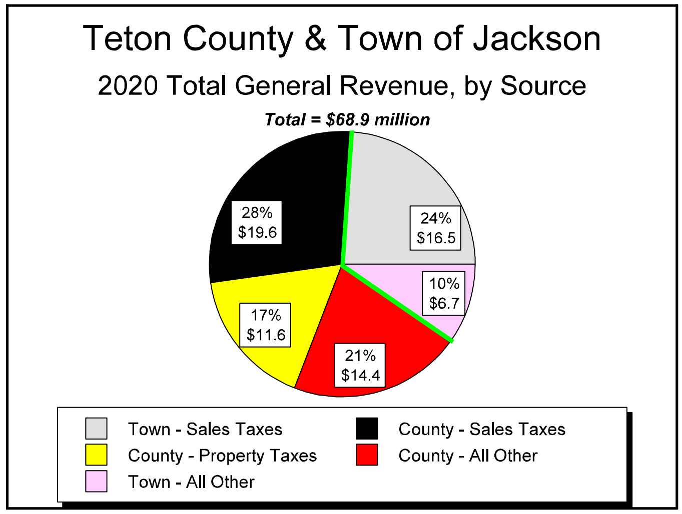

Figure 5

For three reasons the county's general revenues were twice those of the town.

The first was the legally-mandated 45/55 sales tax distribution split.

The second was the fact that Teton County levies a property tax, while the Town of Jackson does not. For the county, this revenue stream is both large and rapidly growing: In FY 2019, Teton County's property tax receipts were $9.4 million; in FY 2021, they are budgeted to be $13.2 million, an increase of $3.8 million (40 percent) in just two years.

The third reason was that Wyoming's counties have "other" revenue streams that municipalities do not. For example, instead of paying property taxes, the federal government pays counties with federal lands an annual Payment in Lieu of Taxes. In FY 2021, Teton County will receive $1.55 million in PILT funds, while the town will not receive any. For this and other reasons, in FY 2020 Teton County received more than twice as much in "All Other" revenues than did the Town of Jackson.

In FY 2020 Teton County received $14.4 in "All Other" revenues and $11.6 million in property tax revenues. This combined total of $26 million was 12 percent greater than the Town of Jackson's *total* revenues of $23.2 million. Add the county's additional $19.6 million in sales tax revenue, and the county/town revenue ratio became 2-to-1.

Statistic 3: 23 Percent v. 77 Percent & 0 Percent v. 100 Percent

The Town of Jackson's 3 square miles comprise about 2 percent of all the private land in Teton County. Jackson's population of around 10,500 people accounts for around 45 percent of the county's total population, and the $442

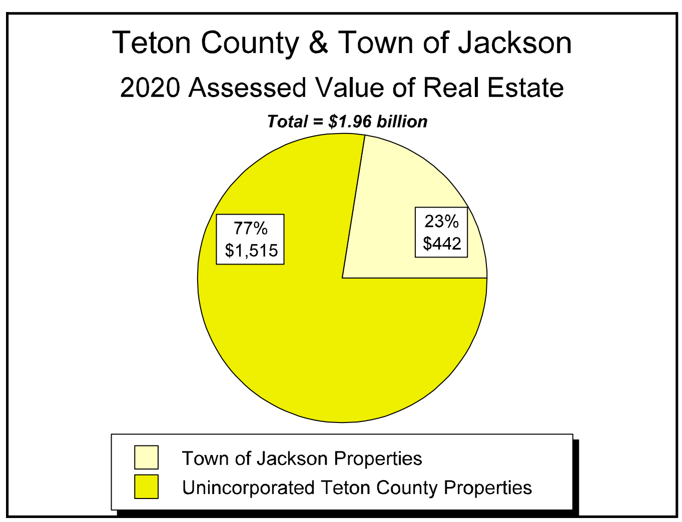

Figure 6

million of property lying in the town's boundaries accounts for around 23 percent of Teton County's total assessed property valuation of about $1.96 billion. (Figure 6 – previous page)

Despite these figures, 100 percent of the property taxes levied by the town and county governments go to Teton County. This is due to the fact that Teton County's government levies a property tax, while the Town of Jackson's does not. (Figure 7)

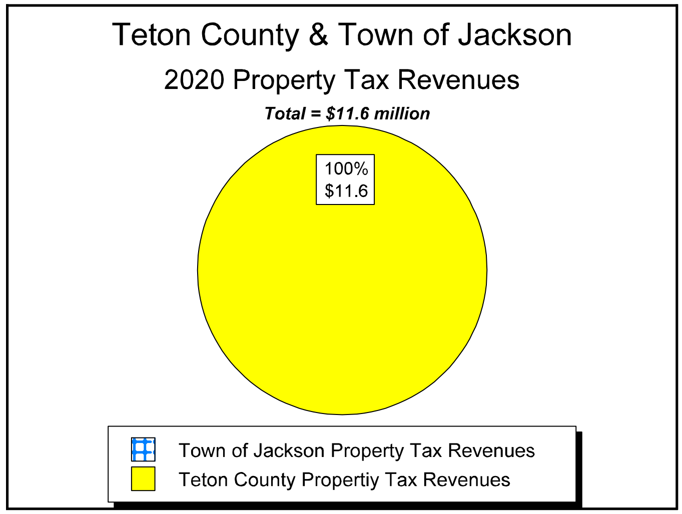

Figure 7

Under Wyoming law, Jackson's Town Council can levy up to 8 mills in property tax (versus the county commission's ability to levy up to 12 mills). So why doesn't it? There are two basic reasons: history and economics

"History" goes back around five decades. Until the mid-1970s Town of Jackson property owners paid a separate, town-only property tax. This changed when the then-mayor approached town residents with a deal: If they voted to increase the county's sales tax, the town council would eliminate the town's property tax.

Three arguments undergirded this proposal:

- Property taxes could never raise as much money for the town as sales taxes;
- Tourists paid a significant portion of sales taxes, but paid no property taxes; and
- Having a separate town-only property tax meant town property owners were being taxed twice on the same property – paying one property tax to Teton County and another to the Town of Jackson.

Voters were persuaded, and approved the sales tax increase. No town-only property tax has been levied since.

"Economics" is that, because town properties account for a relatively small portion of the county's total property value, the town would have to levy a large number of mills to generate significant revenue. For example, in FY 2020, had the Town of Jackson levied a one mill property tax, it would have produced around $435,000 in revenues. To put that figure in perspective, had Teton County's taxable sales risen just 2 percent between 2019 and 2020 – i.e., had they risen by just the rate of inflation – it would have generated about the same $435,000 for the town.

In contrast, in FY 2020 each mill of property tax levied by Teton County generated around $2 million, 4.5 times more than the town's per-mill figure. Further, because the county can levy up to 12 mills, in 2020 it had the potential to raise a total of about $24 million in property tax, roughly seven times more than the town's potential of $3.3 million.

And to put that hypothetical $3.3 million in perspective, in the two years between 2019 and 2021, Teton County's actual property tax revenues will grow by $3.8 million, from $9.4 million to $13.2 million.

Because the fundamentals of Wyoming's governmental funding mechanism haven't changed in the past five decades, the rationale offered in the 1970s by Jackson's mayor remains basically true today. As a result, the Town of Jackson's approach to property tax and, more broadly, overall government funding has remained unchanged for nearly 50 years.

Statistic 4: 31 Percent v. 124 Percent

For Jackson Hole's local governments, 2014 was a significant year in two tax categories:

- Sales taxes
  - In 2014, Teton County's taxable sales grew 11.4 percent. That was the highest growth rate since 2000's 11.7 percent
    - In every year since 2014, growth has been slower
- Property taxes
  - In 2014, Teton County's total assessed valuation was $1.10 billion. That was the county's lowest valuation since 2008.
    - That same year, Teton County's $5.9 million in property tax revenues was the lowest since 2007.

Since 2014, these two foundational sources of local government revenue have experienced very different types of growth:

- Sales taxes
  - Between 2014 and 2021, local government's taxable sales revenues will grow an estimated 31 percent.
- Property taxes
  - Between 2014 and 2021, local government's property tax revenues will grow an estimated 124 percent (they doubled between 2014-2020 – Figure 8).

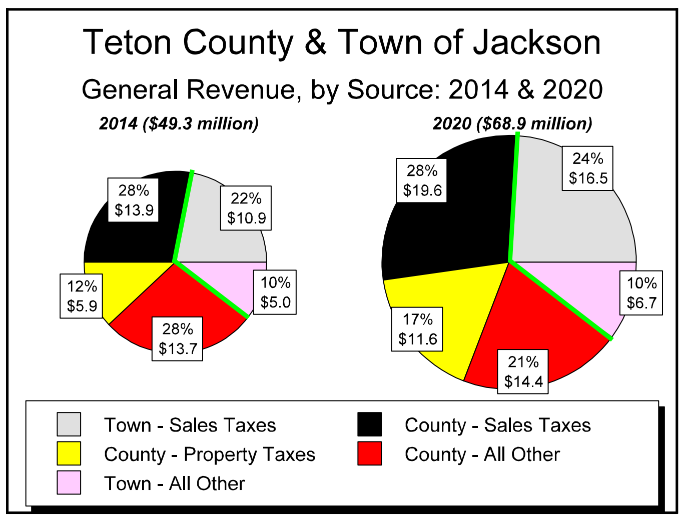

Figure 8

This divergence between sales and property taxes is a recent occurrence.

Between 2014 and 2019, both sales and property tax revenues grew at similar rates. Between 2019 and 2021, however, the combined sales tax revenues of the town and county will decline an estimated total of 9 percent, while the county's property tax revenues will increase an estimated total of 40 percent. (Figure 9)

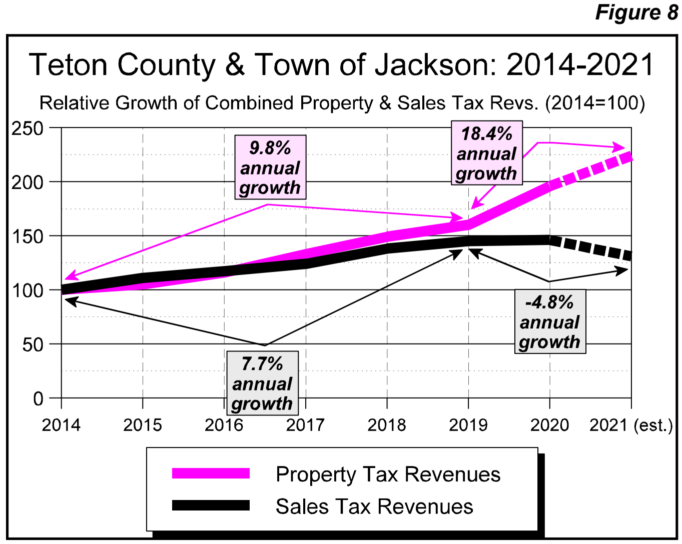

Figure 9

Part of the property tax increase is due to Jackson Hole's increasing popularity, especially for those with location-neutral incomes – the increased demand has driven up both residential and commercial real estate values.

Part of it also has to do with a state mandate to assess all properties at their actual market value – until 2018 or so, the assessed value of most Jackson Hole properties had been based on below-market values.

Combined, these two reasons led to sharp increases in property valuations and, with them, Teton County's property tax revenues.

Looking to the future, it is not clear what will happen to sales tax revenues during the winter of 2020/21. Given that the winter of 2019/20 was very strong until COVID-19 struck in mid-March, it seems likely that winter 2021's taxable sales will be lower than 2020's.

In contrast, because summer 2021's tourism numbers will likely be strong, so too will taxable sales. In part tourism's strength will be due to pent-up demand to travel; in part it will be due to uncertainties surrounding foreign travel. Whether that increased business will be enough to make up for 2020's COVID-related sales tax declines, though, is yet to be determined.

What is clear, however, is that Jackson Hole's phenomenally strong 2020 real estate market will result in sharp increases in assessed property values. In turn, this will almost certainly produce continued increases – likely large ones – in Teton County's property tax revenues.

Concentrating Growth in Jackson: The Comp Plan's Town-Specific Unfunded Mandate

By adopting the 2012 Comp Plan, Teton County and the Town of Jackson agreed to concentrate Jackson Hole's future population and commercial growth in the town.

What the Comp Plan did not do is consider the fiscal implications of that concentration. Nor did it consider how to address the attendant consequences.

Between 2012 and 2019, the majority of Jackson Hole's single family home growth occurred in the unincorporated county. This is contrary to the Comp Plan's goal, but understandable because hundreds of undeveloped lots were platted outside of town before the plan's 2012 adoption.

Because of this housing growth pattern, it is likely that the 2020 Census will find that the town/county population split is similar to 2010's.

Even if the Comp Plan's goal to concentrate housing in town has yet to take hold, though, two other pieces of data suggest its broader concentration-related goals are beginning to affect Jackson Hole's development patterns:

- Since 2012, most of Teton County's growth in multi-family homes, and essentially all its commercial growth, has occurred in the town. (Figure 10)
- The assessed value of properties in town has grown faster than the values of those in the unincorporated county. (Figure 11 – next page)

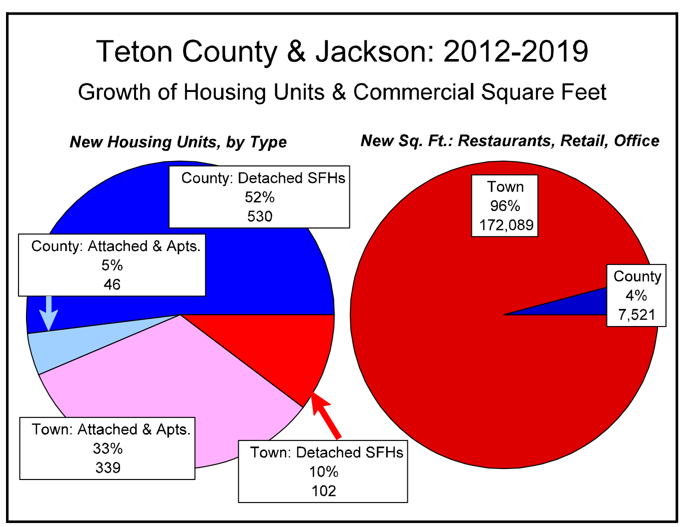

Figure 10

These trends should continue – and likely accelerate – in the coming decade, as the Comp Plan's "concentrate growth in town" strategy increasingly takes hold. As a result, during the coming decade the Town of Jackson should see a steady increase in its share of Jackson Hole's population and commercial activity.

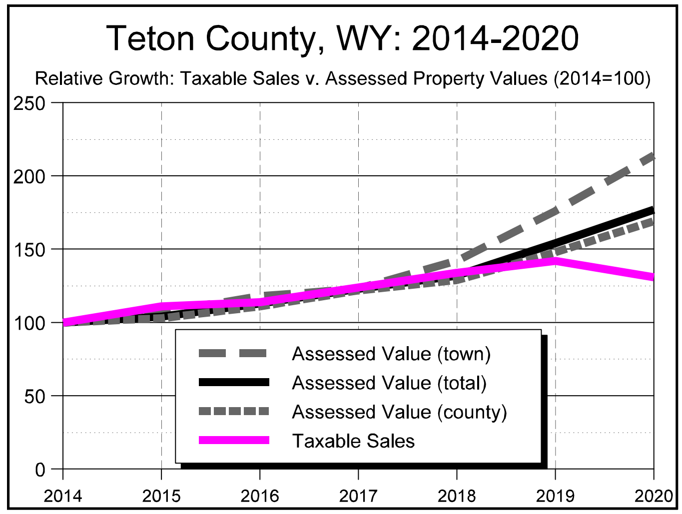

Figure 11

How will the town address the attendant fiscal considerations? The Comp Plan is silent on that issue. What is clear, though, is that, given its inflexible and antiquated nature, Wyoming's government funding mechanism will not provide any meaningful help. For example, because the 2020 Census will determine how the town and county split sales tax revenues until 2031, the more successful the Comp Plan is in directing the county's population into the town over the next 10 years, the more the state's funding formula will disadvantage the town.

What if the town were to levy a property tax? In certain ways, property taxes do a better job capturing the community's changes than do sales taxes, for rising property taxes reflect gentrification and growing wealth, while rising sales taxes reflect little more than population and tourism growth.

Even if the town were to levy a property tax, though, for two structural reasons the county will always enjoy stronger property tax revenues than the town:

- Over three-quarters of the county's property value lies in the unincorporated county; and
- Legally, the county can levy 12 mills while the town can levy only eight.

This reality is reflected in Figure 12. The graph's left side shows the actual revenues generated by Teton County and the Town of Jackson in FY 2020. The right side shows what the two entities could have generated had they maximized their mill levies.

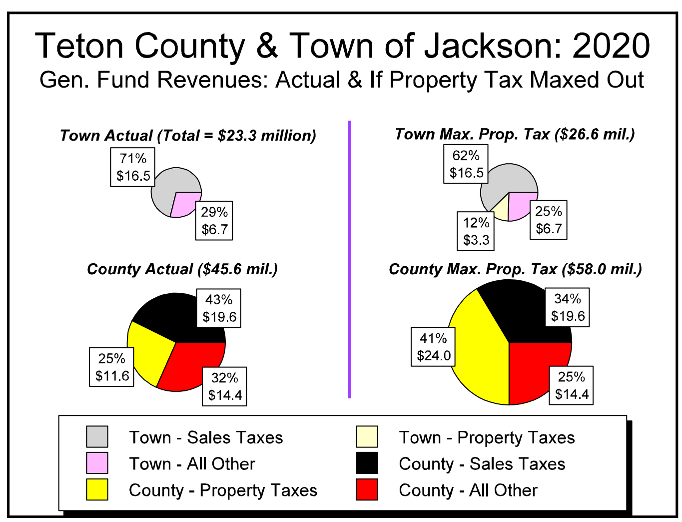

Figure 12

The most striking take-away from these figures is that, had Teton County levied its full 12 mills of property taxes in FY 2020, the resulting property tax revenues alone would have exceeded the Town of Jackson's *total* FY 2020 revenues. And even if the town had fully maximized its property tax revenues in FY 2020, its *total* revenues would been only 10 percent more than just the county's property taxes.

In sum, as the Comp Plan pushes both population and commerce into the Town of Jackson, the town's government will have more residents, businesses, and visitors to service. Further, as this growth further catalyzes Jackson's gentrification, the resulting rise in property values will produce growing demand for the town to provide both more and higher-quality services. The need for greater social services will also grow as gentrification exacerbates the community's income inequality.

Yet for structural reasons, funding the town's growth and change – growth and change resulting directly from the dictates of the Comp Plan – will cost the town government far more than the current revenue-generating system can produce.

Community Funding

As Jackson Hole has grown and changed over the past 50 years, the disconnect between its 21st century reality and 20th century operating system has become a chasm. Long-term, the only way to properly address that chasm is for Wyoming to replace its rooted-in-the-past governmental funding mechanism with one flexible enough to reflect the state's current and future economies.

Until that happens, how can Teton County and the Town of Jackson address the problems created by the current system? Whatever steps are taken, they will have the best chance of succeeding if they are grounded in a new, holistic view of local government, one aligned not with the current system and its shortcomings, but instead with how the community actually views local government.

On a day-to-day basis, few residents notice nor care that Jackson Hole has two different local governmental entities. Instead, what they care about is that government provides them with a range of services, and that those services are provided in a timely, efficient, and high-quality way. If residents have to give any of this any thought, then something's not right.

Building on this "consumer's view" of local government, a holistic approach to local government would replace the governments' current siloed approach to funding and spending with a system more closely aligned to the community's realities and challenges. Critically, different approaches could be tried simultaneously.

Bully Pulpit

The Comp Plan was the result of years of work by a large swath of the community. At its essence, the plan lays out Jackson Hole's long-term vision of itself and how it hopes to get there. In that sense, the Comp Plan is Jackson Hole's equivalent of the Constitution, a distilled expression of the community's hopes and a framework for achieving them.

As noted, though, the Comp Plan does not address how the community can fund its Vision.

To fill that void, local government can use its convening power to harness the community's extraordinary philanthropic proclivities, identifying projects necessary to help the Comp Plan succeed but for which there are insufficient public funds.

A matching funds arrangement seems especially well-suited to this approach; e.g., charitable funds could complement public funds targeted at efforts such as affordable housing or ecosystem stewardship.

The effort to save the Café Genevieve block offers a sense of how such a partnership might work, for its success was the result of a clear alignment of effort and interests between local government and Jackson Hole's philanthropic community. In applying their respective strengths to a larger, community-oriented goal, each party contributed to creating not just an extraordinary community benefit, but a template for future such efforts.

Going Forward

Currently, Teton County and the Town of Jackson fund efforts that fall into three general categories:

1. 20th century core services
2. 21st century core services
3. Mandates related to the Comp Plan

As Wyoming's 20th-century system for funding local governments becomes increasingly disconnected from Jackson Hole's 21st-century economy, it is becoming increasingly difficult for the town and county to fund even their 20th century core services, much less those expected by current Jackson Hole residents. And then there are the additional actions mandated by the Comp Plan...

To address these problems, the town and county need to adopt a comprehensive strategy that simultaneously addresses the short-, medium-, and long-terms.

Short-term

As discussed in the "Community Funding" section, Teton County and the Town of Jackson can pursue the "Bully Pulpit" approach toward local government funding without the need of either state or voter approval.

Taking this step will particularly help address the challenges facing the Town of Jackson, which is already feeling the pinch from growth in commercial buildings and higher-density dwellings. Despite the Comp Plan's mandate for that growth, the town has no adequate way to fund the attendant costs. This is likely to remain the case once the 2020 Census-based sales tax revenue split is finalized – it will likely not change the current split much, and will remain in force during the town's 2021-2031 period of increasingly concentrated growth.

Medium-term

As Jackson Hole's 21st century community/20th century operating system disconnect grows greater and greater, local government will have two choices: reduce services or raise more revenue.

On the expenditures side, for reasons described above, it is not clear how well Jackson Hole's residents, businesses, and visitors would react to significant – or even minor – service reductions.

On the revenue side, property taxes are the one tool Teton County and the Town of Jackson directly control that would allow them to generate significant additional funds. Raising taxers, however, would raise affordability concerns, especially for Jackson Hole's middle class homeowners.

Many of Jackson Hole's property owners can clearly afford to pay even more property taxes than are currently levied. This is especially true for people owning one of the community's thousands of second homes – even if both the town and county maximized their property tax rates, the resulting rate would still rank among the nation's lowest.

For many other residents, however, incomes are growing more slowly than property values. As a result, there is a widespread-if-undocumented belief that rising property values and their attendant taxes are forcing long-time locals to leave the community. Further increasing the mill levy would only exacerbate this issue, especially because it is not clear what steps, if any, the town and county can legally take to accommodate those hard-pressed to deal with sharp rises in their property taxes.

Hence the medium-term nature of this tactic. If the town and county do decide to raise property taxes, it would be far better for property owners if the two entities could coordinate their efforts, both in how the taxes are levied and how any resulting harm is minimized.

What kind of numbers are involved? From a taxpayer's perspective, if both Teton County and the Town of Jackson had maximized their property taxes in 2020, property owners in unincorporated Teton County would have experienced a property tax increase of around 50 percent (from around 8 mills of county property tax to 12), and those in the town would have experienced a property tax increase of around 250 percent (from around 8 mills of county property tax and 0 mills of town property tax to a combined total of 20 mills).

From a governmental revenue perspective, if Teton County and the Town of Jackson had maximized their property tax revenues in FY 2020, the town would have received around $3.3 million in extra revenue, and the county around $12.4 million in extra revenue, a combined total of $15.7 million.

For comparison's sake, this is an amount similar to what the town and county would have collectively realized had a 7th cent of sales tax been authorized. The primary difference between the property and sales taxes is, of course, that Teton County property owners would pay 100 percent of the property tax, while tourists would have pay over half of the latter.

If property taxes were maxed out, how might that additional $15.7 million be used? While no formal projections exist, Table 2 offers some ballpark estimates at how much extra it would cost to properly fund the major unfunded mandates stemming from the Comp Plan and SPET mandates.

TABLE 2
Annual Funding Needed to Address Comp Plan's Unfunded Mandates + Unfunded Depreciation of Teton County & Town of Jackson Major Capital Assets

	Annual Amount	Notes
Affordable Housing	$6,500,000	Cost of one 440 W. Kelly project
Public Transportation	$1,250,000	Create free transit system; improve frequency & routes, etc.
Ecosystem Stewardship	$1,000,000	Staff; projects; begin extending reach to "area's ecosystem"
Depreciation of town and county assets	$5,000,000	Not currently funded
Hire additional staff needed to properly address community's asks of government	$2,000,000	Both county and town staff have a culture of saying "yes" to whatever they are asked to do/whatever problem arises. Burn-out is widespread, and will soon start causing harm.
Total	**$15,750,000**	

Long-term

As noted several times, the only real long-term solution to the 21st century/20th century dilemma is for Wyoming's state government to fundamentally overhaul the way it funds state and local government, creating a new funding system that aligns the funding of Wyoming's local governments with their economic realities, both current and future.

Key to this is the simple fact that, because the current system is increasingly failing statewide, at some point in the next several years the state will have to fundamentally change that system. Recognizing this, the strategic opportunity for Teton County and the Town of Jackson is to take the initiative in envisioning what a 21st century government funding system might look like for Wyoming, and then begin actively advocating for it. In that way, when the day of reckoning inevitably comes, Jackson Hole will be well-positioned to offer a system reflecting its realities, increasing the chances that the new system will work well for Jackson Hole well into the future.

Conclusion

In 1969, Teton County was Wyoming's 20th most populous county, leading only Crook, Niobrara, and Sublette.

50 years later, Teton County ranked 9th, having grown five times faster than the state as a whole and 60 percent faster than any other county. (The second-fastest growing county was Campbell, Wyoming's coal capital.)

In 1969, Teton County's per capita income was $5,850, the state's highest but only 58 percent higher than Wyoming as a whole.

50 years later, Teton County's per capita income was $229,825, again the state's highest but now nearly four times higher than that of Wyoming as a whole. Teton County's per capita income growth rate was 2.4 times greater than the state as a whole, and 2.2 times greater than that of second-place Campbell County.

In the half-century since Wyoming last fundamentally changed its method of funding local government, Jackson Hole has gone from being one of the most remote and sparsely-populated areas of a remote and sparsely-populated state to being an extraordinarily wealthy, internationally recognized community, one having more in common with other Rocky Mountain resort-oriented counties than other counties in Wyoming (Figures 13 & 14)

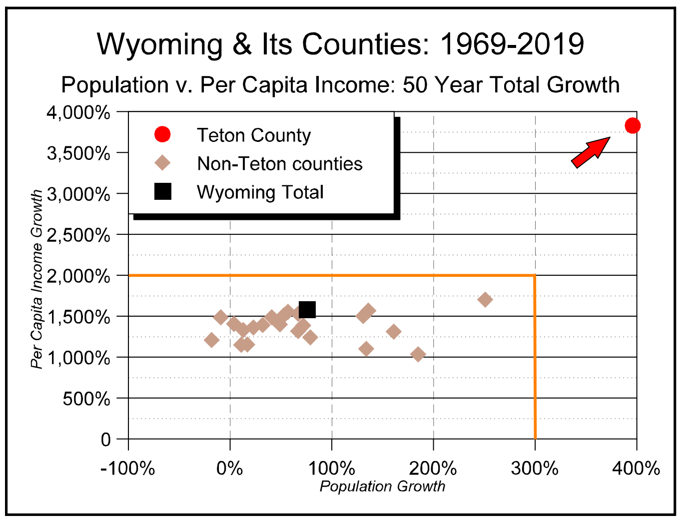

Figure 13

Wyoming, of course, has not been stagnant during this time – both its population and per capita income growth rates have exceeded those of the nation. But Teton County and the rest of Wyoming have differed not just in the pace of growth, but how they have grown.

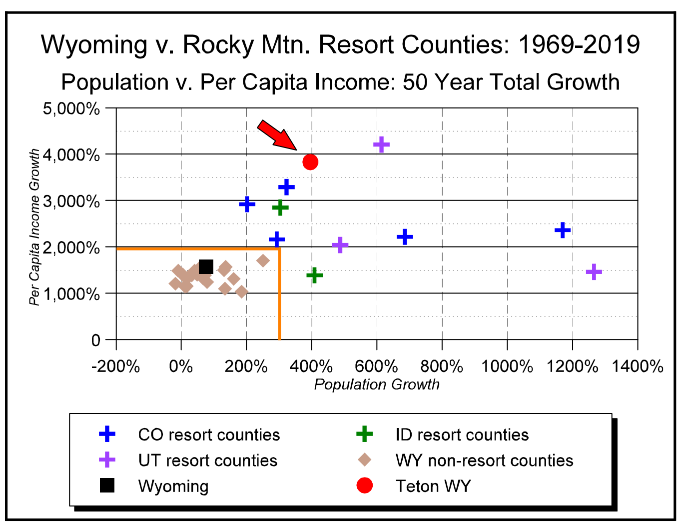

Figure 14

Specifically, over the last 50 years, if Teton County is excluded, Wyoming has seen a modest shift in how it makes money, becoming somewhat less dependent on wages and somewhat more on investments.

In sharp contrast, Teton County has seen an absolute reversal: In 1969, 69 percent of Teton County's residents' income came from wages and 27 percent from investments; in 2019, 27 percent was from wages and 70 percent from investments. (Figure 15)

Investments are, of course, the most location-neutral of all income sources. Add in the fact that a growing part of Teton County's wages come from location-neutral professional services, and Teton County ends up ranking second in the nation in how much of its residents' income is based on location-neutral sources (in first place is McMullen County, Texas, where 749 people live on top of a huge amount of oil and gas being vigorously fracked, which is not exactly location-neutral...).

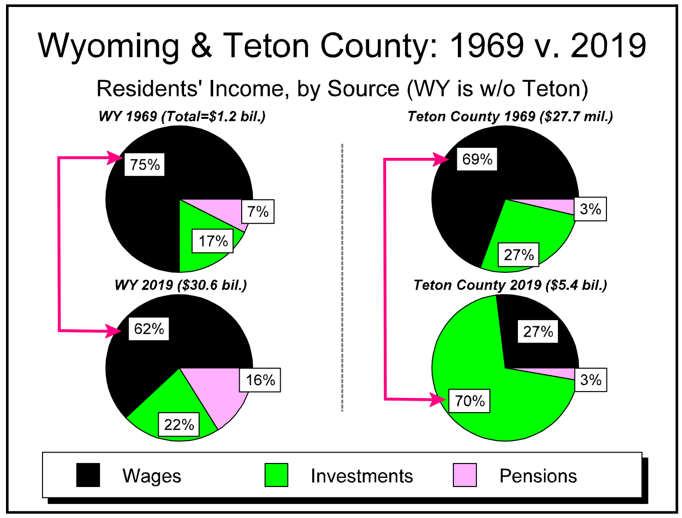

Figure 15

During these past 50 years, though, Wyoming's method of funding local governments hasn't significantly changed. This intransigence is currently causing difficulties for the state as a whole, and massive problems for Jackson Hole as local government tries to deal with the consequences of the community's extraordinary growth and change.

Thanks to its exceptionally favorable income tax and trust laws, Wyoming bills itself as the most wealth-friendly state in the nation. But as Jackson Hole's situation highlights, those laws do little to help Wyoming's local governments deal with the consequences of that wealth when it actually arrives.

The net result is a system based on a decades-old economy and designed to fund a decades-old standard-of-service levels. This system is not only failing Wyoming, but could ultimately prove to be a disincentive to the very people Wyoming would like to have move to the state. Why? Because the wealthy people Wyoming is trying to attract expect a higher level governmental services than the system is capable of funding.

Looking even further into the future, the Jackson/Teton County Comprehensive Plan lays out a spectacular vision of what Jackson Hole can be for both current and future generations: a diverse and thriving community complementing and complemented by an equally-thriving ecosystem.

Unfortunately – tragically – Wyoming's current approach to funding local government is incapable of generating the money necessary to fulfill that vision. Which creates an exceptional irony.

To the extent that Wyoming aspires to attract wealthy residents to the state, it is actually succeeding in Jackson Hole. In 2019, Teton County's per capita income of $229,825 was the nation's highest, and was more than three times greater than any other Wyoming county's. Driving that wealth was investment income – Teton County's per capita *investment* income alone was over twice that of any other county's *total* income. (Figure 16)

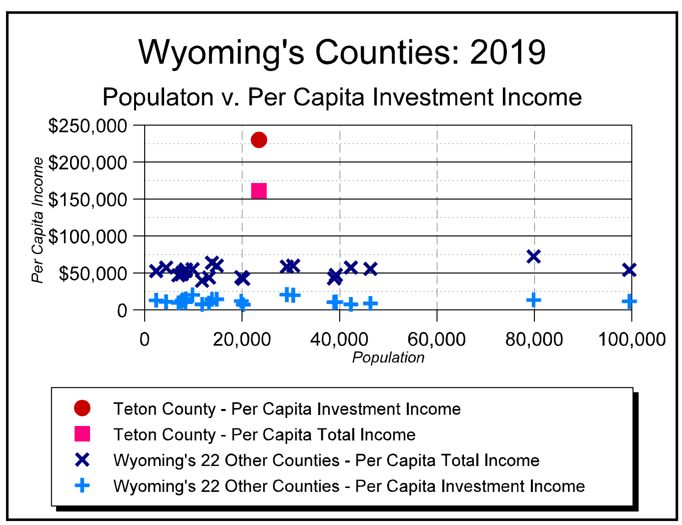

Figure 16

So how is it that a county with just four percent of Wyoming's population accounts for 36 percent of Wyoming's total investment income? Arguably, because Jackson Hole has has done such an extraordinary job preserving and protecting its ecosystem.

And not just the county's protected federal lands. Jackson Hole's overall appeal and land values have been greatly enhanced by its locally-generated, locally-appropriate land use policies, ones that complement the community's federal lands.

The 2012 Comp Plan updated and modernized those policies, aligning them with Jackson Hole's 21st century opportunities and challenges. That alignment effort will fail, however, unless it can be adequately funded. Yet because Wyoming's current government funding system is incapable of generating the funds needed to support the Comp Plan, the state's system for funding local government is putting at risk Jackson Hole's continued ability to attract just the sort of well-to-do folks targeted by the state's income tax and trust policies.

Adding greater richness to this irony is that the state is also trying to limit Jackson Hole's ability to develop locally-appropriate land use policies . On the one hand, the state's income tax and trust laws are designed to attract wealthy people. On the other hand, by restricting Jackson Hole's efforts to conserve its resources and address its challenges, the state seems hell-bent on making it harder for Jackson Hole to continue successfully attracting the people the state's income tax and trust laws are designed to attract.

Ultimately, the only effective way to address the problems discussed in this paper is for Wyoming to fundamentally change its local government funding mechanism. In contrast to the current system, the state needs to create a system that both closely aligns a community's governmental funding with its economy and tax and trust policies, and is flexible enough to adapt to economic changes as they occur.

In the shorter run, the Town of Jackson and Teton County can at least partially address the community's funding problems by using their Bully Pulpit, by speaking to the community with one voice and saying "Here is our collective vision of our future. Together, we can achieve it."

To do this successfully will require an unprecedented level of cooperation on the part of everyone involved, a potential challenge during an era of high stress and tight budgets. The difficulties acknowledged, the rewards can be huge, for they can lay the foundation for Teton County and the Town of Jackson to do what no other community on Earth has ever done: protect the health of its ecosystem while enjoying a thriving contemporary economy. In turn, this can become the archetype for similar efforts by other communities around the state, nation, and globe, an accomplishment worthy of the conservation legacy left by previous generations of Jackson Hole residents.