

## **The Denver Post – editorial**

### **Don't spend it until you get it**

**By The Denver Post**

**March 6, 2008**

Environmental groups and higher education advocates have filed warring ballot initiatives built around incompatible notions about how to increase severance taxes on oil and gas production in Colorado.

Looking at the rival plans, we can only sigh and quote a line from "Cool Hand Luke":

"What we have here is a failure to communicate."

If they don't work together, the enviros and education advocates alike are begging for a California-style drubbing at the hands of the cash-rich energy lobby this fall. Advocacy groups spent \$59 million in California in 2006 trying to pass a ballot initiative to increase severance taxes. They were buried under a \$95 million counterattack by energy companies.

The environmental groups filed four ballot initiatives with the Secretary of State's office for review and comment last month. While differing in detail, each plan would raise severance taxes on oil and gas in Colorado by about \$250 million a year at current rates of production.

Each plan also maintains the current formula that shares the existing severance tax with state and local governments. When it comes to the new money they hope to raise, the environmental groups want to share 20 percent with the counties where the energy is produced to help pay for roads and other services. Another 40 percent of the tax increase would subsidize renewable energy projects and the final 40 percent would go to open space and wildlife habitat.

Higher education advocates, led by the Donnell-Kay Foundation, parried with their own proposed initiative this week, filing language that would up severance taxes by about \$200 million a year initially. Their version also maintains the current distribution formula for existing taxes but would split new revenues about evenly between local governments and higher education.

The problem with both tax increase packages is that neither spends the hoped-for new revenue in a way that would provide a long-term benefit to Colorado after the one-time windfalls from oil and gas production have gone.

The environmental groups would give 40 percent of the new cash to renewable energy companies that already are subsidized by the federal government and state mandates. The Post has supported those existing subsidies, but we think the state can make better use of this new money.

The enviros are wiser to earmark some of it for wildlife habitat. But open space is already heavily subsidized by the Colorado Lottery proceeds and local taxes. Allocating 20 percent of the new taxes to wildlife habitat would make more sense.

For its part, the higher education lobby went overboard by offering half of the new money to local governments. Considering that *all* of the property taxes on oil and gas and much of the existing severance tax already goes to local governments, that's too much.

So, what would be a reasonable formula for new severance tax revenues?

How about 20 percent to counties that host oil and gas wells, 20 percent to open space and wildlife habitat and 60 percent for higher education? The higher education share, in turn, should be partly spent now for capital needs and partly invested in a permanent fund like that in Wyoming and New Mexico to help support higher education when the wells are exhausted.

That's the kind of compromise that could garner enough public support to prevail at the polls in November.

***Copyright 2008. The Denver Post. All rights reserved.***