

# The Durango Herald

## Front Range eyes oil, gas tax funds

Governor, Denver legislator, lobbyists want some of La Plata County's money

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By Joe Hanel, Herald Denver Bureau

DENVER - For cash-thirsty schools, western Colorado's oil and gas taxes look like an oasis.

### Energy taxes and royalties

Local : Property taxes. La Plata County has collected \$172.6 million in property taxes from gas companies during the last five years.

State : Severance tax. The state collected \$217 million last year, but collections are hard to predict from year to year. Almost half of Colorado's severance taxes come from La Plata County.

Federal : Mineral leases. This is a cut of the production that happens on federal property.

Source: Colorado Department of Local Affairs

But wait, Western Slope lawmakers say. It's just a mirage.

So many people have ideas for oil and gas taxes that legislators can't keep track of them all. They are worried, because even though the state and federal cut from gas production has increased fivefold in the last decade, they say their districts need more money to pay for the effects of energy development.

Sen. Chris Romer, D-Denver, wants to raise the state energy tax to pay for schools, renewable energy and highway bonds. Gov. Bill Ritter said last month that he's looking at sending more federal mineral lease dollars into schools. A private group called the Donnell-Kay Foundation wants more money to fix old schools and build new ones.

"Before we do any of this, we better talk about how to mitigate the impacts to our local communities," said Sen. Jim Isgar, D-Hesperus.

Currently, state taxes on gas production - known as severance taxes - are divided among the Colorado Water Conservation Board, the Department of Natural Resources and the communities where the production took place.

Federal mineral leases go to many of the same places, plus the state school fund.

La Plata County commissioners are looking at all the legislative bills that affect severance taxes, to make sure they don't hurt the county, Commissioner Wally White said.

But there are no bills - yet - for many of the proposals to drastically change oil and gas taxes.

### **Senator's plan: Simplify, raise tax**

Both the state and federal money is divided up based on a complicated formula. Romer wants to simplify the formula and raise the severance tax by 2 percent.

That would be enough, he said, to take care of the local communities, plus invest in colleges and highways - both of which are chronically short of money. Fort Lewis College shouldn't have to go begging for construction money, he said.

"We're moving from a resource economy to a knowledge economy. We ought to be taking that carbon in the ground and turning it into institutions," Romer said.

He doesn't have a formal bill, but he's been shopping his idea around the Capitol.

"The appropriate person to carry this legislation is not a Denver Democrat," he said.

### **Ritter's idea: More federal dollars**

Ritter announced last week that he's looking at taking extra money from federal mineral leases and sending it to the state school fund. That fund pays for schools around Colorado, regardless of their level of energy development.

Local communities would get as much of the federal dollars as they get now, under Ritter's plan. But federal leases are expected to grow.

The state education fund could go broke by 2011, Ritter said, so he's looking at the mineral leases to shore it up. His spokesman, Evan Dreyer, said Ritter was looking at school finance numbers Friday afternoon, and he hopes to have a plan on school funding as soon as next week.

Ritter doesn't have his own plan for raising the state severance tax, although he said he was open to the idea on the campaign trail.

Dreyer said there's "a lot of noise" around the Capitol about raising severance taxes.

"We are aware of those conversations, and we are listening," Dreyer said.

### **Private plan: Cut tax deduction**

Gas companies deduct from their severance taxes 87.5 percent of their local property tax bill.

The Donnell-Kay Foundation, which focuses on improving Colorado's schools, wants to eliminate the local tax deduction. The extra money could go to pay for school construction, land preservation and renewable energy, plus give a boost to gas-producing communities, said Tony Lewis, the foundation's executive director.

Colorado's severance tax is "unacceptably low" because of the local writeoff, Lewis said.

Donnell-Kay is trying to spur a conversation on the topic right now, but within a month it might start work on a ballot initiative for this November. Southwest Colorado and other gas-heavy areas have nothing to fear, he said.

"We're not interested in taking anybody's current revenue stream," Lewis said.

Isgar worries that eliminating the local deduction would make it harder for school districts to pass mill levies.

Right now, gas companies typically don't fight property tax increases, because they can write off their local taxes against their state taxes. But if they lost the credit, Isgar expects that more companies would fight local school tax increases.

The local taxes paid by gas companies keep property taxes for La Plata County homeowners among the lowest in the state.

### **Current and future needs**

Sen. Jack Taylor, who represents the state's most booming gas fields, is skeptical of all the ideas.

"If they take that money away - or change the formula - I think the end result is we're going to be in really bad shape," said Taylor, R-Steamboat Springs.

Rio Blanco County Road 5 runs through the Piceance Creek area and is a "classic example" of the problems caused by energy development. Industrial trucks have chewed up the road, and the county doesn't have the money to fix it, even with the current severance tax scheme.

But Romer wants western counties to consider the future, along with their current needs.

"I've got two college-age kids. I think it's absolutely ridiculous how we fund higher education," he said. "I think we ought to be investing the wealth of La Plata County back into La Plata County through Fort Lewis."

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