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Officials oppose severance tax initiatives

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RIFLE - Lots of knives are poised to slice a piece off the severance tax pie this year.

Several initiatives that would change the way severance tax is distributed are poised to be added to the ballot in November.

Those initiatives worry the Colorado Municipal League (CML), a lobbying group for state towns and cities, whose energy committee met in Rifle Monday morning. The committee is made up of elected city and town officials from both the Front Range and West Slope.

CML is especially concerned with the state initiatives, which would siphon off severance tax revenues to fund education. The initiatives would place a flat severance tax rate of 5 percent for production of natural gas worth over \$300,000. It would also eliminate a property tax credit for oil and gas producers that allows them to take 87.5 percent of their previous year's property taxes and deduct that from their severance tax payment.

Proponents of the initiatives argue that would be plenty to fund education and offset energy impacts to local governments.

The initiatives, sponsored by the Donnell-Kay Foundation and the Colorado Children's Campaign, would also change how those moneys are distributed.

Currently, severance tax revenues are split 50-50 between the Department of Local Affairs (DOLA) and the Department of Natural Resources (DNR). Of DOLA's share, 15 percent goes to local governments in direct payments. The remaining, 85 percent, is distributed by DOLA as energy impact grants to cities, towns or counties directly affected by energy development.

Although under the initiatives, 25 percent of the revenues would continue to be available to impacted communities, the energy impact grants would no longer exist.

"We have to be concerned with the impacts (of the initiatives, if they pass) to DOLA and DNR," said Grand Junction city councilman Jim Spehar, who also sits on the CML energy committee. The DNR has several divisions that affect energy development,

including the Colorado Oil and Gas Conservation Commission.

He also said that while the education groups pushing the severance tax initiatives have quantified the needs of public and higher education, local governments impacted by energy development have not, with one exception. Rio Blanco County recently completed a needs assessment, which says it now has \$211 million in "unmet needs," Spehar said.

Nor should there be a cap on how much revenue local governments can get from severance taxes. "If we lock on to 25 percent in 10 years that may not be enough," said Aron Diaz, executive director of Associated Governments of Northwest Colorado.

The energy committee moved to formally oppose the initiatives, while recognizing the importance of other funding needs in the state.

Severance tax revenue is also the target of several bills in the state legislature that would divert revenues to a variety of worthy causes, including public schools, state construction projects, higher education and eradication of noxious weeds.

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