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Oil tax may fuel higher ed

Proposed ballot measure cuts loophole for gas, oil

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By Brittany Anas

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Voters this fall could decide on a proposal that says it would close a tax loophole for natural gas and oil producers and funnel some of the money toward the state's colleges and universities.

By removing tax credits and exemptions, the proposal could pump an extra $200 million a year into higher education and areas affected by the oil and gas industry, according to its supporters.

Backers filed the proposal's language with the Secretary of State's Office on Wednesday.

Colorado has an effective tax rate of 5.7 percent for oil and gas producers. That tax rate is based on all revenue that comes from severance, property, income and sales tax. Under the proposed ballot initiative's provisions, the effective tax rate for oil and gas producers in Colorado would be closer to the tax rates of neighboring states such as New Mexico's 9.4 percent, Oklahoma's 7 percent and Wyoming's 11.2 percent.

The initiative's chief proponents are Tony Lewis and Randy Udall. Lewis heads the education-supporting Donnell-Kay Foundation, and Udall is former director of the Community Office for Resource Efficiency, a Western Slope nonprofit that promotes energy efficiency and renewable energy.

They argue that the state's oil and gas industry is booming, but local governments have not seen tax revenues keep pace with the profits. Meanwhile, towns that are in or near the oil fields are bearing the brunt because of an increased demand for housing and public services in their communities, Lewis and Udall argue.

"Local communities are being hit hard by the rapid growth of the oil and gas industry," Lewis said. "They need resources to be able to mitigate the impact of this growth."

Roughly 40 percent of the revenue would be dedicated to affected communities.

The remaining money would help pay for construction and maintenance projects at Colorado's community colleges, state colleges and universities. Most would be invested in a trust fund, but a percentage would be available to spend on annual maintenance and construction costs.

Incoming University of Colorado President Bruce Benson, an oil executive, indicated support for the notion at a campus forum last month, saying it seemed as if such a proposal could fare well.

Colorado ranks No. 48 in the nation for the level of state funding that colleges and universities receive, according to the state Department of Higher Education. Neighboring states -- including Wyoming and New Mexico -- have similar trust funds from severance tax dollars, which create significant amounts of interest to help pay for campus construction.

CU's regents passed a measure last year that calls on the school's administration to work with state leaders to find alternative sources -- beyond taxpayer money, tuition and donations -- to support higher education.

"It looks like a great start," Regent Michael Carrigan, D-Denver, said of the proposed measure. "Higher education needs to have a revenue source outside the normal budget."

A report from CU's presidential cabinet shows that eight states use receipts from mineral leases or extraction fees, and 18 states use lottery, gaming and casino profits to help fund public higher education. Thirty states use local tax revenues to support universities.

The initiative's language will be reviewed by a Colorado Secretary of State board at a March 19 hearing, said spokeswoman Sarah Blum-Barnett. If approved, supporters would need to gather signatures to get the question on the statewide ballot.

The proposed initiative says it seeks to:

Eliminate a tax credit that now allows natural gas and oil producers to deduct 87.5 percent of their tax owed to the state;

Remove an exemption that allows 95 percent of all oil wells and 73 percent of all gas wells in Colorado to avoid paying tax owed in Colorado;

Decrease the severance tax rate from 5 percent to 4.85 percent.

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