



OPINION from the Equality State Policy

Center

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Bring severance tax rates into state budget discussions

Hikes should be part of an overall review of revenues and tax investments

No more Centennial Singers?

No more Geology Museum, in a state famed for its geology and, more to the point, its energy resources?

As the boom slides toward the bust, it's appropriate and necessary to examine state spending priorities and ensure that all tax-supported programs provide value and are managed efficiently.

But a mismatch of income and spending should also mean a critical look at the revenue side of the equation -- particularly mineral severance taxes. The purpose of severance taxes is to give future generations some of the wealth from today's mineral extraction.

When severance taxes were first imposed under the Hathaway administration, most of Wyoming's oil had already left the state. Wyoming gas is flowing away at over 2 billion mcf (thousand cubic feet) per year. While coal production may not continue to increase by leaps and bounds, prices are higher than they've been for years.

The Equality State Policy Center has advocated increases in severance taxes for many years, pointing out that coal, oil and gas can be extracted only once. At some point in the future, our state's nonrenewable resources will be gone or no longer marketable. We will then be relying on savings and on investments made in infrastructure and education that continue to serve the state.

Wyoming stands far ahead of many resource extraction states in having severance taxes and the Permanent Wyoming Mineral Trust Fund in place. We also have benefited hugely from the federal policy of splitting mineral royalties and coal bonus bids with the state.

But instead of trying to develop forward-looking tax and spending policies that sustain state programs through boom and bust times, state leaders historically have let the budget yo-yo between cutbacks and catch-up.

Further, no one has ever looked at how much money we need to have socked away in savings to continue necessary investments once the flow of mineral dollars ends.

The boom-and-bust framework leads to practices that are penny-wise and pound-foolish. Sure, we can cap enrollments in Medicaid (the safety net for the very poor and disabled) and KidCare (the health insurance program for children in working families). But does that truly cut spending?

No. It only moves the spending from the state budget to county hospitals and local medical providers, in the most expensive way possible as desperate people show up in emergency rooms and offices with advanced conditions. Providers are hard to come by as it is, and one of their biggest complaints is the high level of uncompensated care – so if we want them to stay in Wyoming, is this really the way to go?

Department of Environmental Quality inspectors are barely covering the ground as it is; cuts will mean regulatory delays and spotty enforcement. When the cuts trickle down to local governments, police and sheriff departments will take a hit just like everyone else.

All the things we Wyomingites say we want – a more vibrant and diverse economy, safe working conditions, a clean environment and wildlife, good hunting and fishing, and low crime rates – depend on continued investment. Main Street survives on people with jobs and spending money, not laid-off employees.

Severance increases need to be part of an overall examination of Wyoming's revenues and tax investments. That examination should evaluate existing tax exemptions and make plain the future costs of cutting back on preventive programs – cuts that mean larger expenditures later.

Wyomingites are resourceful people. We can implement responsible revenue and spending policies that save for the future as well as meet the needs of our residents now.



The Equality State Policy Center, a broad-based coalition of Wyoming interests, works through research, public education and advocacy to hold Wyoming state and local governments accountable to the people they represent, and to encourage and assist state residents to participate effectively in public policy decision-making.

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