



## **OPINION** from the Equality State Policy

### Center

For immediate release  
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# **How much is enough? Good Question!**

*Wyoming should not squander mineral wealth now in its hands*

How much is enough? Good Question!

Energy companies now extract over 450 million tons of coal, over 2,254 trillion cubic feet of natural gas, and over 53 million of barrels of oil from Wyoming annually. These companies pay severance taxes for the privilege. Why?

We all know that coal, oil and gas are nonrenewable. While recent gas discoveries have created a glut on the market, at some point all of these commodities will be gone – or, in the case of coal, perhaps unmarketable due to climate change policies.

Severance taxes replace these nonrenewable assets with savings in the bank. For over a decade, the Equality State Policy Center has advocated for higher severance tax rates, both to mitigate current impacts and to save for the future.

A recent editorial from the Wyoming Mining Association said, “It is discouraging to hear pundits rail against minerals while they continue to support using mineral money for constructing new schools, building new facilities at the University of Wyoming, granting money for new water and sewer systems, and funding new education scholarship programs.”

We at the ESPC have heard no one rail against minerals. Lawmakers and the public are very aware of the importance of mineral revenues to Wyoming. And that is exactly the point.

It’s essential to use revenues from these nonrenewable resources to invest in our people and infrastructure – as the above programs do – because these will help us continue efforts to diversify our economy. It’s also essential to save for the future.

The Wyoming Mining Association claims that 40% of the selling price of coal goes to taxes, fees, royalties, and bonus bids, and asks, “How much is enough?”

Ignoring for the moment that black lung and abandoned mined land fees pay for the consequences of past industry practices, and that royalties and bonus bids are payments to the owner of the mineral, let's focus on that question: How much is enough?

The answer is: Wyoming lawmakers and the public do not know. Although Wyoming was one of the first states to think ahead and impose a severance tax, no one has ever looked at the question of how much money needs to be in the Permanent Wyoming Mineral Trust Fund (PWMTF) to sustain essential state programs once the mineral revenues decline.

Alaska has about \$28.5 billion in its permanent fund. Norway has more than \$300 billion. Wyoming has just under \$4 billion in its PWMTF; interest on the PWMTF supplies about 12% of current General Fund revenues, with another 20% supplied directly from severance taxes.

When severance tax revenues begin falling, it seems unlikely that the interest stream will be enough to make up the difference in the General Fund unless the PWMTF becomes much larger.

So let's get some answers to the question: How much is enough? And let's not be distracted by extractive industry threats to leave our state.

The Legislature's own study, conducted by the University of Wyoming, showed that modest increases in severance taxes would not significantly affect jobs or production. Industry has not left the North Sea, Alaska, or Wyoming, because it still can operate profitably.

All we are asking is that the state take a business-like approach to the taxing of its minerals. We owe it to future generations of Wyomingites not to squander the mineral wealth now in our hands.

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Editors: Production numbers cited here are for 2007. They were gleaned from the websites of the Petroleum Association of Wyoming and the Wyoming Mining Association.

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*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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