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School board may propose severance-tax use for capital construction

By Kylene Kiang, The Daily Sentinel

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Putting increased tax revenue from oil and gas companies into the capital construction funds of Colorado's public schools would help school districts keep up with growing student populations and maintain aging buildings, a Colorado education advocacy group said.

"Kids need good buildings to learn in," said Tony Lewis, executive director of the Denver-based Donnell-Kay Foundation. Lewis said there is a correlation between the condition of a child's education and the building he or she learns in, and more revenue from severance taxes could be used as a "great funding mechanism" for school districts struggling to find money for improving schools.

Mesa County Valley School District 51 Board of Education member Dan Robinson said he will propose a resolution at the next board business meeting for the district to support the use of severance dollars in school capital building projects.

"Severance tax is low in Colorado Basically, we are letting an asset of the state leave the state without getting our full due from it," Lewis said.

The foundation said it supports increasing severance revenue by getting rid of various exemptions and credits that energy companies have used to keep Colorado's effective severance tax rate at about 1.8 percent in the last five years. In New Mexico, the state severance tax for gas and oil are about 7 percent. In Montana, it is about 9 percent, Lewis said.

A severance tax applies to the income energy companies earn from the extraction of nonrenewable natural resources from the state. In recent years, the increase in severance tax revenues can be attributed to the rise in natural gas drilling on the Western Slope, particularly in Garfield and Rio Blanco counties.

A ballot measure that would support the use of added severance tax funds for public projects might be proposed sometime this year, Lewis said.

Increasing severance taxes should be of particular interest to the Grand Junction area, Robinson said.

A demography report said School District 51 should expect to have 600 new students each year for the next four years, according to the district. That population increase would be similar to adding one middle school to the district each year.

Robinson said the public should question how the community is going to pay for the new schools that will inevitably be built to keep up with growth.

“We’re going to get lost in the process, if we don’t share the energy money now,” he said.

He added that the public lands that private energy companies are benefiting from should be used as much as possible for public good, which includes improving educational quality in the area.

“This is our land, and these are our resources. Everyone can profit — that’s the American way — but the question is how much can they profit?”

The resolution likely will be approved, Robinson said, then will be passed onto school boards in Garfield and Delta counties for their support.

Capital construction projects for public schools are funded almost entirely at the local district level through local bonds and property tax increases. In School District 51, its long-range planning committee has discussed a possible \$211 million bond proposal in 2008 to build new elementary, middle and high schools.

Having more severance tax money in school districts’ capital funds could lower the bond amounts that districts request from taxpayers, the foundation suggests.

Statewide, 87 districts do not have the bonding capacity to build new schools, the foundation reported. Twenty-two districts have reached their bonding capacity and thus face mounting unmet needs in school facilities.

By increasing taxes on energy companies, there may be a concern that increased gas and utilities costs would come back to hurt the consumer.

“It doesn’t have to happen,” Robinson said, adding that energy prices are regulated by the Colorado Public Utilities Commission. “And they (energy companies) are already posting record profits,” he added.

Lewis called the idea of heightened energy costs “bad logic,” saying gas prices are set in an international market.

“You look at other states with higher tax rates, and they don’t have any higher gas prices than we do,” he said.

Wyoming and New Mexico are examples of western states that contribute a sizable portion of severance tax revenue to school construction projects. In Wyoming, \$1.4 billion went to school

districts' capital funds via state severance taxes over the last four years. In the same time period, New Mexico has allocated \$730 million to school construction, the foundation said.

Colorado law currently prohibits severance dollars administered by the Department of Local Affairs from going to school districts. Those funds can only go to cities and towns.

"If we see severance taxes continue to grow, I think it would be useful to change the statute to allow distribution to school districts," said Rep. Bernie Buescher, D-Grand Junction.

Buescher said he is paying close attention to several legislative discussions on the possibility of severance taxes funding school districts.

In Colorado, 50 percent of severance tax revenue goes into the state trust fund, while the other 50 percent goes to the Department of Local Affairs' local impact fund.

Of the local impact fund, 15 percent is given directly to local governments, depending on the number of oil and gas employees residing in that district. In Mesa County, nearly 1,400 jobs in the energy sector were added in 2006.

The other 85 percent of the local impact fund is allocated for Department of Local Affairs grant projects.

Sentinel reporter Mike Saccone contributed to this report.

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