

Boom potential unrealized?

By BOB MOEN

Associated Press writer

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CHEYENNE -- The recent energy boom has enriched the state in many ways, yet Wyoming has not fully capitalized on it, a new report concludes.

The state should be able to extract more tax money from industry without hurting energy development and spend more money to lessen the impact of development and attract other types of industries that are more economically stable, the report produced by Headwaters Economics said.

"There's room to fine tune the revenue stream and to ... maximize even more revenue from existing production, and there's no signs that that's going to deter energy companies," said Julia Haggerty, lead author of the report, which looked specifically at how the boom has affected Sweetwater County.

Rob Hurlless, energy policy adviser to Gov. Dave Freudenthal, said Friday that the report contains some "very interesting perspectives" but Wyoming for the most part has been smart in how it has handled the energy boom.

"I think we're in much better position to endure whatever economy we're going to be faced with over the next few years," Hurlless said.

The report by Headwaters Economics, a nonprofit research group based in Bozeman, Mont., said the mineral extraction industry has provided huge increases in state and local revenue, bolstered the state's savings accounts, increased the state population and created high-paying jobs.

However, the report found that during the most recent energy boom business expenses increased, the cost of living rose, the labor supply was squeezed and the long-stated goal of diversifying the state economy became more difficult.

The state used part of its energy wealth to create a laudable college scholarship fund, yet it continues to lose its younger, educated residents to other states, it noted.

"This energy surge hasn't done anything to change that pattern of outmigration," Haggerty said. "So that's kind of a question to ask, so OK, here's this supposedly tremendous economic opportunity, why isn't it working to arrest that trend?"

The report determined that the state hoards too much of the wealth from mineral extraction. As a result, cities and counties most affected by natural resource drilling and mining find that booms create more demand for government services than they can afford to provide and they have little money to invest in attracting good paying jobs outside the energy industry.

"In fact, in some places I think there is the danger that the pace and scale of development are diminishing those areas, leaving them perhaps more overwhelmed and poorer at the end than they might have been at the beginning," Haggerty said.

Robb Slaughter, Sweetwater County treasurer, said the county has had to foot the hefty bill for new roads, sewer and other infrastructure without much help from the state.

"The state has received a tremendous amount of tax revenue because of this exploration and the drilling of oil and gas, and it's just my opinion that the state should be willing to share some of the revenue with those counties that are impacted as dramatically as what we are," Slaughter said.

The report recommends that the state more closely follow Alaska in how it taxes the energy industry.

Alaska has higher production taxes and any tax incentives it offers come during the exploration stage of

development, Haggerty said.

"And what we find in Alaska is that hasn't slowed energy development at all because the resource is there," she said.

Other recommendations for the state include sharing more of the revenue with local counties and communities most impacted by the industry, spending more money on attracting and growing non-energy related business and protecting its quality of life.

Hurless noted that Wyoming has invested heavily in education, roads and protecting wildlife habitat but the state's fortunes will continue to rely on the energy industry.

While the state will continue to seek non-energy businesses, the best opportunities for diversifying the economy are tied to the mineral extraction industry, Hurless said.

The state is working hard to encourage carbon sequestration, coal-to-liquids and renewable energy projects that create new, well-paying jobs, he said.

"In my world, ... moving up the value chain is a method of diversifying, but others would probably disagree," he said.