

Show Me the Money:

Wyoming Organizers Link State Budget Crisis to Corporate Subsidies

By Jeff Foy

By the numbers, it's boom time in Wyoming. Mining and mineral extraction industries in the state are digging up and exporting coal, natural gas and other resources at an unprecedented rate. The state leads the nation in the production of coal and the world in the production of trona — an ash in global demand as a processing agent. Natural gas production has jumped 140 percent in the past decade.

But, as more and more wealth rolls out of the state through pipelines and in rail cars, Wyoming enters the 21st century with a budget shortfall approaching \$100 million. Schools are crumbling, public services are in crisis, and a special legislative/executive committee, convened to address the problem, could squeeze out little more than a proposal to cut services to the developmentally disabled (which was subsequently dropped after a storm of public protest).

Fifteen years of tax cuts and favors to the powerful mineral and extraction industries have caught up, and taxpayers are faced with a raft of service cuts and tax and fee increases. However, thanks in large part to an education campaign being waged by the Equality State Policy Center, Wyoming citizens are beginning to make the connection between a state out of money and a mineral industry with too much clout.

Why Isn't There Any Money?

The Equality State Policy Center is a non-profit coalition made up of a broad spectrum of labor, environmental, activist and professional groups. Since last summer ESPC has been working to expose the roots of the current tax crisis.

"We are painting a picture for the citizens of Wyoming of the number one pocketbook issue to face the state in a generation," says Tom Throop, executive director for the coalition. "It's part of a long-term, well-orchestrated and very heavily financed campaign on the part of the minerals industry to shift the taxes that have historically been paid on mineral production onto taxpayers, small businesses and agriculture."

Recognizing the non-renewable nature of its



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mineral wealth (much of which is also federally- or state-owned), Wyoming levies a severance tax on minerals produced in the state. Severance tax revenues are allocated in part to an inviolate permanent fund, and the rest go to infrastructure improvements and other current expenditures. Thus, the people of Wyoming are compensated for the removal of what, essentially, is their property. Historically, the revenue generated by severance taxes has been sufficient to fund a large share of governmental expenses. But since the mid 1980s, industry groups have succeeded in buying themselves a huge tax break.

Campaign Contributions and Lobbying Clout

The mineral industry in the state wields a level of influence that is startling even to those accustomed to big money lobbying and campaign tactics. Legislators in Wyoming have no paid personal staff, and, in consequence, rely heavily on lobbyists for information on a variety of issues. The mineral industry, flush with cash to pay for travel, lodging and entertainment expenses, is quick to ensure that a lobbyist is available.

"The mineral industry has a huge lobby presence in the state capitol," says Throop. "Our legislature meets for two months in odd numbered years and one month in even years, but industry has lobbyists

Wyoming State Capitol: motherlode for the mining industry.

The revenue lost to mineral tax breaks totaled just over \$190 million — well over the projected budget deficit and nearly a fifth of the state's general fund.



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“Industry is facing a new phenomenon: well organized and well funded professional opposition with staying power and conviction.”

—from a public relations plan prepared for the Wyoming coal industry



that are working full time for them around the clock. Anywhere there are more than two legislators together — industry is there.”

Most of the money spent on lobbying is currently exempt from state reporting requirements (a law requiring full reporting of lobbying expenditures is one of ESPC’s goals) but a look at the amount the extraction industries pour into elections gives some idea of the overall scope of their efforts.

“About 40% of the political action committee contributions to legislative races come from the mineral industries,” reports Throop. “That’s not done just to be benevolent. They expect the people they support, once they’re elected, to introduce and vote for favorable legislation.”

Working The System

In addition to pouring money and lobbyists into the system, extraction industries have managed to manipulate the way taxes are assessed and collected. Under current regulations, mineral industries, unlike other Wyoming taxpayers, report their own levels of production and the resulting taxes. Tax issue appeals are supposed to be handled by the State Board of Equalization; but the board is understaffed and underfunded, and the members serve at the pleasure of the governor. Last year, the

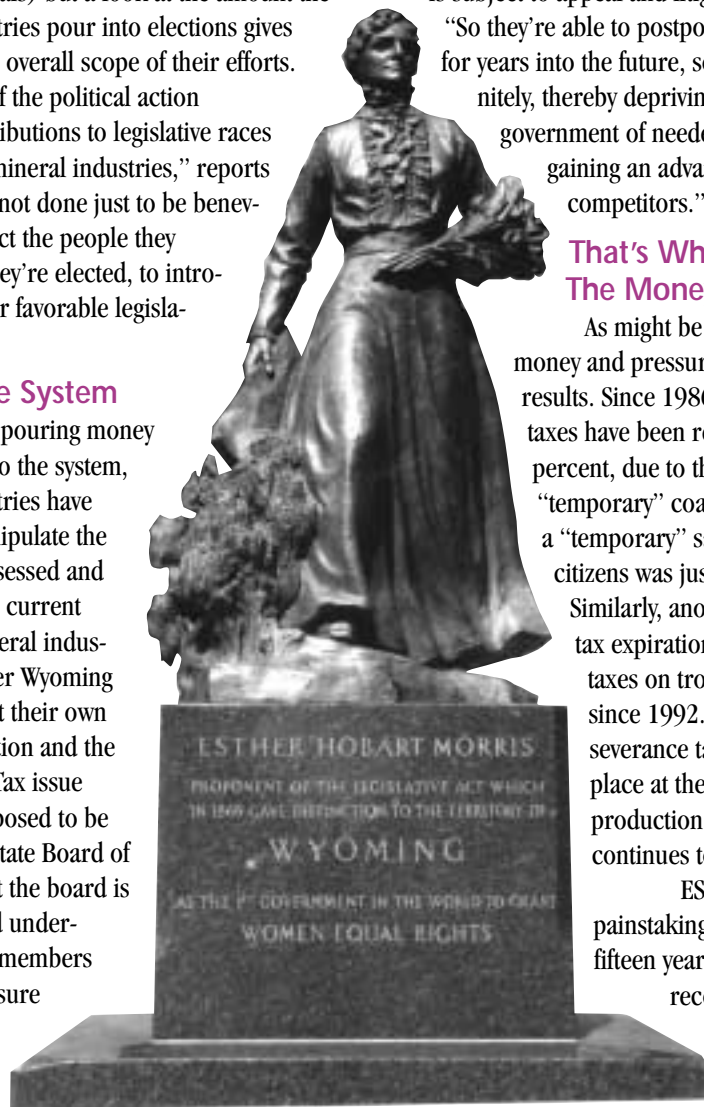
governor dismissed the board’s chair — the first time this has happened in anyone’s memory — for reasons largely viewed as political.

Also, vaguely written tax laws give mineral companies almost endless opportunity for litigation. “They’ve created a situation where everything is subject to appeal and litigation,” says Throop. “So they’re able to postpone paying their taxes for years into the future, sometimes indefinitely, thereby depriving state and local government of needed revenues and gaining an advantage over their competitors.”

That’s Where The Money Went

As might be expected, all that money and pressure has yielded results. Since 1986, coal severance taxes have been reduced by 33 percent, due to the expiration of two “temporary” coal taxes. By contrast, a “temporary” sales tax on Wyoming citizens was just made permanent. Similarly, another “temporary” tax expiration dropped severance taxes on trona by 27 percent since 1992. The decline in severance tax rates has taken place at the same time mineral production (except oil) continues to climb steeply.

ESPC researchers painstakingly combed through fifteen years of legislative records and revenue data. They found a pattern of incre-



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mental moves on the part of state government that added up to a huge break for extraction industries.

“Nobody had put this information together until we laid it all out,” said Throop. “The legislature was giving these tax breaks without any sense of the cumulative impact of their actions, or any sense of the need to replace the revenues that were being lost.” ESPC calculated that the revenue loss to Wyoming due to mineral severance tax breaks and other mineral-related tax issues totaled just over \$190 million for the current budget biennium — well over the projected budget deficit and nearly a fifth of the state’s general fund.

People Are Mad, and They’re Motivated

Last August, ESPC began a campaign to let Wyoming voters know why their booming state is broke. ESPC sent over 25,000 copies of its tax report to coalition group members, media outlets, local and county officials and state legislators. An ongoing series of reports posted at the coalition website details the string of concessions that mineral companies have squeezed out of the legislature over the past decade and a half.

The response has been striking. Mainstream media coverage has been, and continues to be extensive and the extraction companies are gearing up for a fight.

A public relations plan prepared for the Wyoming coal industry by Venture Management International in Indianapolis cites as their number one problem: “Industry is facing a new phenomenon: well organized and well funded professional opposition with staying power and conviction.”

“People are really responding out there,” says Throop. “We’ve grabbed the attention of the public, and the public is saying, ‘You know, I had suspicions

of this going on.’ Now they’ve got this report from us, with a lot of solid, concrete factual information, and they’re making the connections. People are mad, and they’re motivated.” Even the leadership of the legislature is starting to say it doesn’t look good. They’re concerned that they’ll come off as too extreme and have to pay a huge political price.

An Opening for Organizing

Ironically, the breadth and depth of influence peddling by the extraction industries has given progressives in Wyoming a unique opportunity for organizing and coalition building.

“A much broader group of people are starting to see that they have interests in common,” says Throop. “We’re now working with people who are in local government, county officials, school board members, community college presidents and board members, as well as the labor, environmental, public employee, and other grassroots groups that make up our own coalition.”

“We want to use this issue, and this very broad coalition that we’ve developed over this issue, to build the foundation for industry accountability efforts and campaigns in the future.”

Stronger lobbyist reporting laws, ethics measures, government and industry accountability measures are all on ESPC’s list of long term goals.

Ultimately, corporate avarice may backfire on the mineral industry. The current tax crisis is providing a clear illustration of what happens when too much money in too few hands enters the political system. Anger over lobbying tactics and influence buying could provide a solid push for campaign finance and other reform issues in the state — the last thing the extraction industries were hoping for when they bought all those votes.



Recent ESPC Victories in the Wyoming Legislature

- *two mineral tax breaks were rescinded*
- *a study of mineral tax reporting and collection problems was authorized*