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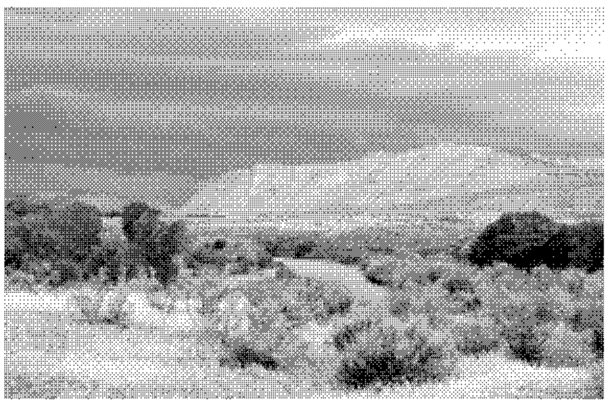
Despite heat, pioneering Rio Blanco County stands by energy impact fees

By David O. Williams 7/27/09 5:37 AM



Rugged and remote: In Rio Blanco County, county commissioners were the first in the state to enact impact fees for drilling operations, mainly to offset the cost of infrastructure improvements. (Photo courtesy Rio Blanco County)

In the nearly 25 years Rio Blanco County Commissioner Ken Parsons has been living west of Rangely in rugged and remote northwestern Colorado, he has experienced three significant downturns in natural gas drilling. During the first two he was working for Texas-based Halliburton.

Now he's known in the county of some 6,600 residents as the chairman of the all-Republican board of commissioners that in 2008 passed a first-of-its-kind impact fee on gas wells to fund road improvements and other county infrastructure.

Oil and gas companies fought the fees at every turn, in part leery of the precedent it might set not only for other gas-rich counties in Colorado, but also around the nation. The possibility of impact fees quickly became a campaign issue in neighboring Garfield County during the 2008 county commissioner election.

But for Parsons the fees, which are levied against all development — including residential and commercial construction — and based on a formula of truck traffic (axel loads) needed to complete a project — are a fair way of making industry pay for its upfront impacts. Parsons does admit he's taken some grief from fellow politicians in energy-producing counties and from some officials in the oil and gas industry.

"Obviously, nobody that's impacted by these impact fees likes them, and if I was in their shoes I'd probably feel much the same way, but on the other hand when we began this — and Garfield County keeps speaking with pride of all the things they've done with industry down there □— we found that whenever we approached industry here it was very spotty," Parsons said, referring to talks about alternatives to the fees.

"Some companies were very generous and very straightforward and helped us maintain roads. Others simply turned the other way. I can tell you that the more generous the company the more willing they are to be OK with the impact fees because everybody is really paying a share that is in proportion to the impacts they're generating."

Rio Blanco's low property taxes — sixth lowest among the state's 64 counties, according to the Department of Local Affairs — and various industry tax breaks, including the ad valorem property tax credit industry currently enjoys under the Colorado's severance tax structure, made it mandatory the county find some way to pay for deteriorating roads.

"Otherwise you'd have 7,000 people trying to pay the tab for some of the biggest multi-national energy companies in the world to supply the roads, and they're literally beating our roads to death," said county planner Jeff Madison, who administers the impact fees and cites studies showing nearly $300 million in needed road improvements by 2022.

There was considerable debate on the Western Slope last year about Amendment 58, which would have removed the property tax credit and increased severance taxes for higher education and environmental programs. Some local politicians supported restructuring severance taxes paid by the oil and gas industry, but not the way proposed by Gov. Ritter because not enough money came back to impacted communities.

Amendment 58 ultimately failed, with impact fees emerging as one way for counties to exercise more local control over a typically state-regulated industry. Commonly used to offset public infrastructure costs for commercial and residential development, Rio Blanco's per-well fee of just under $18,000 brought in $2.44 million in 2008 and another $1.55 million as of the end of May this year.

Madison said 98 percent of the money being collected is coming from the gas industry, which hasn't dropped off too severely despite the recession. During peak drilling last year he said there were 14 rigs operating, and that number is now down to just nine — eight of them operated by ExxonMobil.

Questions of local control over drilling operations have cropped upped recently in Garfield County with regard to plans by Antero Resources to drill in Battlement Mesa and several companies' plans to drill closer to the Rulison nuclear blast test site. But those are regulatory concerns whereas impact fees are seen as a tool to mitigate infrastructure costs.

"I do get criticisms from fellow commissioners, particularly in Garfield and Mesa counties from time to time, both of which have impacts fees on people that are doing traditional development, be it residential or commercial, malls, warehouses," Parsons said, "and it strikes me as rather odd that you would leave some of the industrial development out and not others. To me it seems that's a fairness and equitability issue."

Parsons said the main criticism from industry is that impact fees pile on top of property taxes and other fees, but he said Rio Blanco's mill levy of 9.050 means it has the lowest property taxes of the state's major energy-producing counties — Garfield (13.655), Mesa (14.890), Moffat (24.050) and Weld (16.804).

"That's a different story. You can make an argument there that they're getting close to too much," Parsons said. "If we were taxing them at 14 or 15 mills rather than 9 mills, this is something that I would have really looked at long and hard to see how we're spending our money internally first."