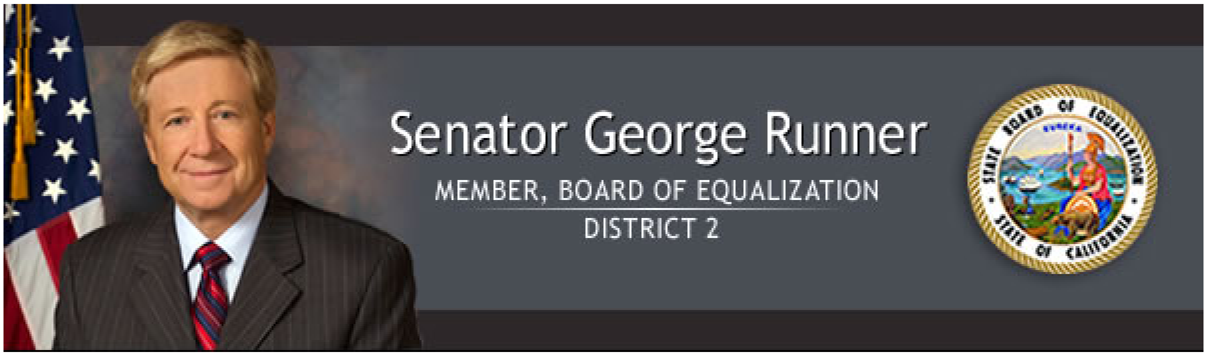

Raising oil companies' taxes will kill state jobs

As seen in the Press Enterprise

By GEORGE RUNNER

Ask anyone what he thinks about gas prices and you'll likely get an earful. The average price of gasoline in California has risen to more than $4 per gallon -- and, motorists are feeling the pain.

It's easy to blame big oil companies for this problem, and many do. However, doing so does nothing to explain why Californians see roughly 10 percent higher costs on average at the pump than the rest of the nation.

Nor does it explain why we refuse to tap the oil in the ground beneath our feet, which would create both new jobs and revenues.

Not coincidentally, California's oil production has dropped by almost 45 percent in the last 25 years, and our refining capacity has not kept pace with demand.

Limited production and refining capacity drives up the price we all see at the pump, especially given California's unique fuel-blend requirements.

Furthermore, California's fuel taxes are the highest in the nation. Californians pay a shocking 66.1 cents per gallon in federal and state taxes and fees each and every time they fill up their tanks.

Truckers pay even more -- 76 cents per gallon of diesel. These higher costs hit small businesses and working families squarely in the pocketbook.

Wanting to punish oil companies, some are proposing a new type of tax on oil production called a "severance tax." This proposal would take the going rate for a barrel of oil and apply a 12.5 percent tax to that value at the point it is produced.

But instead of punishing the oil industry, we'll end up punishing ourselves. The result will be more lost jobs and less revenues.

In January 2009, the Law and Economics Consulting Group released a study on the effects of a proposed 9.9 percent severance tax.

The study found that 10,000 jobs would be lost almost immediately if the tax were passed. Additionally, many of the roughly 100,000 jobs closely related to the oil production industry would be placed in jeopardy.

Now, remember California's oil production has plummeted by 45 percent in the last 25 years, which is bad enough. With a severance tax of 9.9 percent, much less the 12.5 percent that is currently being proposed, production would further decrease by upward of 80,000 barrels a day.

Driving this much production out of California would undermine California's economic recovery.

It would hurt property-tax revenues, as well as sales and use taxes, effectively hamstringing whatever benefits severance-tax revenues might have provided.

Any short-term boost in state revenue would be immediately undercut by permanent job losses and a further weakening of industry.

Given that California's unemployment rate now ranks higher than Michigan's, it's foolhardy to place any of our remaining jobs in jeopardy.

Alberto Torrico, a former assemblyman and one of the severance tax's major proponents, argued that without the severance tax, California is "giving away the energy for free." This is, of course, silly when the state already imposes a plethora of taxes and fees on both the industry and consumers.

For the seventh straight year in a row, a survey of CEOs ranked California as the worst state for business. Torrico's tax proposal would ensure our state retains this dismal distinction for years to come.

Don't kill jobs

Driving more jobs out of California is not an option. It is bad policy for a state to devastate an economy already reeling under high unemployment rates with an onerous new job-killing tax.

Instead, we should orient our tax and regulatory systems to be jobs friendly. Doing so is the only way to speed California's recovery and help hard-working families.

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