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1-18-07

Mr. Mark Gordon, Chairman, and
Members, Environmental Quality Council:

I thank you for allowing me the opportunity to offer and present some very factual and relevant property tax revenue information, in the public comment format, as you consider the Citizens Petition submitted to you by the Powder River Basin Resource Council requesting a rule change, of the permitting process for water discharge related to coal bed natural gas production. Coal bed natural gas production tax revenue has become a significant source of revenue for the local governments, within the Powder River Basin as well as for The State of Wyoming. My comments presented to you today I will quantify that contribution, with focus on Johnson and Sheridan County.

Who am I?

My name is Ken Kerns, born and raised in rural Sheridan County, having spent my entire life associated with the Ranching Industry, and my residence today. I do not own or have any interest in any developed or undeveloped mineral production. My interest in this matter is residual, as a former Sheridan County Commissioner.

I served 12 years, on the Board of the Sheridan County Commissioners from 1987 to 1998. I became very enlightened in the process of local government,

to provide the basic government services, supporting the health and general welfare of the residents of Sheridan County. Obtaining sufficient revenue from the available revenue resources, state, federal and local, with a declining property tax base in Sheridan County, coupled with operational cost inflation, Sheridan County could never fill the service needs with the revenue funds available. Johnson County, was experiencing a similar shortfall. Attempting to close the gap, the residents of both Counties, enacted the general purpose optional sales tax. Sheridan County voters also approved the optional specific sales tax. The residents of Johnson County created special property taxing districts to assist in providing funding for basic services.

Following my terms as a County Commissioner, I watched with interest and perhaps even envy, as the assessed valuation of Sheridan County began to grow, because of the rapidly expanding coal bed natural gas development in the Powder River Basin and in Sheridan County. As is the case with many a recovering politician, I was not wanting to leave Sheridan County Government totally, so, I became a Local Government Affairs Consultant.

In May, of this past year, the Coal Bed Natural Gas Alliance (CBNGA) of Denver, Colorado contracted my services to research, record and report the historical and current property tax revenues generated within Sheridan and Johnson County. The CBNGA has asked me to present to you today, as a

part of this public hearing, a very brief summary of the property tax revenue data that was generated from that work. The purpose of this information is to provide you a written record of the significant property tax revenue the Coal bed Natural Gas Industry is contributing to assist local government in providing basic governmental services for all residents of Sheridan and Johnson County. My report today, will focus upon mine product taxes, ad valorem taxes, that are assessed by the State Department of Revenue, and County Assessor. These revenues are collected and distributed to local taxing entities, by the respective County Treasures. Due to time constraints, Severance taxes, collected by the Wyoming Department of Revenue, Federal and State Mineral Royalties, collected by Federal and State. Governments., both of which are quite significant, will not be part of this report They are identified in my reports to the CBNGA.

The first two charts, Chart 1, Johnson County, and Chart 2, Sheridan County, will graphically show you the remarkable property tax valuation increases in both Sheridan and Johnson County due to the development and production of coal bed natural gas.

CHART 1. Johnson County Taxable Valuation:

The historical range for all properties, from 2000 to 2006, and mineral production of ongoing oil production, condensate gas, bentonite and gravel, is reflected in this chart. Coal bed natural gas did not arrive on the valuation assessment until 2003. From 2000 to 2006, the total assessed valuation of Johnson County increased by 471%

CHART 1:

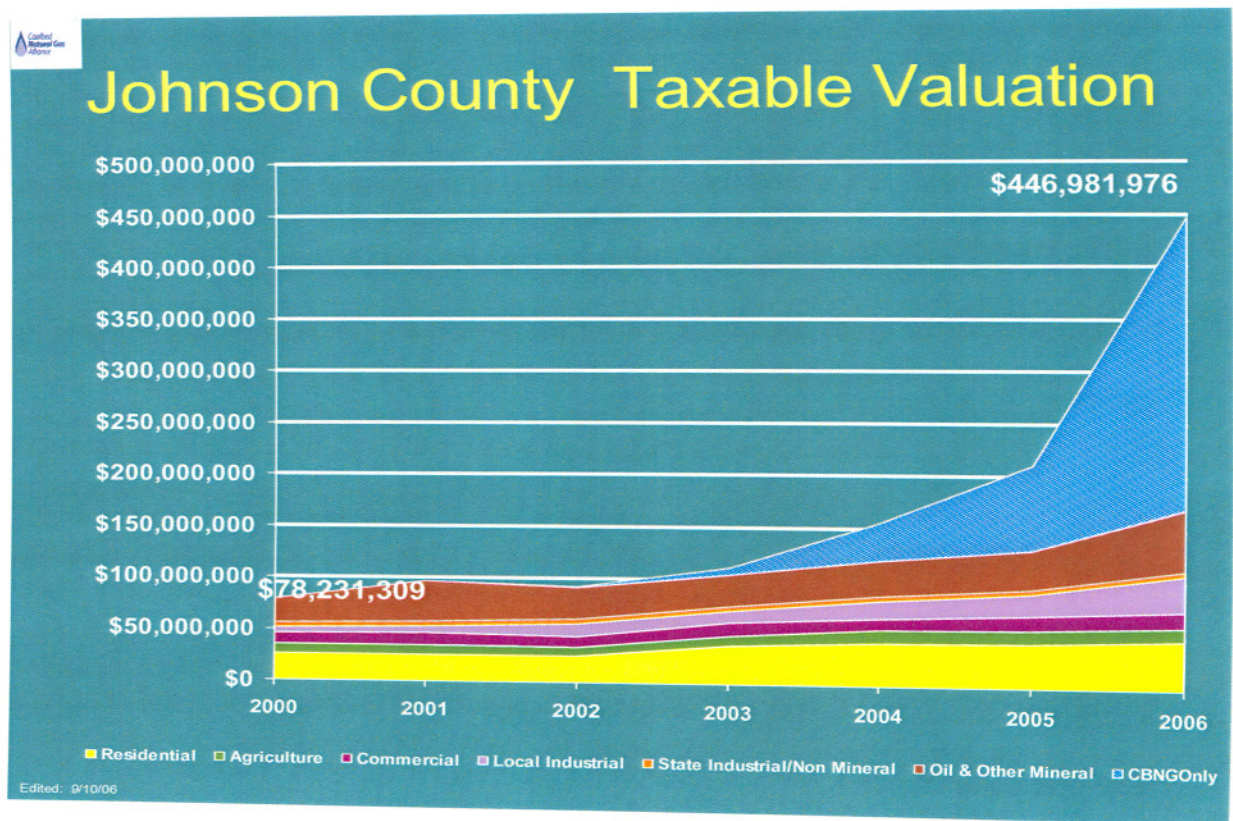


CHART 2: Sheridan County Taxable Valuation

The historical range of the assessed valuation of Sheridan County increased by 281% from year 2000 to 2006. During this period of time, taxable mineral production had no significance, until coal bed natural gas arrived on the scene in 2001.

CHART 2

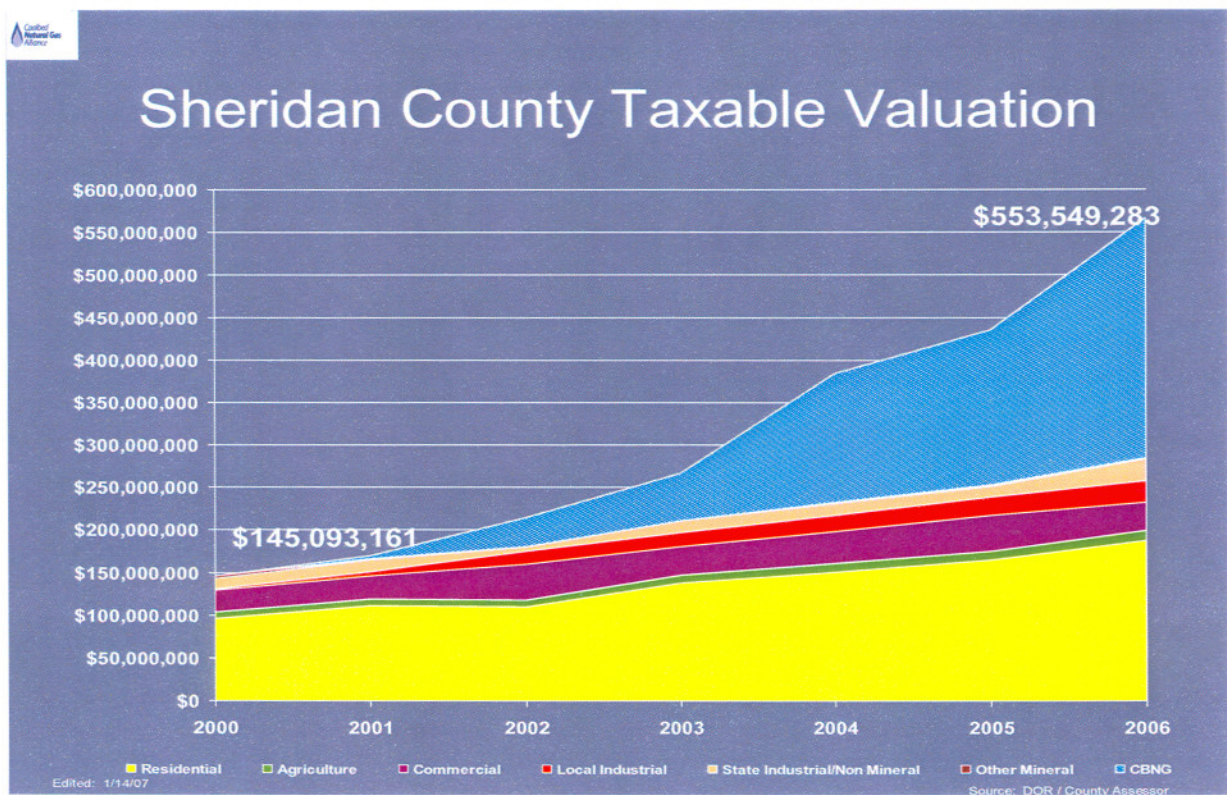


CHART 3: Johnson County, Revenue and Source

Consequently, with this dramatic increase of taxable value in both Johnson and Sheridan County, due to the production of coal bed natural gas, the associated revenue increases to the local taxing entities and the source of this revenue is reflected below, comparing the year 2000, with 2006. In 2006 coal bed natural gas production accounted for 66% of the Johnson County, tax base

CHART 3:

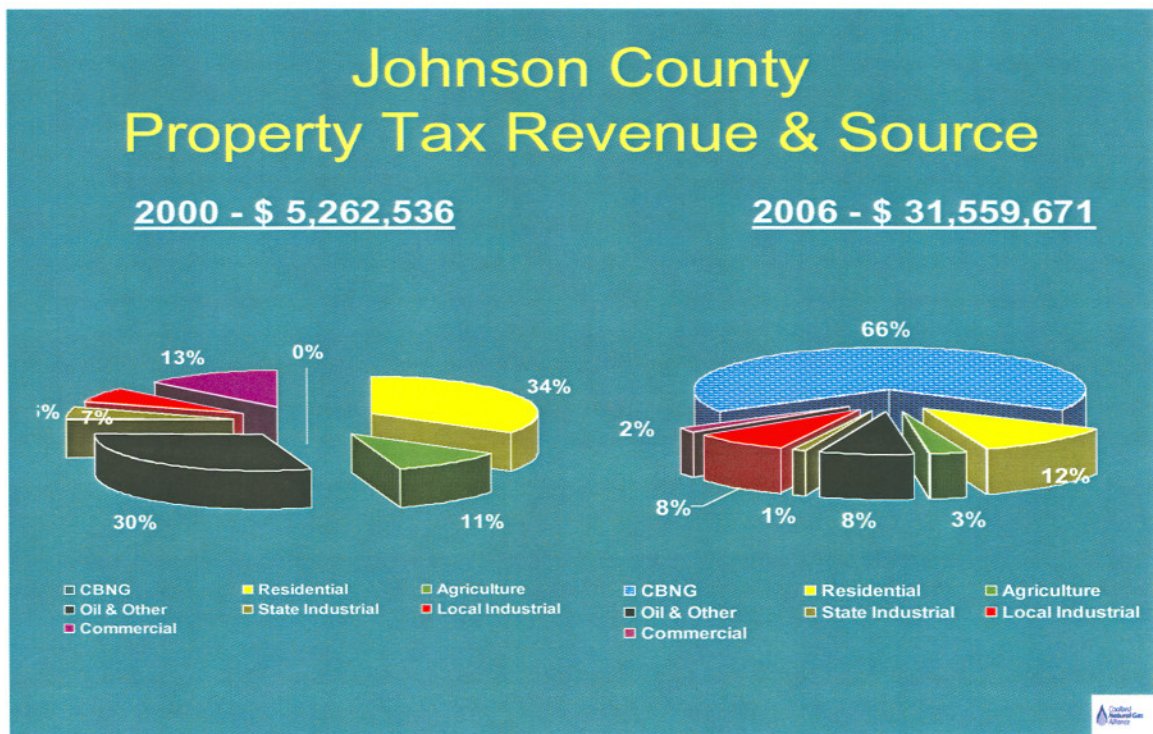
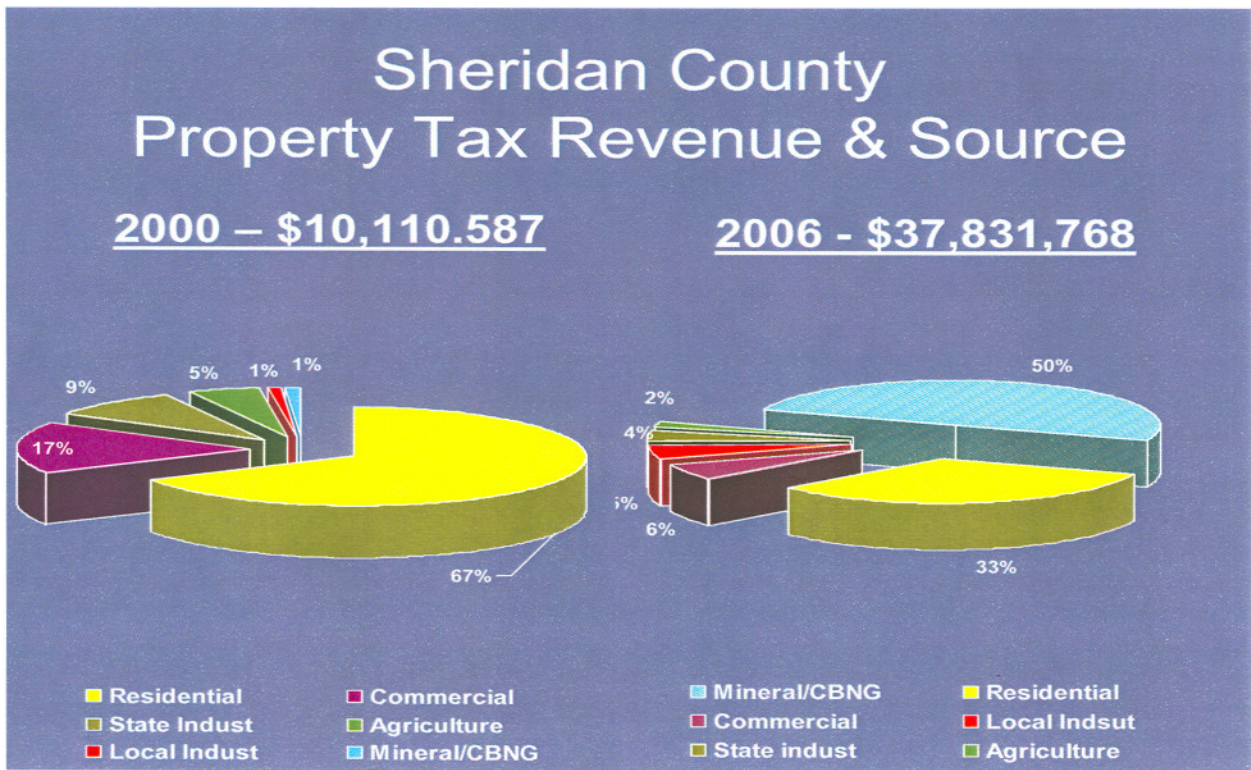


CHART 4: Sheridan County , Property Tax Revenue and Source

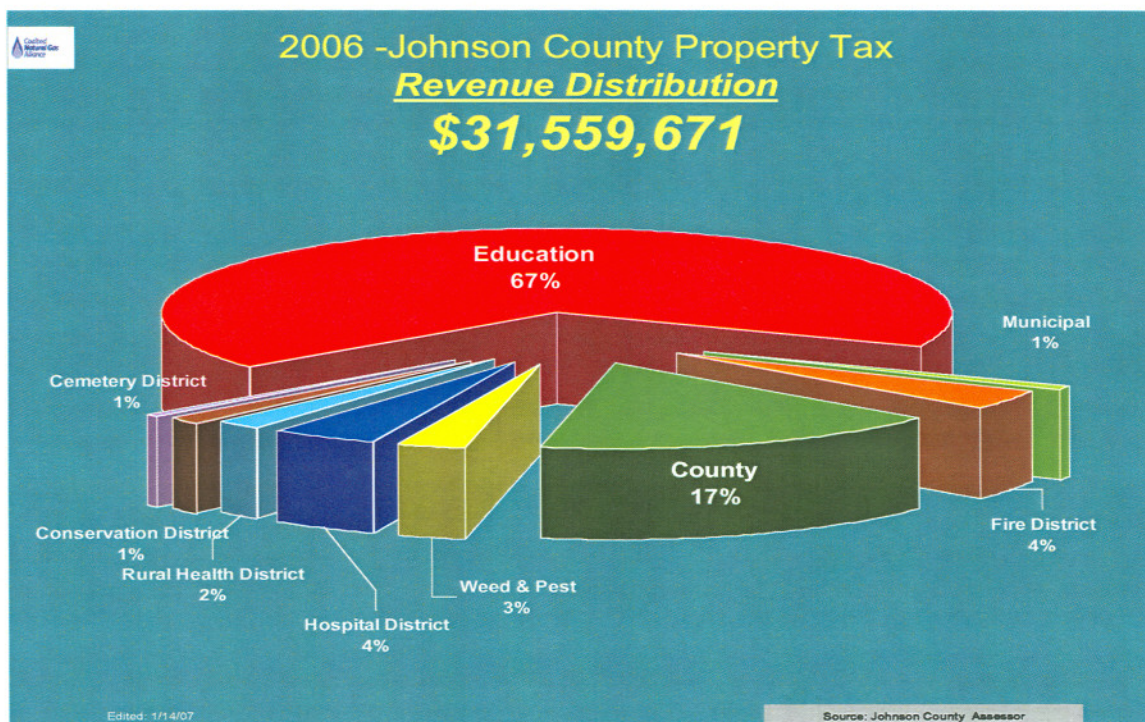
Consequently, with this dramatic increase of taxable value, in Sheridan County, the associated revenue increases to the local taxing entities and the source of this revenue is reflected in the below chart. Comparing tax year 2000, with tax year 2006, coal bed natural gas production accounted for 50% of the Sheridan County, tax base.

CHART 4:



Property tax revenue is distributed by the County Treasurer according to the mill levy, as certified by the County Levy Board. This chart graphically shows the percentage of total revenue distribution to the various entities from the total amount of revenue collected in **Johnson County**. The various special taxing districts created by the Johnson County residents are reflected in this chart.

CHART 5:



These special districts, Fire, Hospital, Rural Health, Conservation and Cemetery, received 12 % of the total property tax revenue collected in 2006, or approximately \$3,078,160. There is, by statute, a maximum mill levy these special districts are allowed to assess..

In **Johnson County**, listed below shows, with the comparison of mills levied, revenue received, comparing revenues prior to and after coal bed natural gas development, year 2000/2006 with revenues collected. Those highlighted are of special interest, dealing with **health and safety** services.

2000- \$78,231,309

2006- \$446,981,976

↑ Up 471%

Entity	2000 Levy	2000 Revenue	2006 Levy	2006 Revenue	% Increase
County GF	7.730	\$ 604,728	10.706	\$4,785,389	↑ 691
Fair	.793	62,083	.301	134,543	↑ 116
Library	2.646	207,000	.779	348,199	↑ 68
Museum	.831	65,010	.214	95,654	↑ 47
Weed & Pest	2.000	156,462	2.000	893,964	↑ 471
Rural Fire#1	3.000	76,481	3.000	981,989	↑ 1183
Rural Fire -PR	1.483	51,104	3.000	270,149	↑ 1385
Cemetery	.663	51,867	.415	185,498	↑ 262
Hospital	3.000	234,694	3.000	1,340,946	↑ 471
Rural Health (911)	1.780	139,252	1.360	607,895	↑ 336
Conservation	1.000	78,232	1.000	446,982	↑ 471
St. Foundation	12.000	938,766	12.000	5,363,784	↑ 471
County Foundation	6.000	469,388	6.000	2,681,892	↑ 471
School Operation	25.000	1,955,783	25.000	11,174,549	↑ 471
G.O. School Bonds	0.000	0	4.500	2,011,418	
Buffalo	8.000	140,742	8.000	226,416	↑ 60
Kaycee	8.000	5,962	8.000	10,405	↑ 74
TOTAL REVENUE		\$5,262,536		\$31,559,671	UP 499%

Likewise, charts 7 & 8, display the property tax revenue tax distribution in Sheridan County.

CHART 7

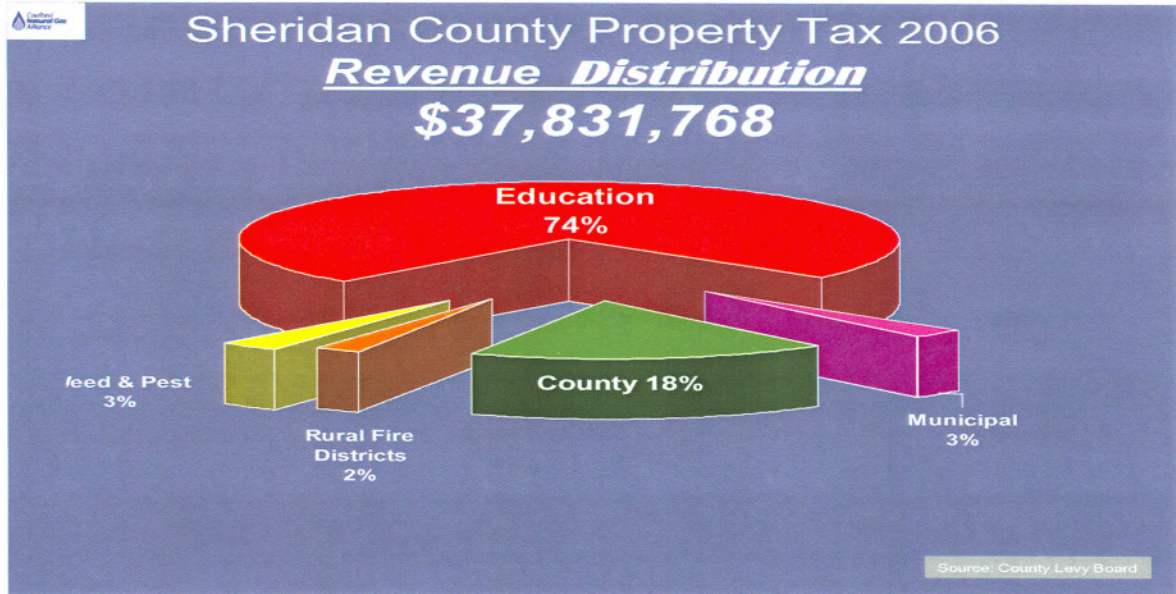


CHART #8

Sheridan County Property Tax Revenue – excluding education

Entity	2000 Revenue	2006 Revenue	Increase (Decrease)	% Change
County GF	\$1,741,117	\$5,103,954	\$3,499,837	>281%
Fair	\$192,357	\$305,000	\$112,634	>58%
Library	\$465,455	\$1,035,000	\$569,545	>122%
Airport	\$89,902	\$195,000	\$105,098	>116%
Hospital	\$150,000	\$110,000	(\$40,000)	<26%
Rural Fire	\$132,041	\$775,339	\$643,328	>487%
Weed & Pest	\$290,186	\$1,129,326	\$839,140	>289%

As was pointed out earlier in this presentation, the educational community, receives better than 70% of the property tax revenue within the distribution process. For purposes of illustration, let us look at the revenue increase for education, as the assessed valuation of the two counties rise. It is very important to recognize the contribution Johnson County is now making to the State School Foundation Fund. As you can readily see it is projected Johnson County School District #1, will soon contribute more revenue to the State Foundation Fund than is returned for basic education. As more school districts become contributors it allows the Governor, the Legislature, and The State Board of Education, latitude to be more innovative, providing solid education opportunities for the youth of Wyoming. A prime example of this, is the Hathaway Scholarship Trust Fund, funded with coal bonus money.

CHART 9

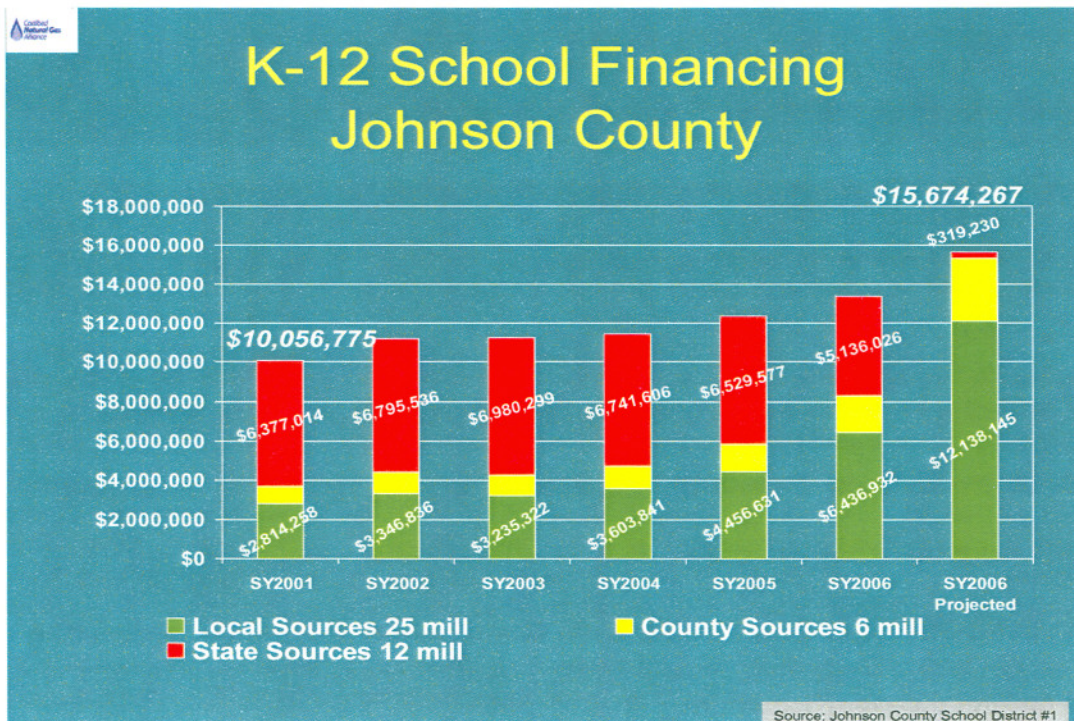
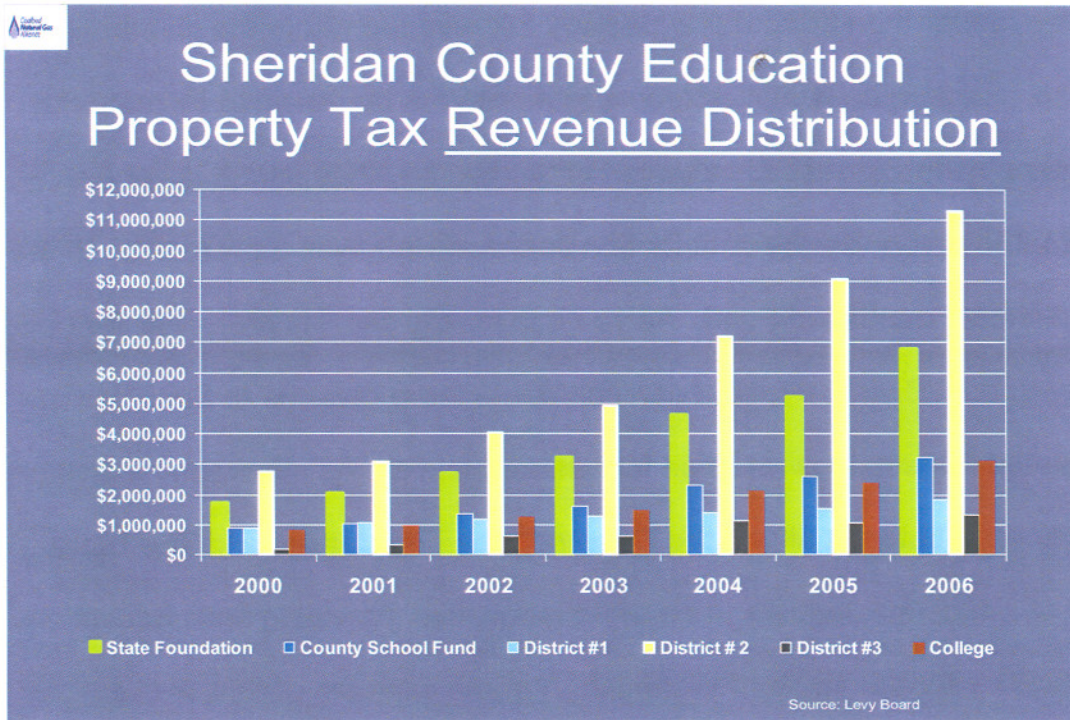


CHART 10



As I conclude this section on education, I would be amiss if I did not bring attention to the fact that, Johnson and Sheridan County, have experienced nearly \$70,000,000 worth of new school construction, of which only \$8.2 million coming from local sources in Johnson County. In the term of debt retirement the local general obligation bonds in Johnson County, over 60% will be retired by the local coal bed natural gas production through mine product taxes. Without the vibrant mineral industry in Wyoming, of which the coal bed industry is a part, the burden of school construction, so ordered by the Wyoming Supreme Court would have fallen on the residential, agriculture and commercial property owners.

In my conclusion, It should be pointed out that strong CBNG revenue increases in **Sheridan** and **Johnson County** are correlated with local production. We must also keep in mind global natural gas prices, prices that have faltered during the past twelve months, having a major impact on the viability of the industry and the property tax stream to local governments associated with the value of natural gas.

Again, I thank you for allowing me this time to enter into your record my testimony. Respectfully submitted,


Ken Kerns. Consultant

The Double Rafter

January 17, 2007

