

# OPINION

## A state break for drilling

**W**ith stories abounding of the richness — and the riches — of the natural gas in the Haynesville Shale in north Louisiana, there is a land rush on to lease and drill the huge energy source that the shale gas represents.

If the prospects for the Haynesville Shale are that good, and they appear to be, the private sector is going to be energetically developing it.

The last thing that would seem to be needed is a tax break for the industry to drill there. However, it appears that's what the state of Louisiana is doing.

Drilling in one of the richest onshore finds in American history is being encouraged with a state tax break.

The Louisiana Budget Project has issued a report that focuses on this as well as other "tax expenditures" — the breaks granted to industries or individuals to avoid taxation.

As an arm of the Louisiana Association of Nonprofit Organizations, the Budget Project studies state spending and how it affects low- and moderate-income households.

While the Budget Project rather over-dramatically calls the tax breaks a "hidden budget," the fact is that once granted, a tax break almost never is repealed.

Lawmakers, special interests and just plain inertia mean those benefiting from a tax break continue to do so, whether the original rationale for it continues or not.

Why are the shale wells getting a break?

In 1994, drilling was low, particularly onshore, and the industry urged the Legislature to encourage more of it.

Lawmakers agreed to a two-year moratorium on severance taxes for horizontal wells. That drilling technique was new, and more of it would encourage more economic development as the technique proved out.

"Neither (rationale) is true today," the Budget Project report said.

"In fiscal year 2011, tax exemptions on severance taxes are projected to cost Louisiana \$189 million," the report said. "Drilling in the Haynesville Shale could drive this cost considerably higher when fully developed. That's money that's not going to our depleted university or health care systems."

As lawmakers ponder a budget going over a cliff when federal stimulus funds and other one-time sources of money are exhausted, it would seem that more than a few tax breaks ought to be under searching examination for modification or repeal.