EDITORIAL

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Finally, an OK tax

Raising the oil-production fee is a good idea, but by how much needs more study.

Like her predecessor, City Auditor Laura Doud has argued for increasing the per-barrel tax for oil extracted in Long Beach. She sees the too-low fee as an untapped source of revenue for a city that, until recently, faced great financial challenges.

She's right. Long Beach is missing out on potential revenue. But we're not prepared to say by how much. Further study is both warranted and under way. (Doud hasn't yet proposed an exact number.)

The auditor, Mayor Bob Foster and a team led by 3rd District Councilman Gary DeLong are working on a proposal that the City Council can place before Long Beach voters. Only a majority vote of the people — two-thirds if the money is earmarked for a specific use, such as police — can increase the rate from the current 15 cents.

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It would be better to place the matter on the ballot with an unspecified use in order to avoid the risk that two-thirds of voters wouldn't approve. The mayor and council, when working on future budgets, can — and should — direct the bulk of the earnings toward public safety.

There's precedent. Many Southland cities charge oil producers more.

"Signal Hill is charging 60 cents and we're charging 15," Doud said Thursday.

That doesn't mean she is proposing a 45-cent increase. She's merely pointing out a major discrepancy.

DeLong has suggested possibly doubling the rate to 30 cents, about the local norm. Southland cities are all over the map, but Long Beach is on the low end and behind Torrance, Montebello and other neighbors.

Doud's office is using formulas employed by other cities, as well as industry indices, to come up with an appropriate suggestion for the council. In addition, every council member will be consulted, she said, before a proposed ballot measure goes for a council vote.

As much as the revenue looks attractive, arbitrarily raising rates to 60 cents just because Signal Hill charges that much may not work in Long Beach, where production is far greater.

Also, oil companies may decrease production if taxes get too high, possibly reducing city revenue. Higher business costs, such as taxes, are often passed on to consumers, but drivers needn't worry much about the Long Beach rate having any effect since the local oil is not the grade used in producing gasoline.

In fiscal 2006, oil companies extracted 14.8 million barrels of oil and paid $2.2 million in taxes. Doubling it, as DeLong has suggested, would, of course, bring that rate to about $4.4 million.

That can buy a lot of cops and help the mayor reach his goal of 100 new officers in four years. This idea belongs on the earliest-possible ballot.