Oil- and gas-related revenue collection and allocation in eight states

AK, CA, KS, NM, OH, OK, UT, and WV

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Note: the findings presented below are preliminary and subject to revision
Focus of this presentation

• What government revenues are generated from oil and gas production in our focus states?

• How are those revenues allocated across different levels of government?

• We look at these issues state-wide for each state

• We do not seek to make value judgments about the appropriate level of government revenue
Overview of presentation

• Oil and gas revenue mechanisms in eight states
• Comparison of oil- and gas-related revenues and allocation
• Analysis and discussion questions
We quantify direct government revenues from oil and gas production

• State severance taxes or similar

• Local ad valorem property taxes on oil and gas property

• Lease revenue from state and federal lands

• Our calculations do not include
  – Indirect or induced impacts (e.g., income taxes, sales taxes)
  – Lease revenue on local government land
  – These revenues can be substantial
We then quantify allocations to local governments from these revenue sources

• How does revenue flow from severance taxes, property taxes, federal leases and state leases?
  – We focus on flows to local governments rather than state government

• We do not quantify revenue flows from state general funds
  – State-collected severance taxes and lease revenues often go into state general funds, where they may eventually flow to local governments
  – These flows are generally not related to levels of oil and gas activity
Market value of oil and gas produced in FY 2013

Sources: U.S. EIA for oil and gas production volumes and oil prices based on statewide first purchase price. Bloomberg for natural gas prices based on regional market hub prices.
State and local revenue by mechanism in FY 2013

Note: percentage figures do not represent effective tax rates.
State and local revenue allocation in FY 2013

share of production value

- Local grant program
- Other local gov't
- Munis
- Counties
- Schools trust fund
- Local schools
- Higher ed
- State legacy fund
- State general fund

Note: percentage figures do not represent effective tax rates.

*Alaska light blue bar represents revenues flowing to Borough governments, which also operate school districts.
Local government revenue collection and allocation in FY 2013

Note: percentage figures do not represent effective tax rates.
*Alaska light blue bar represents revenues flowing to Borough governments, which also operate school districts.
Analysis of revenue collection and allocation

• In most cases, local governments are receiving adequate revenue to manage impacts

• Property and sales taxes are leading local revenue sources, and appear to be sufficient in most situations
  – Volatility can be a challenge

• In some cases, additional revenues may be necessary to manage impacts
  – But it can be difficult to anticipate where fiscal challenges will arise
Discussion

• Do you have any feedback on our calculations and presentation of revenue data?

• Do you have any feedback on our analysis of the data?
For more information

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