DISCUSSION PAPER

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US State and Local Oil and Gas Revenues

Supplemental Information

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RESOURCES FOR THE FUTURE

Contents

Read the full paper: www.rff.org/research/publications/us-state-and-local-oil-and-gas-revenues.

State Policies and Data[1]

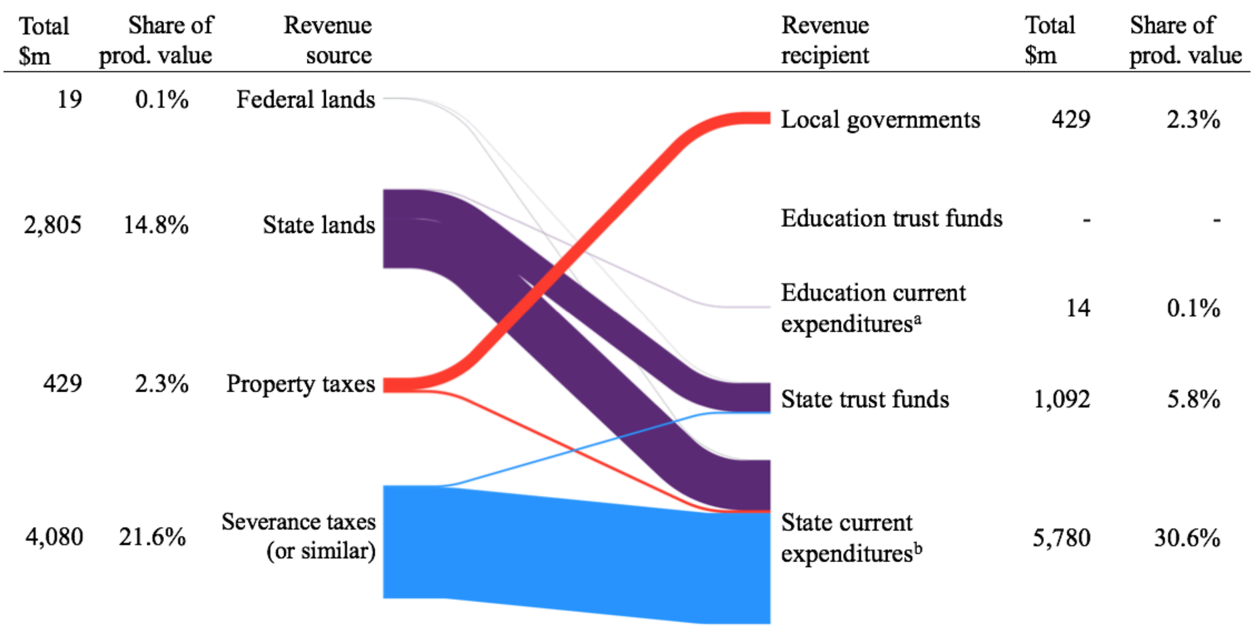
Alaska

Table 1. Alaska FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	12	7	0.1			0.1%
State leases	1,759	1,015	14			14.8%
Severance tax or similar	3,911	70				21.1%
Property taxes	99				429	2.8%
Share of production value	30.6%	5.8%	0.1%	0	2.3%	38.7%

Note: Sums may not total due to rounding. Alaska's schools in most cases are operated by borough governments, which we categorize as "local government" because boroughs also provided services similar to counties and municipalities in other states.

Figure 1. Alaska FY 2013 Oil and Gas Revenue Flows



Notes: a) Our categorization of "local governments" include boroughs, which provide local education; b) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

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[1] Additional data on local government revenue allocation is available in Raimi and Newell (2016): Local government revenue from oil and gas production. Available online at http://dukespace.lib.duke.edu/dspace/handle/10161/12390.

State Production Taxes and Fees

Alaska has updated its oil and gas production tax (A.S. § 43.55) often, with the most recent changes taking effect in 2014. That change increased the nominal production tax rate to 35 percent of the net revenue for oil and gas companies and added a variety of exemptions and deductions. There are 14 major policies that can reduce tax liability for producers, and due to their complexity and space limitations, we do not detail them here. For details, see the statute or a summary provided by the Alaska Department of Natural Resources, Oil and Gas Division: http://dog.dnr.alaska.gov/programs/FinancialIncentives.htm. In FY 2013, the production tax raised $3,972,676,016.

The state collects a Conservation Surcharge (A.S. § 43.55 Article 2), which levies a $0.01 per barrel tax on oil produced within the state, along with an Additional Conservation Surcharge (A.S. § 43.55 Article 3), which levies $0.04 per barrel. These surcharges raised $7,797,770 in FY 2013.

Finally, Alaska levies a state property tax on oil and gas exploration, production, and transportation equipment of 2 percent of the assessed value, minus a deduction for property taxes paid to local governments. While many states levy property taxes on midstream oil and gas equipment such as pipelines and refineries, Alaska is the only state in our survey that levies such taxes on exploration and production equipment. This tax raised $99,282,078 in FY 2013 (Alaska Department of Revenue 2014).

Allocation of Those Revenues

In FY 2013, $3,902,881,465 of the state production tax revenue (98 percent) flowed to the state general fund, with $69,794,551 (two percent) flowing to the Constitutional Budget Reserve Fund.

The conservation surcharges are allocated entirely to the Oil and Gas Hazardous Substance Release Prevention and Response Fund.

The state property tax is allocated according to the same formula as the production tax, with 98 percent ($99,260,956) flowing to the state general fund, and 0.02 percent ($21,122) flowing to the Constitutional Budget Reserve Fund (Alaska Department of Revenue 2014).

Local Production Taxes and Fees

Alaska local governments may apply their property taxes to oil and gas exploration, production, and transportation equipment. In FY 2013, this source raised $429,347,706 for local governments (Alaska Department of Revenue 2014).

Allocation of Those Revenues

Most property taxes on oil and gas equipment are collected by the North Slope Borough, where the vast majority of production occurs. In FY 2013, the North Slope Borough government collected roughly $332 million in property taxes, 98 percent of which came from oil and gas property (North Slope Borough 2014).

Revenue from State and Federal Lands

In FY 2013, Alaska reported combined state and federal lease revenues of $2,806,876,137 (state reporting does not separate the two categories). However, most oil and gas production in Alaska occurs on state government land, and federal oil and gas leases provided just $19 million in FY 2013 (Office of Natural Resource Revenue 2015), roughly 0.7 percent of total leasing revenue (Alaska Department of Revenue 2014).

Allocation of Those Revenues

In FY 2013, roughly 63 percent of state and federal lease revenue ($1,770,222,502) flowed to the state general fund, 0.5 percent ($14,116,607) to the School Fund, which funds current school operations, and 6.4 percent ($180,692,568) to the Constitutional Budget Reserve Fund. The remaining 30 percent ($841,349,770) flowed to the Alaska Permanent Fund, an endowment that distributes an annual dividend (cash payment) to all Alaska residents (Alaska Department of Revenue 2014).

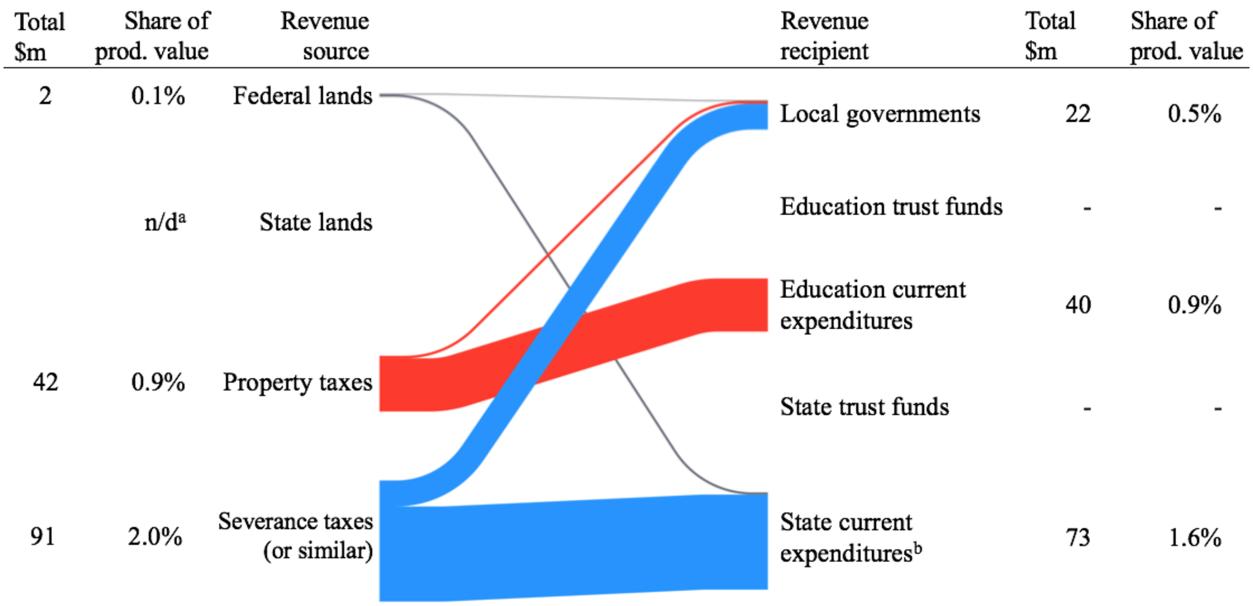
Arkansas

Table 2. Arkansas FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov’t	Share of production value
Federal leases	2				1	0.1%
State leases*						
Severance tax or similar	71				19	2.0%
Property taxes			40		2	0.9%
Share of production value	1.6%	0	0.9%	0	0.5%	3.0%

Note: Sums may not total due to rounding. *Data were not available for oil and gas lease revenue from Arkansas state lands in FY 2013. For reference, revenue in FY 2012 was roughly $800,000, all of which flowed to state current expenditures.

Figure 2. Arkansas FY 2013 Oil and Gas Revenue Flows



Notes: a) No data available. For reference, in FY 2012 Arkansas raised roughly $800,000 from oil and gas leases on state lands, all of which went to state current expenditures (Newell & Raimi 2015); b) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Arkansas levies an Oil Excise Tax based on 5 percent of the market value of oil produced, declining to 4 percent for stripper wells (wells producing 10 barrels per day or less) (AR Code Annotated § 26-58-111). Revenue from this source was $25,548,303 in FY 2013.

The state also applies an Oil Assessment of 25 mills (2.5 percent) per barrel plus an additional $0.02 per barrel (AR Code Annotated § 26-58-301 through 26-58-303). This tax raised an estimated $14,677,749 in FY 2013.

For natural gas, the state applies a nominal severance tax rate of 5 percent to the market value of natural gas produced, with exemptions that affect shale wells, including a 1.5 percent rate for the first 24 months of production from “New Discovery” wells and a 1.5 percent rate for 36 months of production from “High Cost” wells. “Marginal” (low-producing) gas wells pay 1.25 percent (AR Code Annotated § 26-58-111). The severance tax raised $50,662,974 in FY 2013 (Arkansas Department of Financial Administration 2015).

Allocation of Those Revenues

The oil excise tax is allocated as follows: Three percent of the initial total to the general revenue fund account. Of the remainder, 75 percent is allocated to the state treasury fund account and the remaining 25 percent goes to the county aid fund (AR Code Annotated §26-58-124), which is shared evenly among Arkansas’ 75 counties.

The oil and gas assessment tax is allocated to the Arkansas Museum of Natural Resources and for the payment of interest and principal on bonds issued by the Arkansas Oil and Gas Commission and the Arkansas Pollution Control and Ecology Commission.

The natural gas severance tax is allocated as follows: Five percent of the initial total is allocated to the state general fund. Three percent of the remaining balance is allocated to the Constitutional Officers Fund and the State Central Services Fund. Up to $2.5 million is then allocated to the Gasoline Tax Refund Fund, based on a determination made by the director of the Arkansas Division of Financial Administration. The remaining balance is allocated as follows: 15 percent to the County Aid Fund (shared equally between all counties), 15 percent to the Municipal Aid Fund (shared according to population), and 70 percent to the State Highway and Transportation Department Fund (AR Code Annotated § 26-58-124).

Local Production Taxes and Fees

Local governments in Arkansas apply their property tax rate to the value of mineral estates, which includes oil and gas property. Only producing properties are included in this assessment (AR Code Annotated § 26-26-1110). In FY 2013, we estimate that a total of roughly $44 million in property taxes from oil and gas property were levied by local governments based on property values and millage rates obtained online from the AR Assessment Coordination Division via http://www.arkansas.gov/acd/state_values_rates/county/2013_County_Assessed_Values.pdf.

Allocation of Those Revenues

The government that levies the tax retains the revenue.

Revenue from State Lands

State lease data were not available from FY 2013. For reference, in FY 2012 roughly $800,000 flowed from state government leases to various state agencies, with no revenue flowing directly to local governments.

Allocation of Those Revenues

The state deposits 100 percent of the revenue generated from these leases into the state treasury, and all of those revenues are then allocated to the state agency that owns the leased land.[2]

[2] Information provided via email by the office of the Arkansas Commissioner of State Lands.

Revenue from Federal Lands

Production on federal lands in FY 2013 generated $2,250,439 for the state of Arkansas, assuming a 49 percent allocation of federal revenue based on data from ONRR.

Allocation of Those Revenues

These revenues are allocated according to the formula described above for the state Oil Excise Tax.[3]

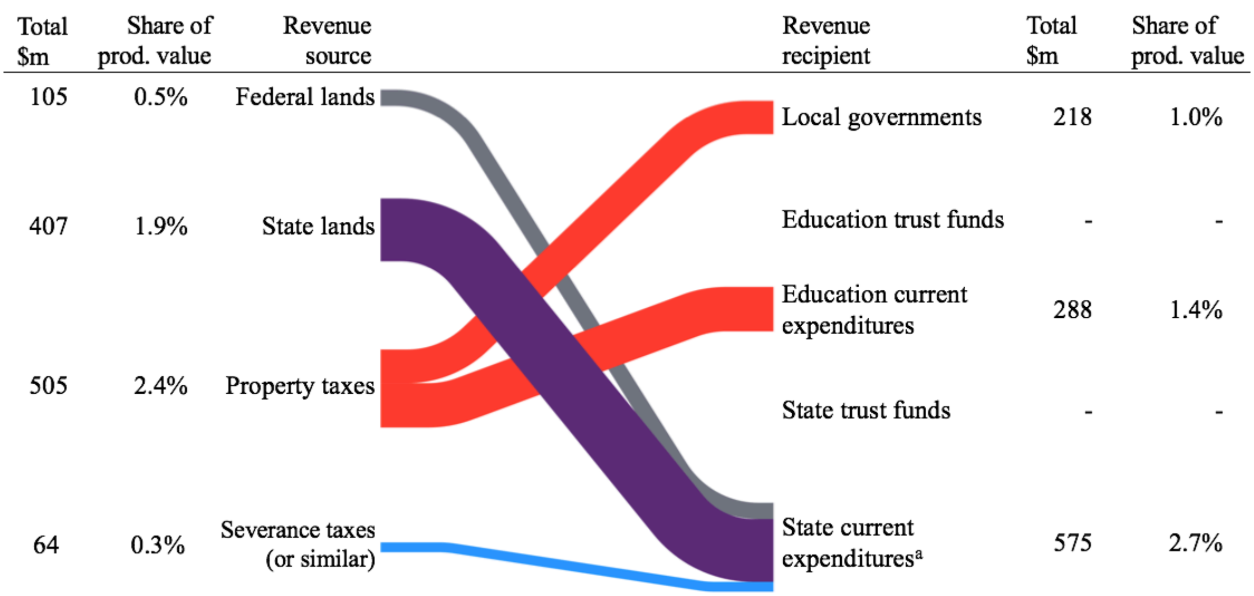
California

Table 3. California FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	105					0.5%
State leases	407					1.9%
Severance tax or similar	64					0.3%
Property taxes	575		288		218	2.4%
Share of production value	2.7%	0	1.4%	0	1.0%	5.1%

Note: Sums may not total due to rounding.

Figure 3. California FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

[3] Ibid.

State Production Taxes and Fees

California does not levy a severance tax on oil and gas production, but does apply an "Oil and Gas Production Assessment Fee" which is adjusted annually based on the price of oil and gas. In FY 2013 that fee was $0.1426683 per barrel of oil or 10,000 cubic feet of gas produced. By FY 2016, the assessment rate stood at roughly $0.32. (CA Department of Conservation 2015). In FY 2013, we estimate the assessment raised $63,812,535.

Allocation of Those Revenues

The Assessment Fee is used entirely to support the state's Division of Oil, Gas, and Geothermal Resources, housed within the Department of Conservation.

Local Production Taxes and Fees

California local governments levy property taxes on oil and gas, administered by each county assessor's office. Assessment guidelines are provided in the CA Code of Regulations, Title 18, Division 1, Chapter 1, Subchapter 4, Article 4, Rule 468, and are available online through the state's Board of Equalization via http://www.boe.ca.gov/lawguides/property/current/ptlg/rule/468.html. Precise data are not available on revenue raised from these properties. We estimate a total of roughly $505 million in property taxes levied on oil and gas property based on oil and gas property values provided via email and tax rates accessed online from the Board of Equalization.

Allocation of Those Revenues

The local government that levies the tax retains the revenue.

Revenue from State Lands

Oil and gas leases on state land, including revenue collected from offshore operations near Long Beach, Santa Barbara, and other locations, generated $406,535,147 in FY 2013, as reported by the CA State Lands Open Government Platform: https://castatelands.opengov.com/transparency.

Allocation of Those Revenues

All revenue from oil and gas leases on state lands is deposited into the state's general fund.[4]

[4] Information provided via email from the office of the California State Lands Commission.

Revenue from Federal Lands

Based on oil and gas revenue data from California federal lands provided by ONRR, we estimate that the state received roughly $105 million in FY 2013.

Allocation of Those Revenues

All revenue from oil and gas leases on federal lands is deposited into the state's general fund.[5]

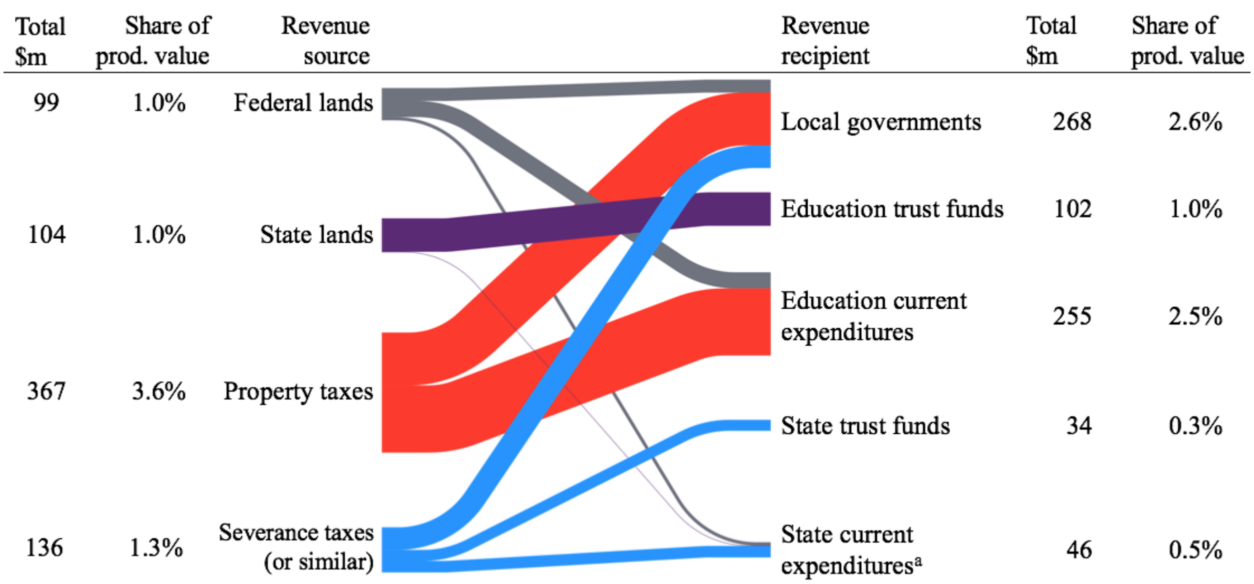
Colorado

Table 4. Colorado FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	10		49		39	1.0%
State leases	1			102		1.0%
Severance tax or similar	69				67	1.3%
Property taxes			205		162	3.6%
Share of production value	0.8%	0	2.5%	1.0%	2.6%	6.9%

Note: Sums may not total due to rounding.

Figure 4. Colorado FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

[5] Ibid.

State Production Taxes and Fees

Colorado levies two statewide taxes on oil and gas production. The first, called the "oil and gas severance tax," varies from two percent to five percent based on the total amount of revenue generated for the taxpayer by oil and gas production in that year. If a producer's annual revenue is less than $25,000, its tax rate is two percent. If its annual revenue is between $25,000 and $100,000, the rate is two percent plus $500. If its annual revenue is between $100,000 and $300,000, the rate is four percent plus $2,750. If its annual revenue is above $300,000, the rate is five percent plus $10,750. Wells producing less than 15 bbl/day of oil or less than 90 mcf/day of gas are exempt from the severance tax (Colorado Revised Statutes §39-29-105).

Severance tax liability is reduced for most oil and gas producers based on the amount of ad-valorem property taxes a producer has paid to local governments. Specifically, producers can credit 87.5 percent of what they paid to local governments in property taxes on oil and gas production in the previous year against their current-year severance tax liability. For example, if a producer owes $1,000 to the state and has paid $1,000 in oil and gas property taxes to local governments in the previous year, it may credit $875 against its state liability and only pay taxes on $125 of its revenue from oil and gas production (Colorado Revised Statutes §39-29-105).

Colorado also levies an "oil and gas conservation tax," which applies 1.7 mills (0.17 percent) to the market value of oil and gas produced in the state (Colorado Revised Statutes §34-60-122).

These taxes together tax raised $136,083,569 in FY 2013 (Colorado Department of Revenue 2013).

Allocation of Those Revenues

The severance tax is allocated as follows: The first $1.5 million in annual revenues is deposited into the Innovative Energy Fund. Fifty percent of the remainder is allocated to the Severance Tax Trust Fund (half of this fund flows to a trust used to finance regional water projects, and half flows to the state Department of Natural Resources for operational expenses (Colorado Revised Statutes §39-29-109)). The remaining 50 percent goes to the local government severance tax fund. The local government severance tax fund is allocated as follows: Seventy percent is allocated to the Department of Local Affairs to administer the Local Government Impact Grant program. The remaining 30 percent is allocated as follows: 55 percent direct distribution to counties and 45 percent direct distribution to municipalities (Colorado Revised Statutes §39-29-108).

The conservation tax is allocated to the state's Oil and Gas Conservation and Environmental Response Fund, which is responsible for monitoring oil and gas activities for compliance with applicable environmental laws. The balance of this fund is capped at $4 million (Colorado Revised Statutes §34-60-124).

Local Production Taxes and Fees

Local governments in Colorado apply their property tax millage rate to 87.5 percent of the value of oil and gas produced from mineral estates. If secondary or tertiary recovery techniques were used in that production, the local governments apply their millage rate to 75 percent of the value of oil and gas produced (Colorado Revised Statutes §39-7-102). The average millage rates in Colorado in 2013 were 29.13 (2.913 percent) for school districts, 21.22 (2.122 percent) for counties, 13.13 (1.313 percent) for municipalities, and 2.68 (0.268 percent) for special districts.

Allocation of Those Revenues

The local government that levies the tax retains the revenues. As noted above, producers can claim 87.5 percent of the amount of local property taxes paid on oil and gas production in the previous year against their current year state severance tax liability.

Revenue from State Lands

The Colorado State Land Board administers leasing and royalties on state-owned lands. In FY 2013, total revenues were $103,659,398 (Colorado State Land Board 2013).

Allocation of Those Revenues

After providing administrative costs for the State Land Board, all revenue from mineral production on state lands is allocated to a trust fund that finances public primary education capital projects (Colorado Revised Statutes §36-1-116).

Revenue from Federal Lands

Reported state government revenue were not available. Our estimates are as follows: In FY 2013, a total of $261,767,761 in government revenue was generated from mineral production on federal and tribal lands in Colorado. ONRR reports that a total of $129,661,230 was allocated to the state of Colorado that same year (tribes and tribal members also received allocations). Since 75.96 percent of total revenue from mineral production on Colorado federal lands came from oil and gas leases (the remainder came from other minerals), we estimate that federal oil and gas leases generated $98,489,347 for the state government in FY 2013.

Allocation of Those Revenues

Colorado's share of federal lease revenues is allocated as follows: 48.3 percent to the state Public School Fund (capped at $73.1 million per year), 10 percent to the Colorado Water Conservation Board (capped at $17 million per year), and 1.7 percent directly distributed to school districts (capped at $4 million per year). If there is any spillover from these funds (i.e., if 60 percent of total revenues were greater than the sum of the capped levels), that revenue is allocated to the Higher Education Mineral Lease Revolving Fund and the Higher Education Maintenance and Reserve Fund. In FY 2013, there was no spillover.

The remaining revenue (40 percent of the initial balance) is allocated as follows: Fifty percent is distributed directly to local governments based on the amount of production in their region, and 50 percent is allocated by the Colorado Department of Local Affairs through its Local Government Impact Grant program (Colorado Revised Statutes §34-63-102).

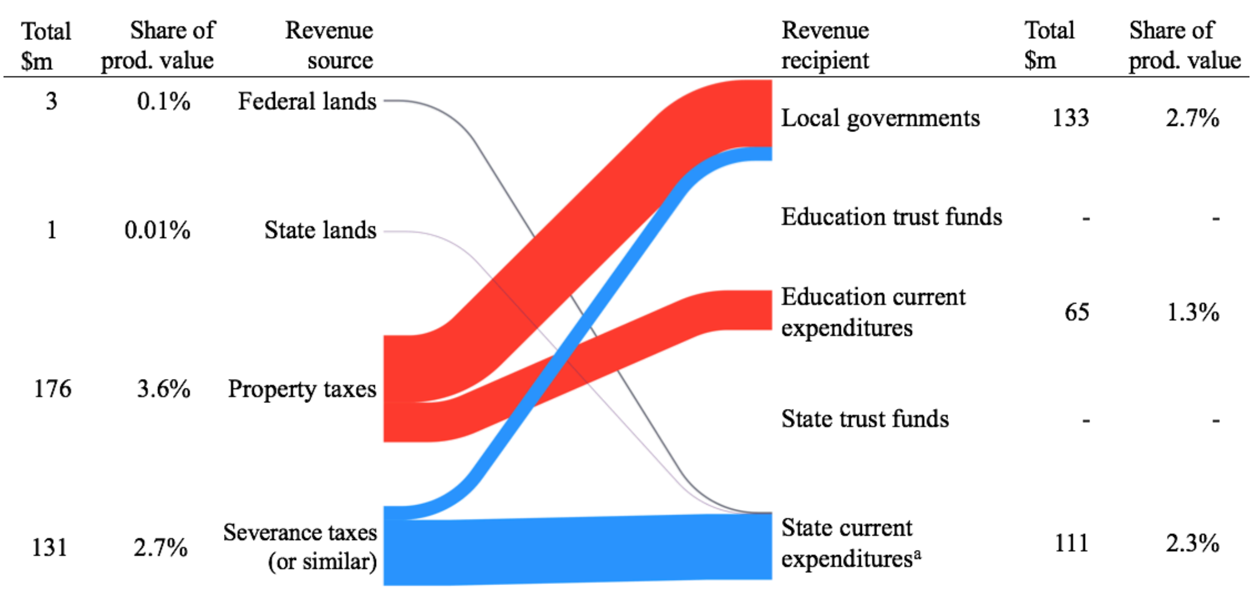
Kansas

Table 5. Kansas FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	3					0.1%
State leases	1					0.01%
Severance tax or similar	108				23	2.7%
Property taxes			65		110	3.6%
Share of production value	2.3%	0	1.3%	0	2.7%	6.3%

Note: Sums may not total due to rounding.

Figure 5. Kansas FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

According to Kansas Statutes Annotated Section 79-42, the gross wellhead value of oil and gas produced is taxed at a rate of eight percent. However, there are a range of deductions and credits, as described below:

New production: There had been a 24-month exemption for all new production from 1983 through 2012, but that was eliminated by 2012 KS House Bill 2117, which limited the exemption to new oil pools producing less than 50 bbl/day. The exemption was eliminated for all new gas pools.

Ad-valorem tax credit: Oil severance taxpayers receive a 3.67 percent reduction in the nominal rate if they pay local property taxes, with gas severance taxpayers receiving a reduction ranging from 2 to 3.67 percent depending on when production began.

Production enhancement: If the oil price is below $20/bbl or gas is below $2.50/mcf, incremental production from well enhancement (including workovers, refracs, enhanced oil recovery (EOR), etc.) is exempt for seven years.

Inactive wells: Producers receive a 10-year exemption for new production from any well inactive for three years or longer.

Gas exemptions: The following types of natural gas is exempt from the severance tax: Any reinjected gas used for EOR; any gas used on site; vented/flared/lost gas; if the well produces less than $87/day worth of oil and gas.

Oil exemptions: Wells producing the following volumes are exempt from the severance tax: Less than five barrels/day; less than six bbl/day if the oil price is below $16/bbl; less than eight bbl/day if the price is below $15/bbl; less than nine bbl/day if the price is below $14/bbl; less than 10 bbl/day if the price is below $13/bbl; incremental oil produced through tertiary production.

The state also levies an Oil and Gas Conservation Fee (KSA 55-143) of 91 mills (9.1 cents) per barrel of oil and 12.9 mills (1.29 cents) per mcf of gas.

In FY 2013, the severance tax raised $122,895,500 (Kansas Department of Revenue 2013b). We estimate that the Oil and Gas Conservation fee raised $7,886,225.

Allocation of Those Revenues

In FY 2013, 81 percent of the severance tax flowed to the state general fund. Twelve percent flowed to the oil and gas valuation depletion trust fund, which supports county governments experiencing declining oil and gas-related property tax revenue. The remaining 7 percent flows to the county mineral production tax fund based on production levels (Kansas Department of Revenue 2013b).

The state conservation fee allocates 20 percent of its revenue to the general fund, and the remaining 80 percent to the conservation fee fund, which flows to the Kansas Corporate Commission, which uses the revenue to support the well plugging assistance fund.

Local Production Taxes and Fees

Local governments in Kansas apply their property tax rates to 25 or 30 percent of the value of production. The assessed value of production varies by crude gravity, and is adjusted each year based on a "market adjustment factor" that reflects anticipated price changes over the course of the year. However, the price estimate is made on January 1 of each year, and the unpredictable nature of commodity prices means that these values can vary widely from year to year. These values also vary for eastern and western Kansas. Very low producers are exempt from the property tax (Kansas Department of Revenue 2013a).

In FY 2013, the average total property tax rate in Kansas was 133.086 mills, ranging from a high of 223.045 in Smith County to a low of 86.565 mills in Coffey County. Based on relevant property values of oil and gas property (including surface equipment associated with production), and local government tax rates for school districts, counties, townships, and cities, we estimate that $175,469,348 in property taxes were levied on oil and gas property in FY 2013. All data were gathered from the Kansas Department of Revenue (Kansas Department of Revenue 2013c).

Allocation of Those Revenues

The local government that levies the tax retains the revenue.

Revenue from State Lands

The state of Kansas received $555,365 from oil and gas leases on state lands in FY 2013.[6]

Allocation of Those Revenues

All revenues flow to the state general fund.[7]

Revenue from Federal Lands

ONRR reports that oil and gas leases generated $5,715,468 in FY 2013 in Kansas. We estimate that the state government received 49 percent of this total, or $2,800,579.

[6] Data provided via email by the Kansas Department of Revenue on October 15, 2015.

[7] Ibid.

Allocation of Those Revenues

All federal lease revenues flow to the state general fund.[8]

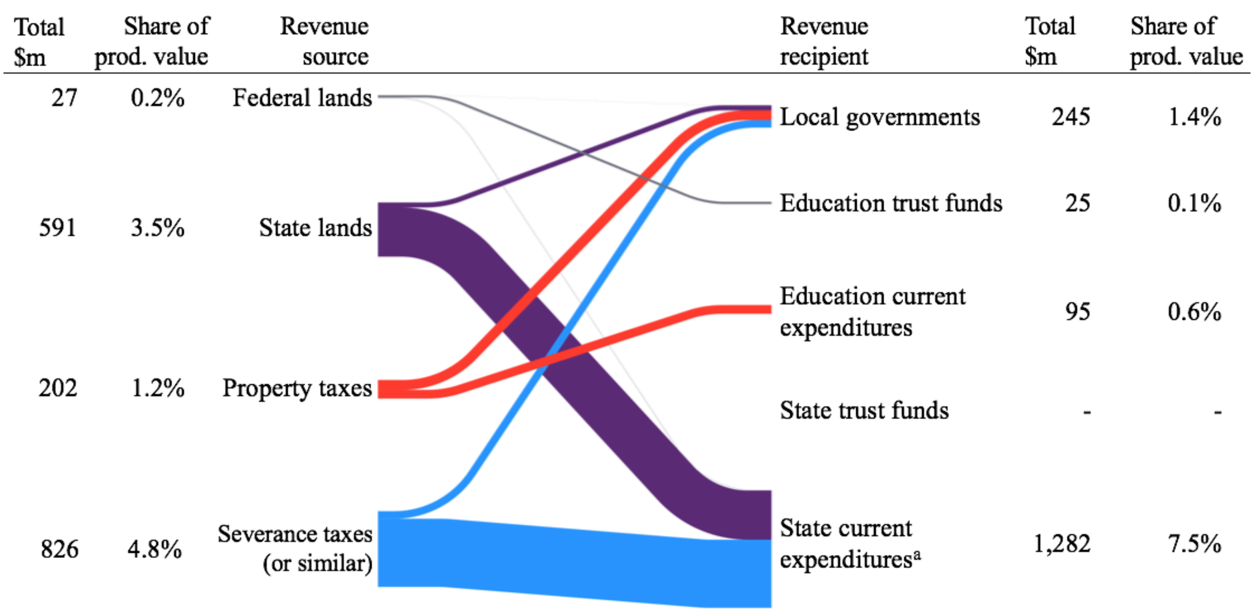
Louisiana

Table 6. Louisiana FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	2			25	0.3	0.2%
State leases	536				55	3.5%
Severance tax or similar	744				82	4.8%
Property taxes			95		107	1.2%
Share of production value	7.5%	0	0.6%	0.1%	1.4%	9.6%

Note: Sums may not total due to rounding.

Figure 6. Louisiana FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Louisiana levies several taxes on oil and gas production and provides a variety of incentives and deductions for certain production techniques. The state levies a severance tax of

[8] Ibid.

12.5 percent on oil production, assessed on the posted field price minus transportation costs. This rate is reduced to 6.25 percent if the well produces less than 25 bbl/day, and 3.125 percent if the well produces less than 10 bbl/day. The severance tax for natural gas is based on volume and is adjusted annually. In FY 2013, the rate was $0.164/mcf. This rate is reduced to $0.013/mcf if the well produces less than 250 mcf/day. For associated gas produced from an oil well, the severance tax rate is $0.03/mcf.

The state's severance tax has a variety of incentives. Some major incentives are a zero percent severance tax rate for the first 24 months of production or until project costs are paid back from horizontal or deep (>15,000 feet) wells; a zero percent rate for the first five years of production or until project costs are paid back from a previously inactive well; a zero percent rate for wells producing oil through tertiary recovery techniques, which remains in effect until all project costs associated with tertiary production have been paid off; and a 3.125 percent rate for oil production produced from a stripper well field (<10 bbl/day) using gravity drainage and horizontal drilling (Louisiana Revised Statutes §47:633).

The state also levies an "oilfield restoration fee" of $0.015/bbl produced and $0.003/mcf of natural gas produced.

In FY 2013, the severance tax raised $820,710,725 and the restoration fee raised $4,851,776 (Louisiana Department of Revenue 2013).

Allocation of Those Revenues

Five percent of severance tax collections are allocated to parishes where production occurred, with an annual cap of roughly $1 million per parish. An additional five percent of severance tax collections are allocated to municipalities in the regions where production occurred. The remainder of severance tax revenue is allocated to the state general fund[9] (Louisiana Revised Statutes §47:645).

The oilfield restoration fee is allocated to the Oilfield Site Restoration Program, which plugs abandoned wells and works to restore sites to pre-well conditions.[10]

[9] The Louisiana State Constitution describes a different allocation formula in Article VII Part I Section 4. However, our analysis of parish and municipal government budgets indicate that this allocation formula has been superseded by subsequent legislation or rulemaking. Additionally, we conducted email interviews with the Louisiana Department of Treasury, which provided the allocation formula we show here.

[10] Louisiana Department of Natural Resources. For more details, see http://dnr.louisiana.gov/index.cfm?md=pagebuilder&tmp=home&pid=155#Background.

Local Production Taxes and Fees

Louisiana local governments cannot apply ad-valorem property taxes on oil and gas production or mineral values. However, they do levy property taxes on surface equipment associated with oil and gas production. Because this property is closely tied to production (unlike refineries or processing plants that may be located many miles from producing regions), we include it in this analysis.

In FY 2013, the average mill rate for parishes was 50.46, 38.33 for school districts, and 13.73 for municipalities. Coupled with assessed property values from oil and gas property, we estimate that local governments levied a total of $202,037,952 in property taxes on oil and gas property.

Allocation of Those Revenues

The government that levies the tax retains the revenue.

Revenue from State Lands

In FY 2013, Louisiana generated $615,023,076 in revenue from bonuses, rents, and royalties on state-owned land (Louisiana Department of Natural Resources 2013).

Allocation of Those Revenues

All bonus, override royalty, and rental revenues totaled roughly $42 million and were deposited into the general fund. For royalties, 90 percent is deposited to the general fund (~ $494 million in FY 2013) and 10 percent to local governments based on the level of production (~ $55 million in FY 2013) (Louisiana Revised Statutes §47:645).

Revenue from Federal Lands

Oil and gas disbursements to Louisiana in FY 2013 for leasing, rents, royalties, and other revenues were $27,236,380.[11] Roughly $2.6 million of this revenue came from onshore leases and $24.6 million from offshore leases.

Allocation of Those Revenues

Federal onshore revenues are allocated according to the same formula as revenue from state lands. Federal offshore revenues are allocated to the Louisiana Education Quality Trust Fund and the Louisiana Quality Education Support Fund. Roughly half of annual expenditures of interest earned are spent on higher education, and the other half goes to local schools (Louisiana Revised Statutes §17:3801).

[11] Reported by the federal Office of Natural Resource Revenues.

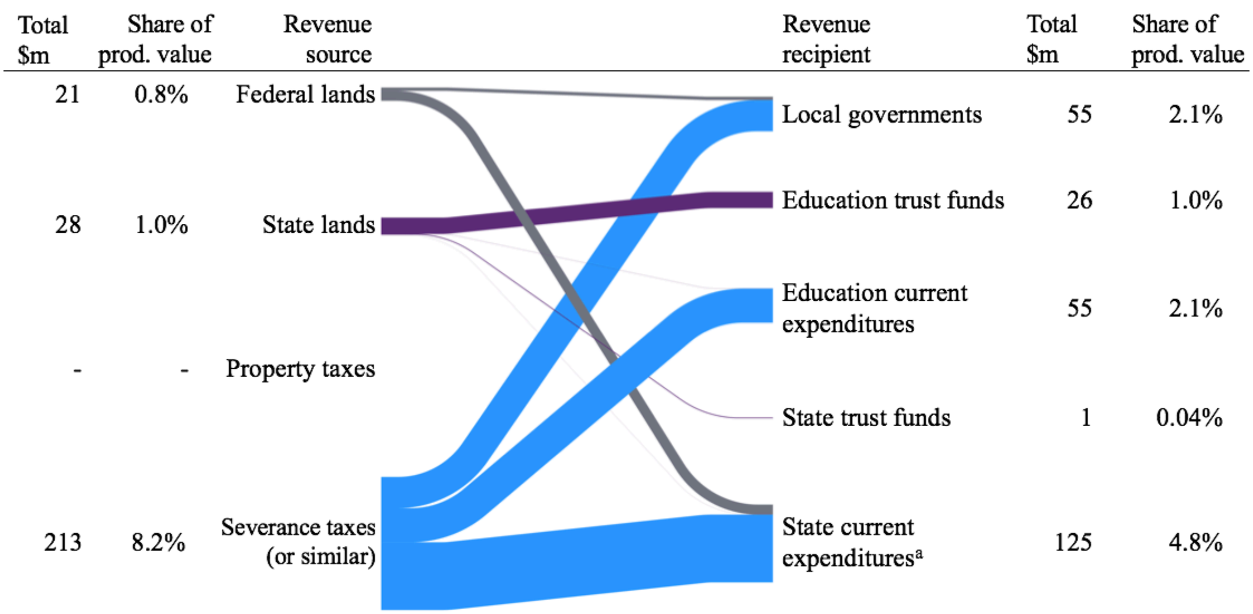
Montana

Table 7. Montana FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	16				5	0.8%
State leases	0.1	1	0.2	26		1.0%
Severance tax or similar	109		55		50	8.2%
Property taxes						0
Share of production value	4.8%	0.04%	2.1%	1.0%	2.1%	10.0%

Note: Sums may not total due to rounding.

Figure 7. Montana FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Montana's oil and gas production taxes are levied at different rates for the working interest (typically an oil or gas company) and the non-working interest (typically a private landowner). The working interest pays nine percent of the value of oil or gas produced from wells drilled since 1999. For wells drilled before 1999, the working interest pays 12.5 percent of the oil value and 14.8 percent of the natural gas value. The non-working interest pays 14.8 percent of the oil and natural gas value regardless of when the well was drilled.

The working interest rate is subject to a variety of incentives. The following apply to the working interest rate only: 0.5 percent rate for the first 18 months of oil production from a new horizontal well; 0.5 percent for the first 12 months of oil production from a new vertical well; 0.5

percent for the first 12 months of gas production from a vertical or horizontal well; 8.5 percent for any incremental oil production using secondary recovery techniques if the price of West Texas Intermediate (WTI) crude oil is below $30; and 5.8 percent for any incremental oil production using tertiary recovery techniques if the price of WTI is below $30.

The working interest (but not the non-working interest) also pays reduced rates for low-producing wells. For oil wells that produce between three and 15 bbls/day, the rate is 5.5 percent if the WTI oil price is below $38. If production is less than three bbls/day and the WTI price is below $38, the rate is reduced to 0.5 percent. For natural gas production on wells drilled before 1999, wells that produce less than 60 mcf/day pay an 11 percent rate (Montana Code Annotated §15-36-304).

Montana also levies a "Privilege and License Tax" of 0.27 percent of the value of oil and gas (Montana Code Annotated §90-6-1001, §15-36-304(7)b).

In FY 2013, these two taxes combined to raise $213,229,045 (Montana Department of Revenue 2014).

Allocation of Those Revenues

Montana counties and school districts receive revenue from oil and gas production taxes based on the amount of revenue generated within the county multiplied by a percentage rate that varies based on local property tax rates. This revenue is shared roughly equally between county governments and school districts. For example, Richland County receives 47.47 percent of oil and gas production tax revenue generated within the county, while neighboring Roosevelt County receives 45.71 percent. Additional revenue is deposited into a local government Guarantee Fund (roughly 6 percent of the total), County Impact Fund (~0.32 percent), and State School Impact Fund (~0.06 percent).

After these allocations, 2.16 percent goes to the Natural Resources Projects state special revenue account, 2.02 percent goes to the Natural Resources Operations state special revenue account, 2.95 percent goes to the Orphan share account (which is designed to remediate environmental problems with orphaned oil and gas wells), 2.65 percent goes to the Montana University system, and the remainder goes to the state general fund (Montana Code Annotated §15-36-332).

The state's Privilege and License Tax is distributed to counties based on oil and gas production, and those counties allocate two-thirds to municipalities and retain the remaining one-third (Montana Code Annotated §15-36-304(7)b, §15-36-332(7)).

Local Production Taxes and Fees

Montana local governments cannot apply ad-valorem property taxes on oil and gas production or property.

Revenue from State Lands

In FY 2013, Montana generated $27,450,713 in revenue from bonuses, rents, and royalties on state-owned land (Montana Department of Natural Resources and Conservation 2013).

Allocation of Those Revenues

Most oil and gas revenue from state lands (~97 percent) goes to the Common Schools Trust Fund, a state endowment for the funding of primary education. Additional revenue goes to the University of Montana system, the state schools for the deaf and blind, the state reform school, a state public buildings account, veterans' home, and public land trust account (Montana Department of Revenue 2014).

Revenue from Federal Lands

We estimate that oil and gas disbursements to Montana in FY 2013 for leasing, rents, royalties, and other revenue was $21,193,383. ONRR reports that in FY 2013, oil and gas leases generated $43,251,801.22 on federal lands. We assume Montana received the standard 49 percent share of these revenues, as state records do not provide precise data. ONRR reports that roughly $36 million was allocated to Montana in FY 2013 from federal lands, but a large portion of these revenues are from coal leases.

Allocation of Those Revenues

Twenty-five percent of oil and gas revenue from federal lands is allocated to the counties where the mineral production took place via the state's Mineral Impact Account. The remainder is deposited into the General Fund (Montana Code Annotated §17-3-240 and §17-3-241).

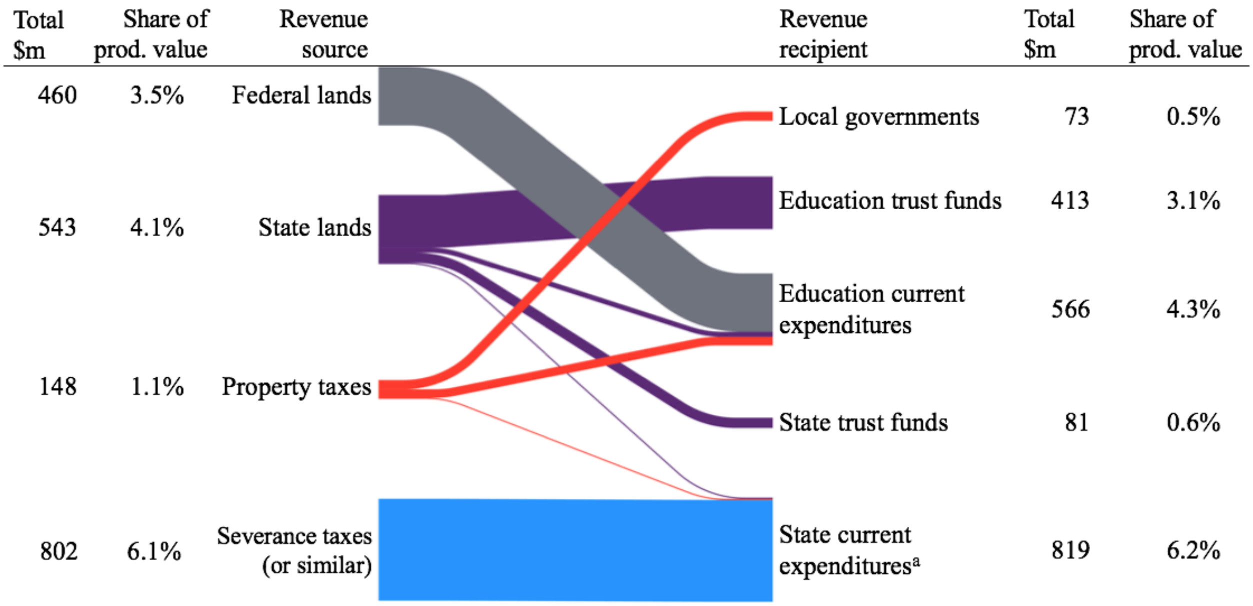
New Mexico

Table 8. New Mexico FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases			460			3.5%
State leases	9	81	40	413		4.1%
Severance tax or similar	802					6.1%
Property taxes	9		67		73	1.1%
Share of production value	6.2%	0.6%	4.3%	3.1%	0.5%	14.8%

Note: Sums may not total due to rounding.

Figure 8. New Mexico FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

New Mexico levies three taxes on the value of oil and gas produced within the state. A severance tax of 3.75 percent applies to the taxable value of oil and gas produced, which excludes the value of transportation to market and royalties paid to state, federal, or tribal governments (7-29-4.1 New Mexico Statutes Annotated 1978).

Second is a conservation tax of 0.24 percent of the taxable value of oil, assuming the price of WTI is above $70/bbl. The rate drops to 0.19 percent if WTI falls lower (7-30-4.1 NMSA 1978).

The third tax is known as an “emergency schools tax,” which levies 3.15 percent on oil and natural gas liquids and 4 percent on natural gas (NMSA 7-31-4.1 NMSA 1978).

In FY 2013, the severance tax raised $400,958,902, the conservation tax raised $20,774,799, and the emergency schools tax raised $379,899,020 (New Mexico Department of Finance and Administration 2013).

Allocation of Those Revenues

In FY 2013, severance tax was used almost entirely to finance bonds for capital improvements such as highways, bridges, and school construction. In previous years, a portion of severance tax revenues flowed to the Severance Tax Permanent Fund, though none did in FY 2013 (roughly $14 million did in FY 2014) (New Mexico Investment Council Investment Office 2013).

The conservation tax is allocated to the general fund, where it is used to finance oil and gas conservation programs and other relevant programs. The emergency schools tax flows to the state general fund.

Local Production Taxes and Fees

Local governments may levy property taxes on the assessed value (generally 50 percent) of the taxable value of oil and gas produced within their borders (7-32-1 NMSA 1978). They may also levy property taxes on the assessed value (generally 9 percent) of equipment used at the production unit. In FY 2013, local governments levied $120,967,315 on the value of oil and gas produced and $26,904,573 on equipment (New Mexico Department of Taxation and Revenue 2014).

Allocation of Those Revenues

In FY 2013, 39.6 percent of these revenues flowed to counties, 33.5 percent to school districts, 11.7 percent to higher education, 9 percent to hospitals, 5.8 percent to state debt service, and 0.4 percent to municipalities (New mexico Department of Finance and Administration 2014).

Revenue from State Lands

New Mexico generated roughly $543 million in royalties, rentals, bonuses, and interest from oil and gas leases on state land in FY 2013 (New Mexico State Land Office 2014a).

Allocation of Those Revenues

All royalties ($494 million) are allocated to the Land Grant Trust Fund. Of the revenue generated by the Trust Fund, 83.1 percent supports school districts, with the remainder supporting higher education and other purposes.

The Common Schools Fund receives 77.4 percent of rentals, bonuses, and interest payments to support current education expenditures for school districts. The remainder is divided between a range of state universities, hospitals, and other state lands where oil and gas leases are located (New Mexico State Land Office 2014b).

Revenue from Federal Lands

ONRR reports that $1,005,892,769 was generated from oil and gas leases on New Mexico federal lands in FY 2013, and the state government reports revenues from federal mineral leases of $459,631,161 (New Mexico Department of Finance and Administration 2013).

Allocation of Those Revenues

Roughly $424 million was allocated to the public school fund, which supports current expenditures on education, and the remaining $35 million flowed to the New Mexico Bureau of

Mines and Mineral Resources at the NM Institute of Mining and Technology (New Mexico Department of Finance and Administration 2013).

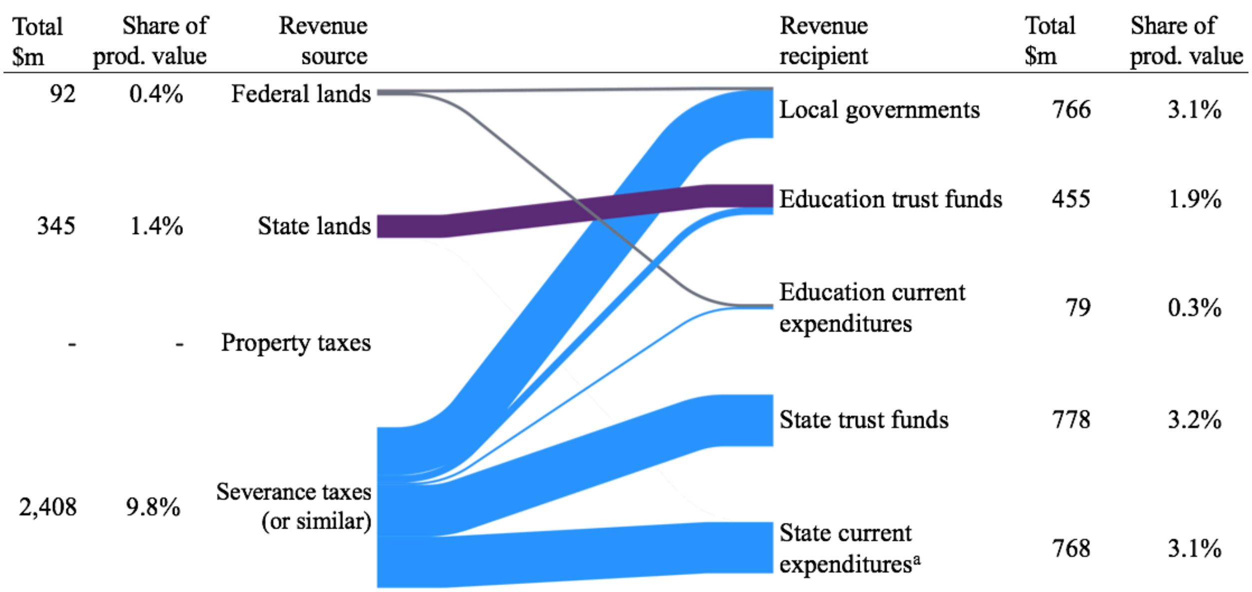
North Dakota

Table 9. North Dakota FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't[a]	Share of production value
Federal leases			45		47	0.4%
State leases				345		1.4%
Severance tax or similar	767	778	34	110	537*	9.8%
Property taxes						0
Share of production value	3.1%	3.2%	0.3%	1.9%	2.4%	11.6%

Note: Sums may not total due to rounding. a) Includes allocation of revenue from the Gross Production Tax to tribal governments.

Figure 9. North Dakota FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

North Dakota levies two major oil and gas production taxes, the Oil and Gas Gross Production Tax and the Oil Extraction Tax.

The Oil and Gas Gross Production Tax (North Dakota Century Code §57-51-02) is 5 percent of the gross value of oil production at the wellhead, plus $0.1143/mcf in FY 2013 (adjusted annually based on the price of gas) of the taxable production of natural gas. The tax in FY 2015 was $0.0982/mcf. This does not include flared or vented gas. There are generally no exemptions or deductions for this tax. Some exemptions exist for capturing and selling natural gas that would otherwise have been vented or flared (NDCC §57-51-02.5 and §57-51-02.6).

The Oil Extraction Tax (NDCC §57-51.1) was revised in 2015 from 6.5 percent to 5 percent of the gross value of oil production at the wellhead. In 2015, the legislature also eliminated the so-called "trigger," which would have put in place a variety of exemptions and deductions for oil produced when WTI fell below a certain price (ND 2015 House Bill 1476). Natural gas is not taxed under this provision. Stripper wells (producing less than 35 bbls/day) are exempt, as is incremental production using secondary or tertiary recovery techniques.

In FY 2013, the Gross Production Tax raised roughly $1,130,400,000 and the Oil Extraction Tax raised roughly $1,277,400,00 (North Dakota State Tax Commissioner 2014).

Allocation of Those Revenues

North Dakota's two main production taxes are allocated according to different formulas, both of which are complex. For readers interested in the details of the allocation, please see the North Dakota Legislative Council's description of projected allocations for the 2015-2017 biennium: http://www.legis.nd.gov/files/resource/oil-and-gas-tax-revenue-publications/15.9440.01000.pdf?20150828095118, upon which our allocation estimates are based. Alternatively, see ND Century Code §57-51 for the Oil and Gas Gross Production Tax and §57-51.1 for the Oil Extraction Tax. A simplified explanation of revenue allocation from the Oil and Gas Gross Production Tax follows:

> The state legacy fund receives 27.5 percent; 33.6 percent goes to political subdivisions including counties, cities, and school districts; up to $140 million per year to the state impact fund (which provides grants to local governments impacted by oil and gas development); 8.4 percent to tribes; 1.5 percent to the Outdoor Heritage Fund; 0.5 percent to the Abandoned Well Plugging/Site Reclamation Fund; and 0.3 percent to the oil and gas research fund. The remainder goes into a separate "state share" allocation formula that provides revenue for the state general fund, state capital projects, disaster preparedness, and statewide property tax reductions.

A simplified explanation of revenue allocation from the Oil Extraction Tax follows:

> The state legacy fund receives 27.9 percent; 17.3 percent goes to the Resources Trust Fund; 8.6 percent to the Common Schools Trust Fund; 8.6 percent to the Foundation Aid Stabilization Fund; 1.7 percent to the Infrastructure Revolving Loan Fund; up to $5 million per year to the Oil and Gas Research Fund; up to $1.5 million per year to the Renewable Energy Development Fund; and up to $600,000 per year to the Energy Conservation Grant Fund. The remainder goes into a separate "state share" allocation

formula that provides revenue for the state general fund, state capital projects, disaster preparedness, and statewide property tax reductions.

Local Production Taxes and Fees

North Dakota local governments cannot apply ad-valorem property taxes on oil and gas production or property.

Revenue from State Lands

In FY 2013, North Dakota generated $344,934,639 in revenue from oil and gas bonuses, rents, and royalties on state-owned land.[12]

Allocation of Those Revenues

All revenue from state land leases goes to the Common Schools Trust Fund, a permanent trust fund that endows primary education.

Revenue from Federal Lands

ONRR reports that oil and gas disbursements to the state of North Dakota in FY 2013 for leasing, rents, royalties, and other revenues were $90,290,490. This is well below the 49 percent share of revenue that many states receive primarily because a large portion of production occurs on tribal land. McKenzie County, ND, receives direct distributions from oil and gas revenues from production on federal land. In FY 2013, it received $2,028,638 from oil and gas rents and royalties.[13]

Allocation of Those Revenues

Counties receive 50 percent of federally-disbursed oil and gas revenue based on production levels per county. The other 50 percent goes to the Common Schools Trust Fund NDCC §15.1-27-25.

[12] North Dakota State Lands Department. 2013 Audited Financial Report. Available at http://www.land.nd.gov/Docs/FinancialServices/AnnualStatements/June%2030%202013.pdf

[13] As reported on p. 2 of the FY 2015 McKenzie County Budget.

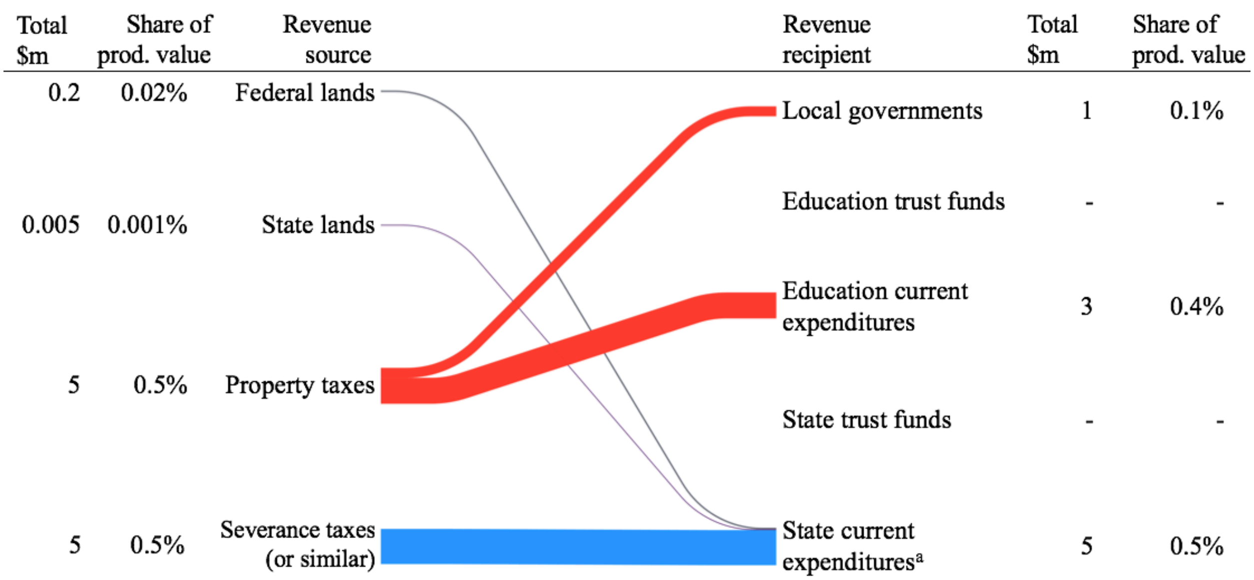
Ohio

Table 10. Ohio FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	0.2					0.02%
State leases	0.005					0.001%
Severance tax or similar	5					0.5%
Property taxes			3.4		1.3	0.5%
Share of production value	0.5%	0	0.4%	0	0.1%	1.1%

Note: Sums may not total due to rounding.

Figure 10. Ohio FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

In FY 2013, Ohio levied a modest severance tax on oil and natural gas production of $0.10/bbl and $0.025/mcf (OH Revised Code § 5749). Recent proposed legislation would increase this tax, but none has been signed into law at the time of this writing. The state also levies an Oil and Gas Cost Recovery Assessment of $0.10/bbl of oil and $0.005/mcf of natural gas, with a minimum quarterly payment of $15 (OH Revised Code § 1509.50).

In FY 2013, the severance tax raised roughly $2,800,000 and the recovery assessment raised roughly $1,800,000 (Ohio Department of Taxation 2013).

Allocation of Those Revenues

The severance tax and cost recovery assessment are allocated according to the same formula: 90 percent is allocated to the oil and gas well fund, which is used to remediate legacy producing sites, plug abandoned wells, and mitigate potential health and safety risks. The remaining 10 percent is allocated to the geological mapping fund (OH Revised Code § 5749.02 (B) 4 and § 1509.071).

Local Production Taxes and Fees

Ohio local governments apply their property tax rates to the assessed value of oil and gas minerals within their jurisdiction. This does not include personal property used to produce the minerals (Ohio Revised Code § 5707.01(A)).

The Ohio Department of Taxation does not separate the value of oil and gas minerals from other minerals in its statistical reports.[14] However, the Ohio Geological Survey does estimate the value of minerals produced each year. They report that in 2013, oil and gas minerals accounted for 39 percent of the production value (Ohio Geological Survey 2014). We multiply this percentage by the total assessed values of mineral properties in FY 2013, which was $219,546,614.[15] As a result, we estimate assessed oil and gas minerals in Ohio in FY 2013 at $86,299,406. This assessed value was then multiplied by each jurisdiction's real property tax rate to estimate total taxes levied of $4,738,106.

Allocation of Those Revenues

The jurisdiction that levies the tax retains the revenue.

Revenue from State Lands

No central agency collects information on oil and gas revenue from state lands in Ohio. While multiple state agencies lease land for production and natural gas storage, we only were able to gather data from the state Division of Forestry, housed within the Ohio Department of Natural Resources. In FY 2013, the oil and natural gas leases generated $5,170.56.[16]

[14] Personal communication with the Ohio Department of Taxation, Tax Analysis Division, September 2015.

[15] Based on data from the OH Department of Taxation Real Property Abstracts, PD31. Available at: http://www.tax.ohio.gov/tax_analysis/tax_data_series/publications_tds_property.aspx#Realpropertyonly

[16] Data provided by OH Department of Natural Resources, Division of Forestry via email on 12/22/2015.

Allocation of Those Revenues

The state agency or department that leases their land for production receives any revenue generated from that production.

Revenue from Federal Lands

ONRR reports that federal oil and gas leases in Ohio generated $461,564.77 in total revenue in FY 2013. We estimate that 49 percent of that revenue, $226,166.74, flowed to the state.

Allocation of Those Revenues

Federal lease revenues flow to the general fund.

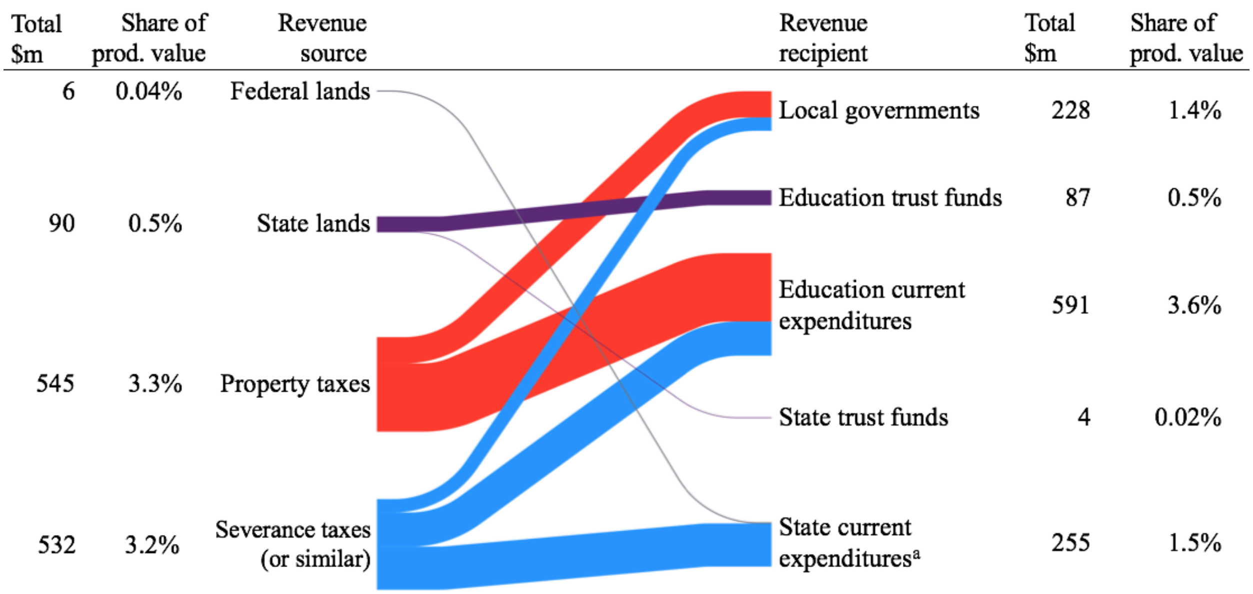
Oklahoma

Table 11. Oklahoma FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	6					0.04%
State leases		4	24	63		0.5%
Severance tax or similar	249		197		77	3.2%
Property taxes			394		151	3.3%
Share of production value	1.5%	0.02%	3.7%	0.4%	1.4%	7.1%

Note: Sums may not total due to rounding.

Figure 11. Oklahoma FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Oklahoma currently levies three taxes on the value of oil and gas produced within the state, but in FY 2013 levied four. We include all four taxes. The first, and largest, is known as the Gross Production Tax (GPT), with a top statutory rate of 7 percent. However, the GPT has a number of exemptions and deductions that adjust the rate from 1 to 7 percent. Exemptions are available for a variety of technologies, including horizontal wells, new wells, incremental production from secondary and tertiary recovery techniques, inactive wells, deep wells (>12,000 feet), new discovery wells (>1 mile from existing oil wells, or >2 miles from existing gas wells), and economically at-risk leases. For more details on these incentives, see 68 Oklahoma Statutes § 1001. The GPT raised a net total of $503,550,229 in FY 2013.

The state levies a Petroleum Excise Tax of 0.095 percent of the value of oil and gas produced, which raised net $12,430,419 in FY 2013, and an Energy Resources Assessment of 0.1 percent of the value of oil and gas produced, which raised net $15,726,666. Finally, 2013 was the last year in which the state assessed a marginal well fee, which raised a net total of $682,401.05 in FY 2013. All revenue data from the Oklahoma Tax Commission Annual Report (OK Tax Commission 2013).

Allocation of Those Revenues

The allocation of GPT revenue varies depending on the rate of the tax, with local governments receiving 7.14 percent of the revenue when tax rates are 7 percent, and 50 percent of the revenue when tax rates drop to 1 percent. As a result, local governments continue to receive roughly the same share of production value regardless of the overall tax rate applied by the state, as shown in Table 12:

Table 12. Hypothetical OK Gross Production Tax Revenue Allocation (68 OK Statutes §1001)

Oil production (bbl)	Oil price ($/bbl)	State GPT rate	Total revenue	County share	County revenue	State revenue
100	$100	7%	$700	7.14%	$49.98	$650.02
100	$100	4%	$400	12.5%	$50.00	$350.00
100	$100	2%	$200	25%	$50.00	$150.00
100	$100	1%	$100	50%	$50.00	$50.00

Below is a more detailed description of the revenue allocation formula based on 68 Oklahoma Statutes §1001:

- For all natural gas and casinghead gas taxed at 7%:
  85.72% goes to the state general fund;
  7.14% to county highway fund based on the value of production in each county;
  7.14% to county highway fund based on the per capita student attendance within each county.

- For all natural gas and casinghead gas taxed at 4%:
  75% goes to the state general fund,
  12.5% to county highway fund based on the value of production in each county, and
  12.5% to county highway fund based on the per capita student attendance within each county.

- For all natural gas and casinghead gas taxed at 2%:
  50% goes to the state general fund,
  25% to county highway fund based on the value of production in each county, and
  25% to county highway fund based on the per capita student attendance within each county.

- For all natural gas and casinghead gas taxed at 1%,
  50% goes to county highway fund based on the value of production in each county, and
  50% goes to county highway fund based on the per capita student attendance within each county.

- For oil taxed at 7%:
  25.72% goes to the Common Education Technology Revolving Fund;
  25.72% goes to the Higher Education Capital Revolving Fund;
  25.72% goes to the OK Student Aid Revolving Fund;
  3.754% goes to counties via the County Bridge and Road Improvement Fund;
  4.28% divided evenly between the OK Tourism and Recreation Department Capital Expenditure Revolving Fund, OK Conservation Commission Infrastructure Revolving Fund, and the Community Water Infrastructure Development Revolving Fund;
  7.14% to county highway fund based on the value of production in each county;
  7.14% to county highway fund based on the per capita student attendance within each county.
  0.535% to the Statewide Circuit Engineering District Revolving Fund

- For oil taxed at 4%:
  22.5% goes to the Common Education Technology Revolving Fund;
  22.5% goes to the Higher Education Capital Revolving Fund;
  22.5% goes to the OK Student Aid Revolving Fund;
  3.28% goes to counties via the County Bridge and Road Improvement Fund;
  3.75% divided evenly between the OK Tourism and Recreation Department Capital Expenditure Revolving Fund, OK Conservation Commission Infrastructure Revolving Fund, and the Community Water Infrastructure Development Revolving Fund;
  12.5% to county highway fund based on the value of production in each county;

12.5% to county highway fund based on the per capita student attendance within each county.
0.47% to the Statewide Circuit Engineering District Revolving Fund

- For oil taxed at 2%:
  50% to the state general fund.
  25% to county highway fund based on the value of production in each county;
  25% to county highway fund based on the per capita student attendance within each county.

- For oil taxed at 1%:
  50% to county highway fund based on the value of production in each county;
  50% to county highway fund based on the per capita student attendance within each county.

Note: The total deposited to the Common Education Technology Revolving Fund, the Higher Education Capital Revolving Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation Department Capital Expenditure Revolving Fund, the Oklahoma Conservation Commission Infrastructure Revolving Fund, and the Community Water Infrastructure Development Revolving Fund cannot exceed $150 million in any fiscal year. Any revenue above $150 million goes to the state general fund.

An examination of actual allocations reported in the FY 2013 Oklahoma Tax Commission's Annual Report shows that revenues were generally allocated as stated in statute, with roughly 45 percent flowing to a variety of state operating funds including the general fund, 21 percent flowing to school districts or other funds that support current school expenditures, 18 percent flowing to various higher educational institutions, 15 percent flowing to various county government funds, and 1 percent flowing to municipalities or state funds designed to assist municipalities with infrastructure projects.

The Petroleum Excise Tax allocates 10 percent of its revenue to the Corporate Commission Plugging Fund, which plugs abandoned wells, roughly 7 percent to the Interstate Oil Compact Fund, which supports the Interstate Oil and Gas Compact Commission, and the remainder to the general fund.

The Energy Resources Assessment allocates its funds to support educational programming related to oil and gas, as well as to environmental remediation projects including well plugging.

The Marginal Well Fee supported the Oklahoma Commission on Marginally Producing Oil and Gas Wells, which was dissolved in 2013, with responsibilities transferred to the Oklahoma Energy Resources Board.

Local Production Taxes and Fees

Local property taxes on oil and gas property in Oklahoma generated more revenue than the GPT and other severance-type taxes combined. Local government apply their property tax millage to the assessed value of the oil and gas property, which is calculated as a portion of the fair cash value of the property. In FY 2013, the Oklahoma Tax Commission estimates that local governments levied $545,050,830 on oil and gas properties, which includes minerals and surface equipment used to produce those minerals, but not other infrastructure such as refineries, gas processing plants, gathering lines, or compressor stations.[17]

Allocation of Those Revenues

The Tax Commission estimates that oil and gas properties accounted for $393,920,985 for school districts, $59,943,234 for counties, $7,594,311 for municipalities, and $83,592,301 for other local governments.

Revenue from State Lands

Oklahoma generated roughly $90,400,000 in revenue from oil and gas leases on state lands in FY 2013 (Oklahoma Commissioner of the Land Office 2014). Roughly $72.3 million of these revenues were from royalties and roughly $18.1 million were from other revenues such as bonuses and rentals.[18]

Allocation of Those Revenues

Revenues from state lands in Oklahoma are used to endow education through the State Lands Trust fund. In FY 2013, the fund allocated 69 percent of its revenues to local school districts, 27 percent to higher educational institutions, and 4 percent to support the construction of public buildings (Oklahoma Commissioner of the Land Office 2014). Allocations of revenue to school districts is based solely on population (e.g., total attendance).

Revenue from Federal Lands

ONRR reports that oil and gas leases on federal (non-tribal) lands in Oklahoma generated $12,900,803.42 in FY 2013. We estimate that 49 percent of those revenues, $6,321,393.69, flow to the state government. Actual revenue data from the state were not available.

Allocation of Those Revenues

Federal oil and gas lease revenue flows to the general fund in Oklahoma.[19]

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[17] Data provided by the Oklahoma State Tax Commission via email on October 30, 2014, and November 19, 2014.

[18] Data provided via email by the Oklahoma Comissioner of the Land Office, November 6, 2014.

[19] Data provided via telephone by Oklahoma State Auditor and Inspector's Office, November 21, 2014.

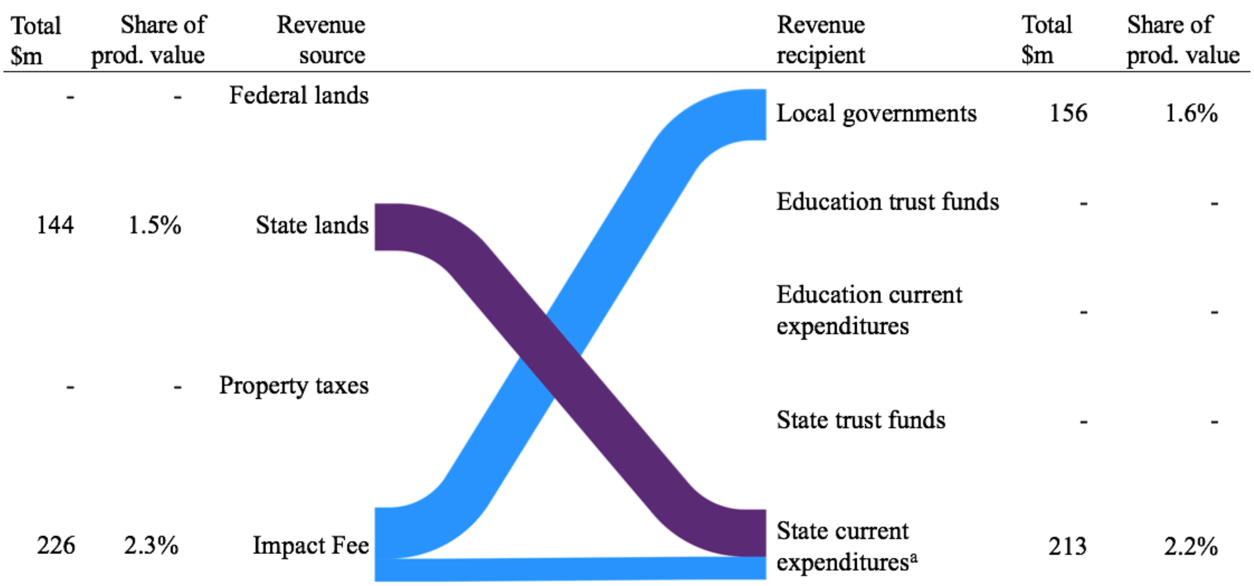
Pennsylvania

Table 13. Pennsylvania FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases						0
State leases	144					1.5%
Impact Fee	70				156	2.3%
Property taxes						0
Share of production value	2.2%	0	0	0	1.6%	3.8%

Note: Sums may not total due to rounding.

Figure 12. Pennsylvania FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Pennsylvania imposes an "Impact Fee" on each unconventional oil and gas well drilled in the state. "Conventional" wells, such as shallow vertical wells, are not required to pay this fee. The Impact Fee is paid over a 15-year period for each well, and the annual level of payment varies according to the price of natural gas. Horizontally drilled unconventional wells pay the full fee as shown below, while vertically drilled unconventional wells pay 20 percent of the amount listed below. Wells producing less than 90 mcf/day of natural gas pay zero impact fee.

The Impact Fee schedule is reproduced below. In 2013, the Pennsylvania Public Utility Commission, which oversees the program, reported the annual average price for calendar year 2013 of $3.652 (Pennsylvania Public Utility Commission 2013):

Table 14. Pennsylvania Impact Fee Schedule for Unconventional Horizontal Wells

	Price of natural gas ($/mcf)				
Year	<2.25	2.26-2.99	3.00-4.99	5.00-5.99	>6
1	$ 40,000	$ 45,000	$ 50,000	$ 55,000	$ 60,000
2	$ 30,000	$ 35,000	$ 40,000	$ 45,000	$ 55,000
3	$ 25,000	$ 30,000	$ 30,000	$ 40,000	$ 50,000
4	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
5	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
6	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
7	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
8	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
9	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
10	$ 10,000	$ 15,000	$ 20,000	$ 20,000	$ 20,000
11	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000
12	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000
13	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000
14	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000
15	$ 5,000	$ 5,000	$ 10,000	$ 10,000	$ 10,000

Source: Pennsylavania Public Utility Commission

Allocation of Those Revenues

For a detailed description, see the Pennsylvania Public Utility Commission website.[20] The following is a general description.

Certain funds are allocated specific amounts “off the top” of the Impact Fee revenue, led by the Marcellus Legacy Fund, Pennsylvania Department of Environmental Protection, County Conservation Districts and Conservation Commission. After these initial allocations, the remainder is allocated as follows:

> Sixty percent of the revenue is allocated directly to local governments based on the level of drilling activity in the area. Counties with producing wells receive roughly 36 percent of the 60 percent, municipalities (including townships) with producing wells receive roughly the same share, and municipalities that are contiguous to or within five miles of municipalities with producing wells receive 27 percent of the 60 percent share. Other revenue goes to a state grant fund to support local government affordable housing projects. The remaining 40 percent is allocated to the Marcellus Legacy Fund, which provides funding for a variety of state and local government infrastructure projects, such

[20] See: http://www.puc.pa.gov/filing_resources/issues_laws_regulations/act_13_impact_fee_.aspx.

as highway bridges, water and sewer projects, and the rehabilitation of greenways, recreational trails, open spaces, and nature areas.

Local Production Taxes and Fees

Pennsylvania local governments cannot apply ad-valorem property taxes on oil and gas production or property.

Revenue from State Lands

In FY 2013, Pennsylvania generated $143,514,008 in revenue from oil and gas bonuses, rents, and royalties on state-owned land. We do not include the $2,805,499 in revenue generated by underground natural gas storage on state lands, as these revenues are not directly related to production.[21]

Allocation of Those Revenues

Revenue from production on state lands is statutorily allocated for conservation, recreation, dams, or flood control (based on legislation establishing the Oil and Gas Lease Fund, Act 256 of 1955).[22]

Revenue from Federal Lands

Pennsylvania has minimal (<$100,000 in value) oil and gas production on federal lands.

Texas

Table 15. Texas FY 2013 Government Revenue from Oil and Gas Production ($m)

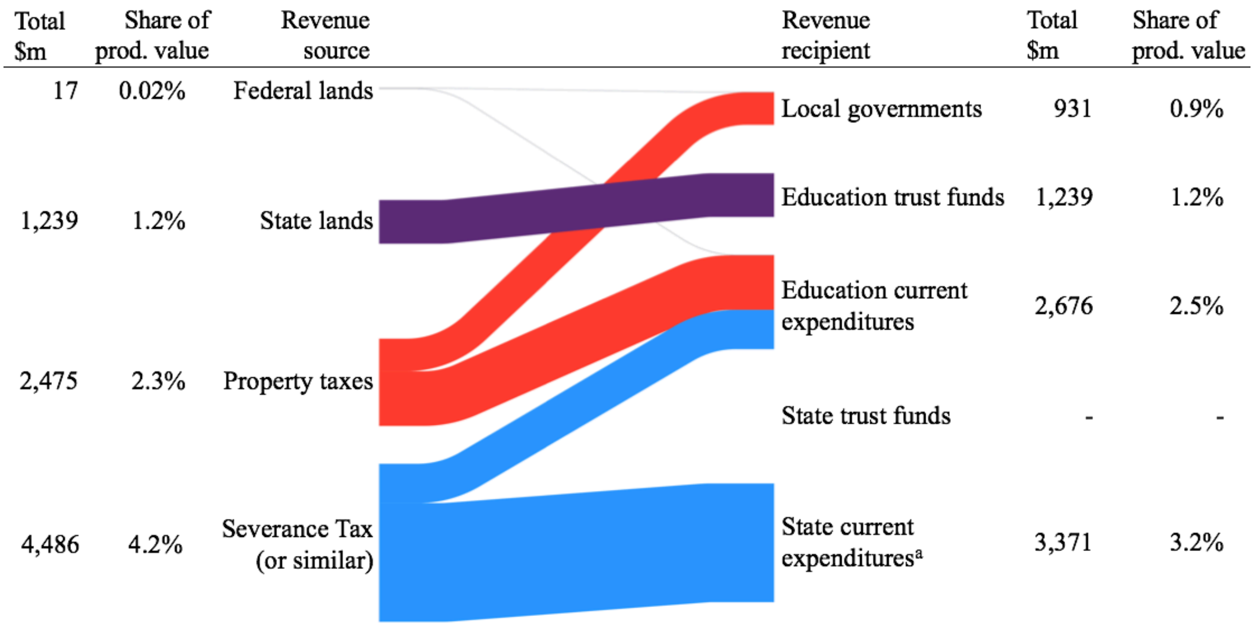
Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases			8		8	0.02%
State leases				1,239		1.2%
Severance tax or similar	3,371		1,116			4.2%
Property taxes			1,552		923	2.3%
Share of production value	3.2%	0	2.5%	1.2%	0.9%	7.7%

Note: Sums may not total due to rounding.

[21] Data provided via email by the Pennsylvania Department of Conservation and Natural Resources, Bureau of Forestry, October 5, 2015. .

[22] Available at: http://www.legis.state.pa.us/WU01/LI/LI/US/PDF/1955/0/0256..PDF

Figure 13. Texas FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Texas levies a Gross Production Tax on oil and gas, along with an Oilfield Cleanup Regulatory Fee, which is only levied when the fund that the fee supports drops below a certain level.

The statutory rate for the Gross Production Tax is 4.6 percent of the market value of oil or condensate produced or $0.046/barrel, whichever is greater (see TX Tax Code § 202). Natural gas is taxed at 7.5 percent of the market value (see TX Tax Code § 201).

There are a variety of exemptions and deductions from these taxes. They include:

- *Stripper wells* (§202.058 for oil, §201.059 for natural gas): If producing less than 15 barrels/day, if oil production is less than five percent of water production, or if producing less than 90 mcf/day, producers receive a 25 percent credit against their tax liability if price is $25-30/bbl or $3-3.50/mcf. Producers receive a 50 percent credit if prices are $22-25/bbl or $2.50-3.00/mcf. Producers receive a 100 percent credit (i.e., pay zero tax) if prices are less than $22/bbl or <$2.50/mcf. Based on 2005 dollars. Does not apply to casinghead gas production.
- *Enhanced Oil Recovery wells* (§202.054): Producers pay 2.3 percent of the market value of incremental production for the first 10 years after EOR is applied.

- *High-cost gas wells* (§201.057): If spudded after 9/1/1996, the natural gas rate is reduced for up to 10 years, or until 50 percent of project costs are recovered. The amount of the rate reduction is determined based on the cost of drilling and completion.
- *Vented/flared gas* (§201.058): For gas that had previously been vented or flared and is then sold, that gas is not subject to any severance tax.
- *Two-Year Inactive Well Incentive* (§202.056): Expired 2/28/2010. Had allowed a 100 percent tax exemption for new production from wells that had been inactive for more than two years.
- *Orphaned well reduction program* (§202.060): Operators that take over an orphaned well pay no severance tax on production from that well. They also receive a payment from the Texas Railroad Commission (RRC) so that the RRC does not have to pay to plug the well.

The Oilfield Cleanup Regulatory Fee (TX Administrative Code Title 34, Part 1, Chapter 3, Subchapter DD §3.731 and §3.732) is only collected if the Oilfield Cleanup Fund has dropped below $10 million. The fee is $0.00625 per barrel of oil produced and $0.000667 per mcf of gas produced. The fee is not collected from oil and gas produced on government-owned property.

In FY 2013, the Gross Production Tax levied $4,484,744,856 and the Cleanup Regulatory Fee levied $1,348,219 (Texas Comptroller of Public Accounts 2013).

Allocation of Those Revenues

The first 0.5 percent of gross production tax revenues goes to administer the state's oil and gas regulatory program. After that, 75 percent goes to the general fund and 25 percent goes to the Foundation Schools Fund. The Foundation Schools Fund allocates revenue for school operations on an annual basis, and is not classified as a trust fund by our methodology.

All of the Oilfield Cleanup Regulatory Fee is allocated to the Oilfield Cleanup Fund (TX Administrative Code Title 34, Part 1, Chapter 3, Subchapter DD §3.731 and §3.732).

Local Production Taxes and Fees

Texas local governments levy their ad-valorem property tax rates on the full value of oil and gas property. The value of property is determined for each county, school district, municipality, and other local government entity by independent appraisal districts, which varies across the state.

The Texas Comptroller of Accounts provides annual data on the assessed value of oil and gas properties including underground minerals and the equipment used to produce those minerals.[23] We do not include property such as refineries, natural gas processing plants, gathering and distribution lines, or compressor stations. We estimate local taxes levied by multiplying these assessed values by various local government tax rates. We estimate total local government property tax levies on oil and gas property of $2,475,004,396 in FY 2013.

Allocation of Those Revenues

The local government that levies the relevant property tax retains the revenue from that tax. We estimate that in FY 2013 school districts levied $1,552,297,040, counties levied $536,991,225, cities levied $167,501,850, and other local governments levied $218,214,280 on oil and gas property.

Revenue from State Lands

In FY 2013, Texas generated $1,239,219,539 in revenue from oil and gas bonuses, rents, and royalties on state-owned land (Texas Comptroller of Public Accounts 2013).

Allocation of Those Revenues

All revenue from production on state-owned land goes to the Permanent Schools Fund. Interest from this fund is used to fund K-12 and higher education in Texas in perpetuity (TX Natural Resources Code Title 2, Subtitle A, Chapter 11, §11.001).

Revenue from Federal Lands

ONRR reports that oil and gas disbursements to Texas in FY 2012 for leasing, rents, royalties, and other revenues were $16,674,290.55.

Allocation of Those Revenues

All funds are allocated to counties where production took place, with levels varying based on production. The county is obligated to distribute those funds as follows: 50 percent to school districts within the county, 35 percent to counties, and 15 percent to municipalities within the county (TX Government Code, Title 4, Subtitle A, §403.104).

[23] Provided by the Texas Comptroller of Accounts via email, October 1, 2015.

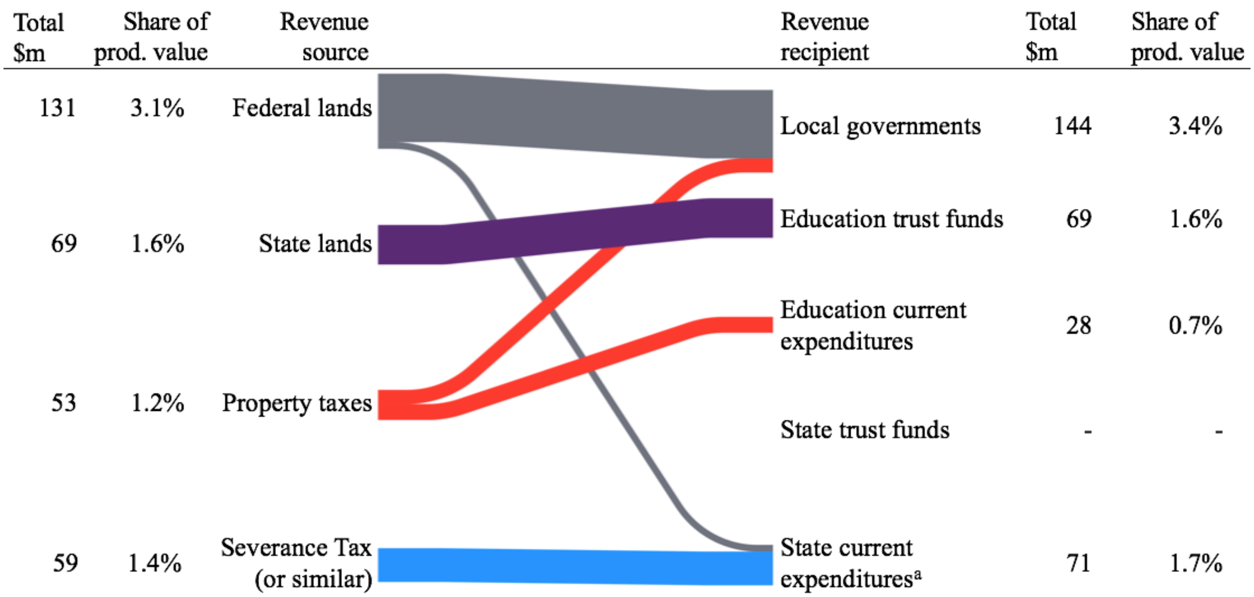
Utah

Table 16. Utah FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	12				120	3.1%
State leases				69		1.6%
Severance tax or similar	59					1.4%
Property taxes			28		25	1.2%
Share of production value	1.7%	0	0.7%	1.6%	3.4%	7.3%

Note: Sums may not total due to rounding.

Figure 14. Utah FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Utah levies two taxes upon the value of produced oil and gas. The first is a severance tax (UT Code § 59-5-102) that applies marginal tax rates to varying levels of production. A rate of 3 percent is applied to the first $13 of each barrel of oil produced and to the first $1.50 of each thousand cubic feet of oil produced. In addition, a tax rate of 5 percent is applied to any value greater than $13 per barrel or $1.50 per thousand cubic feet. Natural gas liquids are taxed at a flat rate of 4 percent. In FY 2013, the severance tax generated $ 53,164,253 (Utah State Tax Commission 2014).

The second tax, called a Conservation Fee, levies 0.02 percent of the value of oil, gas, and natural gas liquids (UT Code § 40-6-14). In FY 2013, the conservation tax generated $5,870,532 (Utah State Tax Commission 2014).

Allocation of Those Revenues

Severance tax revenues are deposited into the general fund, and the Conservation Fee is used to support the Division of Oil, Gas, and Mining, which uses these funds to plug and reclaim abandoned wells and provide public education about the mineral and petroleum industries (Utah State Tax Commission 2014).

Local Production Taxes and Fees

The Utah State Tax Commission provides data on property taxes levied on oil and gas property in each county. In FY 2013, $52,604,864 was charged for oil and gas property statewide (Utah State Tax Commission 2013).

Allocation of Those Revenues

The state does not provide jurisdiction-specific tax revenues for oil and gas property taxes, so we estimate these values based on county-level tax revenues (described above) and relevant jurisdiction's millage rates. We estimate that $27,880,578 was charged by school districts, $14,203,313 by counties, $3,682,340 by municipalities, and $6,838,632 by other local governments.

Revenue from State Lands

The state government generated $69,062,326.64 in FY 2013 from oil and gas leases on state lands.[24]

Allocation of Those Revenues

As with other western states, Utah allocates these revenues to a permanent school fund, which endows the operations of future education.

Revenue from Federal Lands

Federal oil and gas leases generated $127,743,497 for the state government in FY 2013.[25]

[24] Data provided via email by the Utah Governor's Office of Energy Development, August 18, 2015.

[25] Ibid.

Allocation of Those Revenues

The state does not report specific allocations from these revenues, so we estimate the amounts based on the Utah Code § 59-21-2. According to this section, all bonus revenues (roughly $3 million in FY 2013) are deposited into the Mineral Bonus Account, which funds statewide schools and road construction projects. The remainder is allocated as follows: 40 percent to counties and special districts for road projects; 32.5 percent to the Permanent Community Impact Fund, which supports infrastructure projects through grants and low-interest loans for local governments in producing regions; 5 percent to counties based on their acreage of state trust lands; 5 percent to counties and special districts to support workforce services; and 2.25 percent each for the state Board of Education, Geological Survey, and Water Research Laboratory. The remainder (roughly 10.75 percent) is allocated to the Permanent Community Impact Fund.

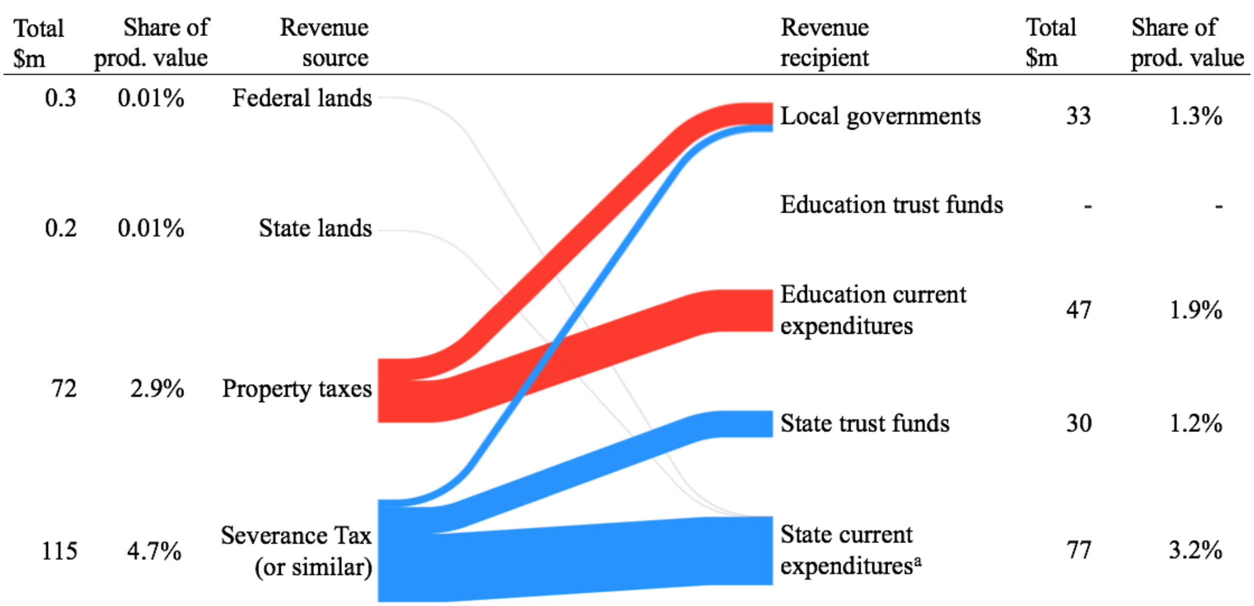
West Virginia

Table 17. West Virginia FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov’t	Share of production value
Federal leases	0.3					0.01%
State leases	0.2					0.01%
Severance tax or similar	77	30			8	4.7%
Property taxes			47		24	2.9%
Share of production value	3.2%	1.2%	1.9%	0	1.3%	7.7%

Note: Sums may not total due to rounding.

Figure 15. West Virginia FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

West Virginia levies a five-percent severance tax on the wellhead value of oil and gas produced under WV Code § 11-13(A). An exemption of five years is provided to production from stripper wells (<5 mcf/day or 0.5 barrels/day) and new production from wells that had been inactive for five years or more. There had previously been exemptions in place for production from coalbed methane wells and horizontal wells, but those provisions were not in place in FY 2013. This tax raised $87,734,387 in FY 2013.[26]

The state also levies a Workers' Compensation Fund Tax (WV Code § 11-13(V)-4) of $0.047 per thousand cubic feet of natural gas produced. Revenue from this source is not reported in state documents, and we estimate revenues based on production at $27,280,161 in FY 2013.

Allocation of Those Revenues

The first $35,000 in severance tax revenue is allocated to administer oil and gas regulatory programs. Ten percent of the remaining total is allocated to local governments, with 75 percent of this allocation flowing to counties based on production levels and 25 percent to non-producing counties based on population. Three percent of the total is allocated to the state Future Fund, which is designed to help provide revenue for state expenses in years when revenue shortfalls occur. The remaining ~87 percent of revenue flows to the state general fund (WV Code § 11-13(A)-5a).

Revenue from the Workers' Compensation Fund tax supports the unfunded liabilities and/or debt service for existing state worker's compensation funds.

Local Production Taxes and Fees

Local governments apply their ad-valorem property taxes to the value of oil and gas property, which is appraised by state assessors. In FY 2013, local governments levied $71,696,594 on oil and gas property statewide.[27]

Allocation of Those Revenues

Detailed reporting on oil and gas property taxes by jurisdiction were not available. We estimate revenue to school districts, counties, and municipalities based on available data from the West Virginia State Tax Department, which provides information on total revenue collected

[26] Provided by the West Virginia Department of Revenue via email on March 23, 2015.

[27] Data provided by the West Virginia Department of Taxation via email, February 11, 2015.

from all types of property (not just oil and gas property) for each jurisdiction statewide. We estimate that in FY 2013, oil and gas property provided $47,319,752 for school districts, $19,358,080 for counties, and $5,018,762 for municipalities.

Revenue from State Lands

West Virginia generated $228,550.84 from oil and gas leases on state land in FY 2013 (West Virginia Department of Natural Resources 2013).

Allocation of Those Revenues

In FY 2013, lease revenues such as bonuses and rents (roughly $34,000) flowed to the state Use and Development Fund. Most oil and gas royalties (roughly $182,000) flowed to the state Wildlife Resources and Recreation Fund. The remaining $12,000 flowed to the State Part Operating Fund (West Virginia Department of Natural Resources 2013).

Revenue from Federal Lands

ONRR reports that oil and gas leases on federal land generated $553,152.47 in West Virginia in FY 2013. We estimate that 49 percent of these revenues, $271,044.71, flowed to the state government.

Allocation of Those Revenues

These revenues flow to the state general fund.

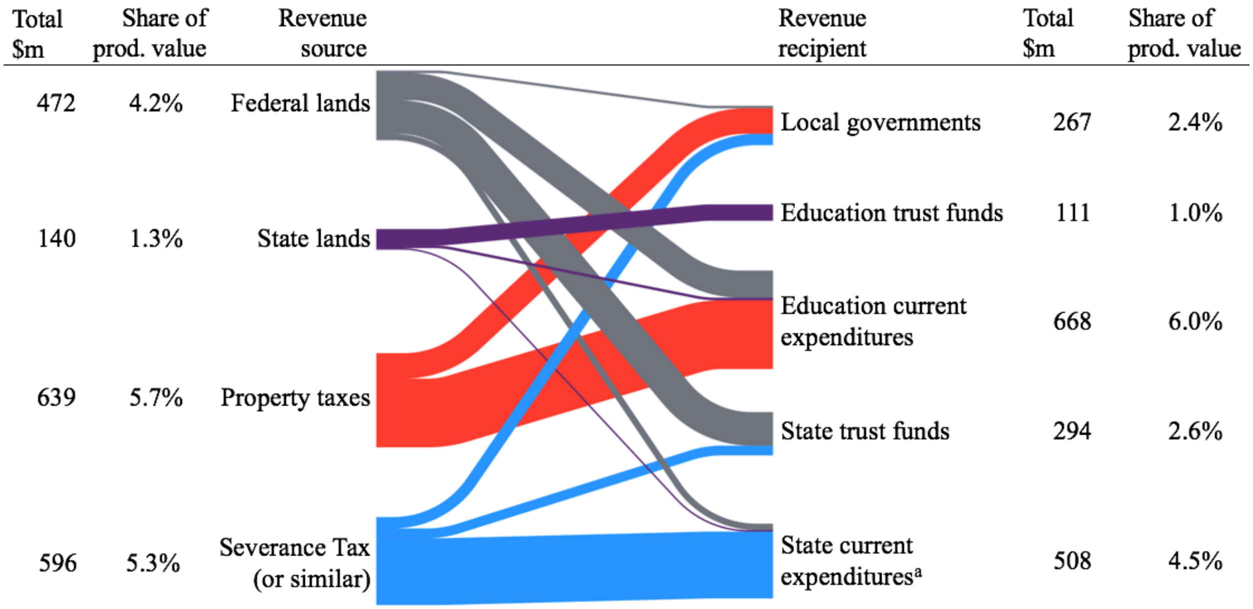
Wyoming

Table 18. Wyoming FY 2013 Government Revenue from Oil and Gas Production ($m)

Revenue source	State current exp.	State trust fund	Education current exp.	Education trust fund	Local gov't	Share of production value
Federal leases	44	228	184		17	4.2%
State leases	11		18	111		1.3%
Severance tax or similar	454	66			77	5.3%
Property taxes			466		173	5.7%
Share of production value	4.5%	2.6%	6.0%	1.0%	2.4%	16.6%

Note: Sums may not total due to rounding.

Figure 16. Wyoming FY 2013 Oil and Gas Revenue Flows



Notes: a) A portion of these funds are allocated according to a state budgetary process that includes allocations to education and local government current expenditures.

State Production Taxes and Fees

Wyoming levies a six-percent tax on the fair market value (as determined by the state) of oil, gas, and lease condensate production. The tax rate is reduced to 4 percent for wells that produce less than 10 or 15 bbls/day, and for wells using tertiary recovery techniques. The rate is reduced to 2 percent for workovers or recompletions for 24 months after the workover or recompletion. (Wyoming Statutes § 39-14-203). In FY 2013, the severance tax generated $597,120,076 (Wyoming Department of Revenue 2014).

Allocation of Those Revenues

One-third of production tax revenues are allocated to the state's Mineral Trust Fund. One-sixth of production tax revenues are allocated to the state's Leaking Underground Storage Tank Fund. The remainder is allocated as follows:

> 62 percent to the general fund, 15 percent to the Water Development Fund, 9 percent to cities and towns based solely on population, 6 percent to counties based primarily on population, 4 percent to the Highway Fund, and 2 percent to the Capital Construction Account (Wyoming Statutes § 39-14-801).

Local Production Taxes and Fees

Wyoming local governments levy their ad-valorem property tax rates on the full value of oil and gas production and property. The value of property is determined for each county, school district, municipality, and other local government entity by county assessors.

In FY 2013, local governments levied $1,463,519,560 in ad valorem property taxes, with 21.07 percent ($308,290,395) generated by natural gas properties and 20.12 percent ($294,445,500) generated by oil properties (Wyoming Department of Revenue 2014).

Allocation of Those Revenues

The local government that levies the relevant property tax retains the revenue from that tax. Based on property tax revenue collection data reported by the Wyoming Department of Revenue (2014), we estimate that in FY 2013, school districts levied $1,132,248,596, counties levied $281,119,104, municipalities levied $26,604,903, and other local governments levied $114,139,191.

Revenue from State Lands

In FY 2013, Wyoming generated $139,734,586 in revenue from oil and gas bonuses, rents, and royalties on state-owned land (Wyoming Department of State Lands and Investment 2014).

Allocation of Those Revenues

Roughly 85 percent of revenues from state lands went to a variety of state government permanent funds for education, with roughly 11 percent going to state general funds and other income funds. Roughly 4 percent went to school capital construction projects.

Revenue from Federal Lands

ONRR reports that oil and gas disbursements to Wyoming in FY 2013 for leasing, rents, royalties, and other revenues was $471,847,236. Total federal and state revenue generated in Montana from oil and gas leasing, rents, royalties, and other revenues was $962,953,542 in FY 2013.

Allocation of Those Revenues

Roughly 48 percent of state share of federal lease revenues are allocated to the state's Budget Reserve Account, roughly 36 percent goes to the School Foundation Fund (which endows local school operations), roughly 8 percent went to the state highway fund, roughly 2.6 percent went to cities and towns, roughly 1.9 percent to the University of Wyoming system, roughly 1 percent to capital construction projects for local governments, and various allocations (all less than 1 percent) went to other purposes (Wyoming State Treasurer 2013).

Additional Notes on Table 2

Revenue disbursements of federal oil and gas lease revenues to states are sometimes described simply as 49 percent of the total amount of government revenue collected on federal lands. However, the actual amount may be lower due to several major factors.

First, for revenue produced in state waters where the federal government has jurisdiction (such as in parts of CA, LA, and TX), the applicable rate is 27 percent.

Second, 100 percent of the revenue generated on tribal land is allocated from the federal government to tribal governments or individual tribe members where oil and gas is produced. Where this is the case, such as in North Dakota and Colorado, the shares allocated to the state government will be below 49 percent.

Finally, ONRR is continually refining its data collection, conducting audits, and adjusting its records. Some of these data are subject to change as ONRR conducts audits at three-year cycles, meaning that the data reported here has not been audited and is subject to revision.

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