

# Policy Matters Ohio

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Chairman Beck, Ranking Member Letson and members of the Ways & Means Committee:

Thanks again for the opportunity to testify before the committee on January 15, 2014 on House Bill 375. I am writing to respond to Rep. Cera's request for information on state distribution of severance tax proceeds to localities. The attached table broadly summarizes severance tax rates and whether proceeds are shared with local government in the 33 states with oil and gas production included in the data tables of the Energy Information Administration.

According to the National Council of State Legislatures, "Many states dedicate severance tax revenues to specific purposes, the most common being:

- **Counties and other local governments** (Colorado, Florida, Kansas, Kentucky, Louisiana, Mississippi, Montana, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, West Virginia, Wyoming);
- **Conservation, reclamation and remediation** (California, Colorado, Florida, Louisiana, Montana, New Mexico, Ohio, Oklahoma, West Virginia, Wyoming);
- **Schools** (Minnesota, Montana, Nebraska, North Dakota, Oklahoma, Oregon, Texas, Utah);
- **Miscellaneous other purposes**, such as Medicaid state matching funds (West Virginia); water development projects (Colorado, North Dakota and Wyoming), and administration of oil and gas wells (Indiana). Alaska's Constitution does not allow dedicated funds except for the Permanent Fund.

Ten oil- and gas-producing states – just under a third - do not have specific distributions to local government that we could identify. Other states share severance tax revenues with localities through formula (in several cases, the highway distribution formula is used), through apportioning funds on a standard basis between the county of production and the state, through direct return of funds or, as in the case of Virginia and Pennsylvania, through local severance tax authority.

Please let me know if I can provide any additional information. Thanks for your attention.

Sincerely,

Wendy Patton  
Senior Project Director

## Oil and gas production severance tax rates and distribution to local government

State	Natural gas (million cubic ft)	Severance tax rate	Crude oil (thousand barrels)	Severance tax rate	Distribution to locals
Alabama	195,581	2%	8,374	2%	N/A
Alaska	356,225	25%	204,829	25%	Constitution does not allow dedicated funds other than the permanent fund for oil and gas.
Arizona	168	3.125%	37	3.125%	25% to municipalities, 40.51% to counties
Arkansas	1,072,212	5%	5,877	5%	95% natural gas tax distributed through highway formula; 25% oil tax to County Aid Fund
California	250,177	\$.1406/mcf	193,691	\$.1406/bbl	Locals may levy their own severance tax
Colorado	1,637,576	5%	39,125	5%	50% to local government severance tax fund
Florida	15,125	\$.345/mcf	2,023	8%	Distribution of revenues to GRFs of producing counties
Illinois	2,121	6%	9,234	6%	N/A
Indiana	9,075	\$.03/mcf	1,987	1%	N/A
Kansas	309,124	8%	41,503	8%	7% in county mineral production tax fund; share of surplus funds provided to technical education
Kentucky	124,243	4.5%	2,326	4.5%	50% in Local Government Economic Assistance Fund
Louisiana	3,029,206	\$.148 mcf	68,984	12.5%	20% of severance tax revenues, up to \$500,000, allocated to producing parish
Maryland	34	N/A	N/A	N/A	N/A
Michigan	138,162	5%	6,977	6.6%	N/A
Mississippi	81,487	6%	24,216	6%	Third of gas revenues to producing counties; 15% to 33% of oil revenues, depending on level of collections, to producing counties.
Missouri	N/A	N/A	118	N/A	N/A
Montana	74,624	9%*	24,151	9%*	Revenues allocated to counties in varying amounts.
Nebraska	1,959	3%	2,542	3%	Permanent School Fund
Nevada	3	\$.2/mcf	408	\$.20/bbl	N/A
New Mexico	1,237,303	7.94%	71,274	7.09%	Emergency school tax levied on oil and gas production
New York	31,124	N/A	370	n/a	N/A
North Dakota	97,102	5% plus \$.1143 mcf	152,985	12.5%	Distributed via formula to political subdivisions
Ohio	78,858	.025mcf	4,853	.10/bbl	N/A
Oklahoma	1,888,870	7%	76,681	7%	Funds distributed through county highway fund and to schools
Oregon	1,344	6%			Revenues deposited to common schools fund
Pennsylvania	1,310,592	local impact fee	3,388	n/a	60% to local government after earmarks
South Dakota	1,848	4.5%	1,615	4.50%	50% to County Trust and Agency Account
Tennessee	4,851	3%	245	3%	One-third to producing county
Texas	7,112,863	7.5%	531,524	4.6%	Just under 25% to Foundation School Fund
Utah	457,525	5%	26,272	5%	Revenues distributed to Ute and to Navajo land
Virginia	151,094	2% max	11	1.5%	This is a local tax
West Virginia	394,125	5%	2,146	5%	10% to counties and municipalities
Wyoming	2,159,422	6%	54,710	6%	About 4% to counties, 9% to cities and towns

**Source:** Policy Matters Ohio, based on Energy Information Administration, "Production in Physical Units for 2011" at [www.eia.gov/state/seds/seds-data-complete.cfm?sid=US-Production](http://www.eia.gov/state/seds/seds-data-complete.cfm?sid=US-Production) and National Council of State Legislatures, "State Revenues and the Natural Gas Boom," Appendix A [www.ncsl.org/documents/energy/pdf\\_version\\_final.pdf](http://www.ncsl.org/documents/energy/pdf_version_final.pdf) and "State Energy Revenues Update" at [www.ncsl.org/research/fiscal-policy/state-energy-revenues-update.aspx](http://www.ncsl.org/research/fiscal-policy/state-energy-revenues-update.aspx). Note: \*Horizontal wells