

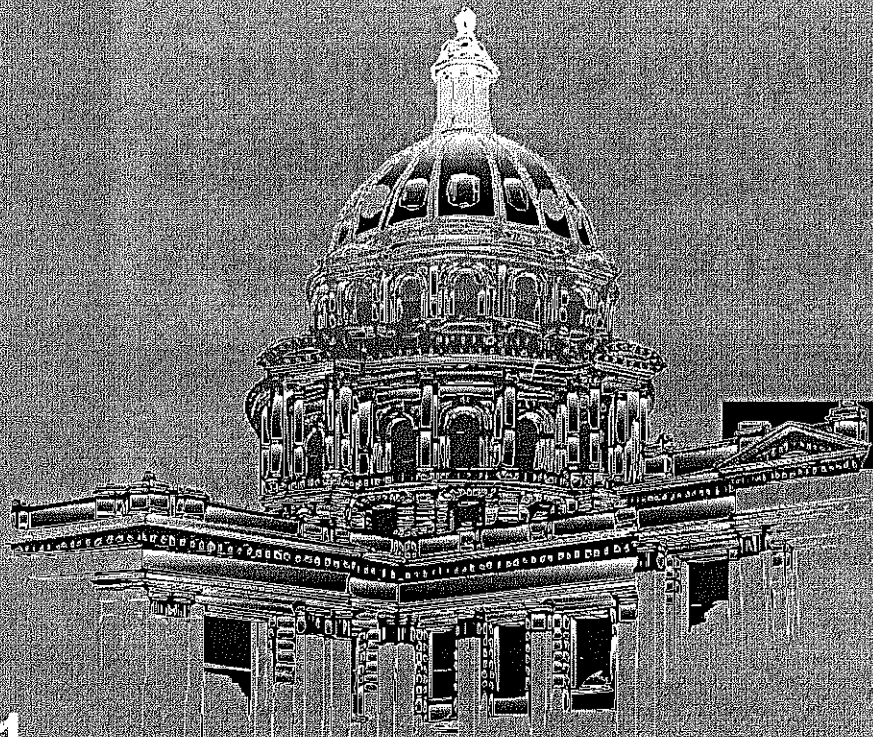
Outlook for Severance Tax Revenue and Water Project Development

Water Resource Review Committee

Marc Carey

Colorado Legislative Council Staff

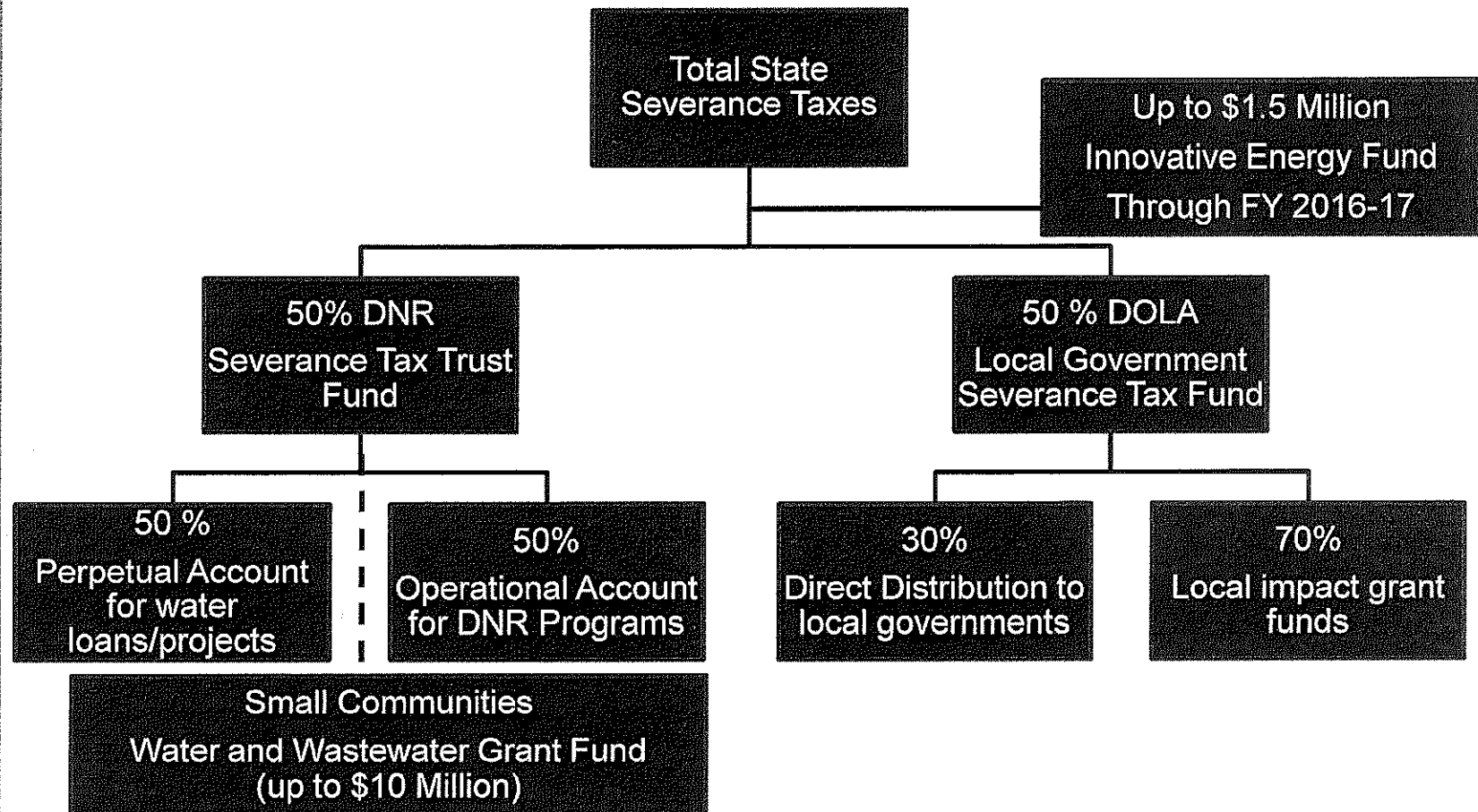
September 27, 2013



Topics for Discussion

- Severance Tax Revenue Allocation
- September 2013 Revenue Forecast and Implications for Water Project Funding
- Severance Tax Structure & Potential Impact of Production Distribution on Revenue

Allocation of State Severance Tax Revenue (FY 2013-14 and beyond)



Projected Severance Tax Revenue

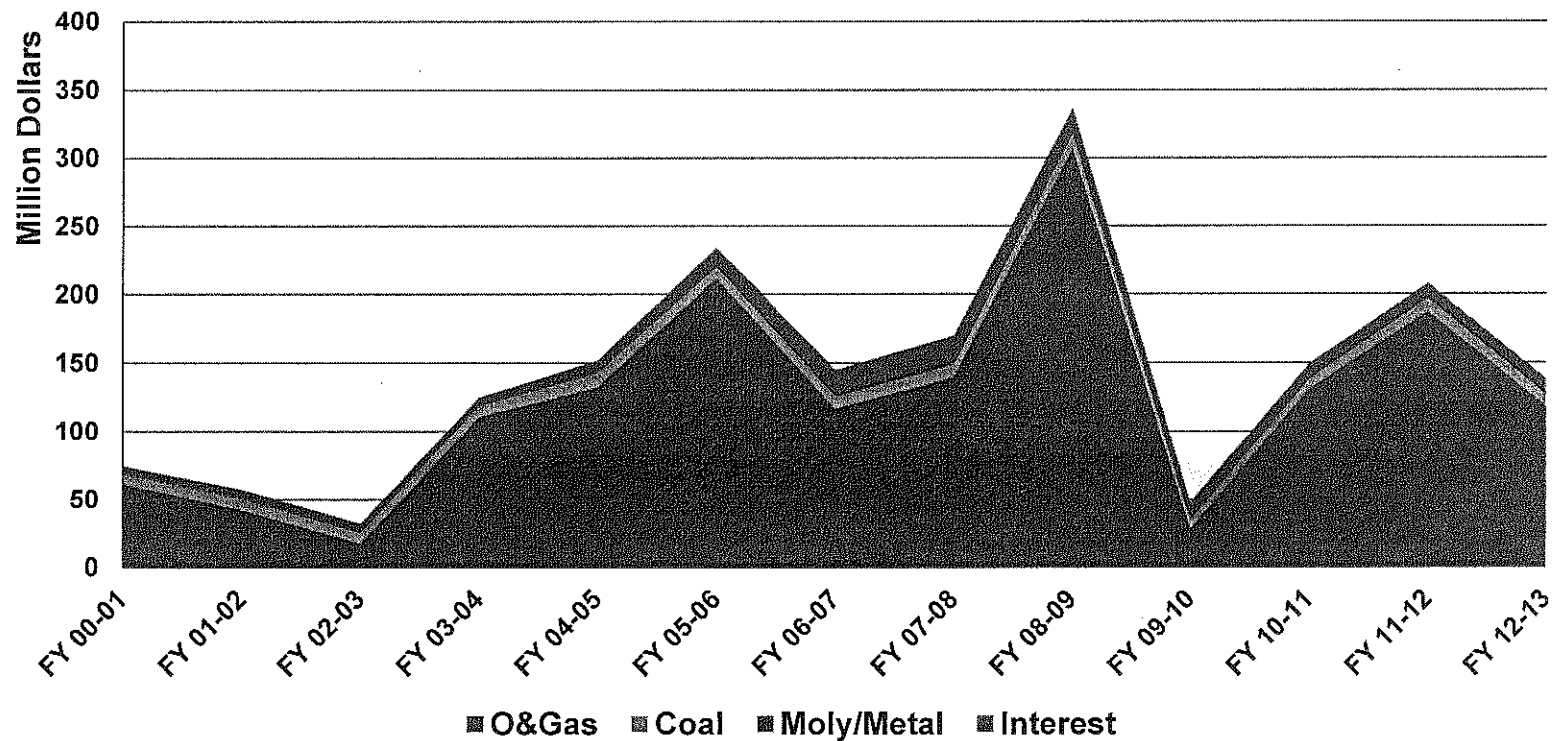
(Million Dollars)

LCS		FY 2013-14	FY 2014-15	FY 2015-16
	Total Collections	\$176.1	\$218.8	\$269.4
	Perpetual Base Account	\$43.6	\$50.0	\$57.0
OSP				
	Total Collections	\$211.0	\$220.8	\$216.7
	Perpetual Base Account	\$50.0	\$50.0	\$50.0

Source: LCS and OSPB September Revenue Forecasts

Note: PBA receives \$50.0 million when collections between \$201.5 and \$241.5 million.

Total Severance Tax Revenue FY 2000-01 through FY 2012-13

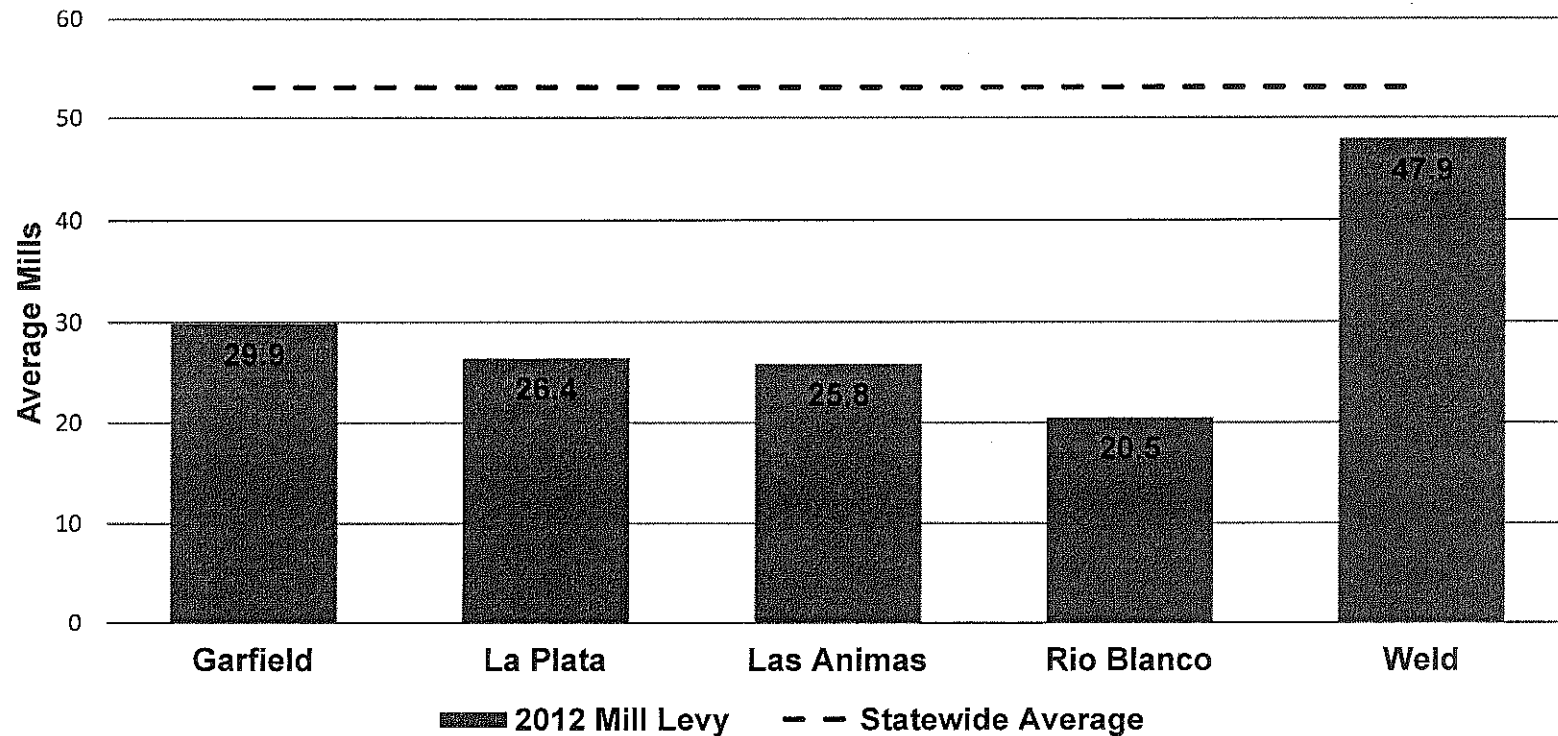


Source: Colorado Comptroller's Office

Oil and Gas Severance Tax Structure

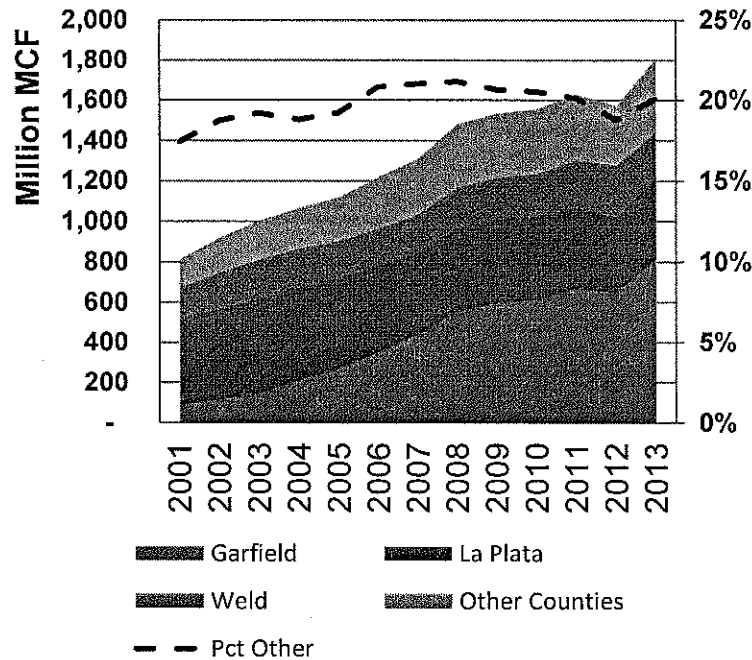
- **Statutory Tax Rate.** Varies between 2 and 5 percent, depending on gross revenue earned by operator.
- **Operator Tax Benefits.**
 - **Ad valorem property tax credit.** 87.5 percent of prior year's property taxes on production.
 - **Stripper Well Exemption.** Marginal wells exempt from severance tax.
- **Effective Tax Rate.** Averaged an estimated 1.5 percent between FY 2008-09 and FY 2012-13.

Average County, School and Special District Mill Levy

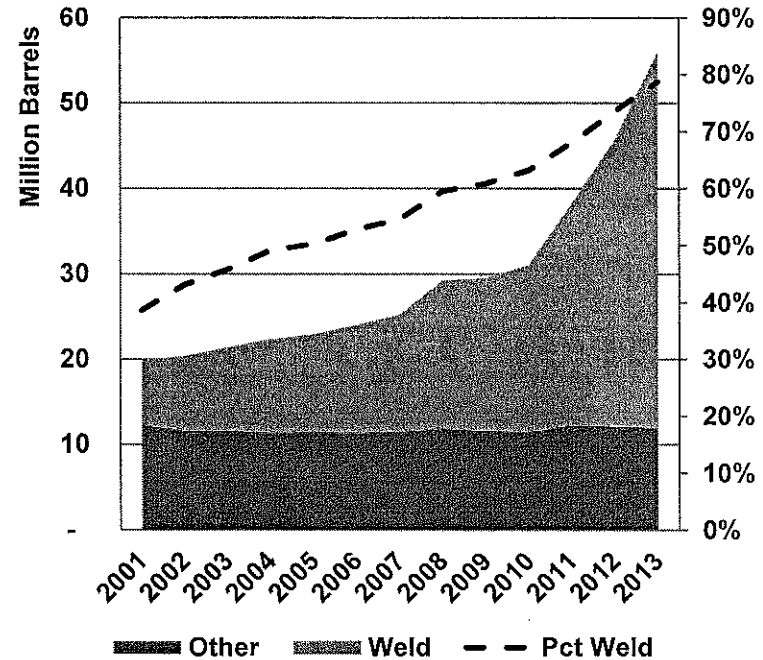


Oil and Gas Production, by County 2001 through 2013

Natural Gas

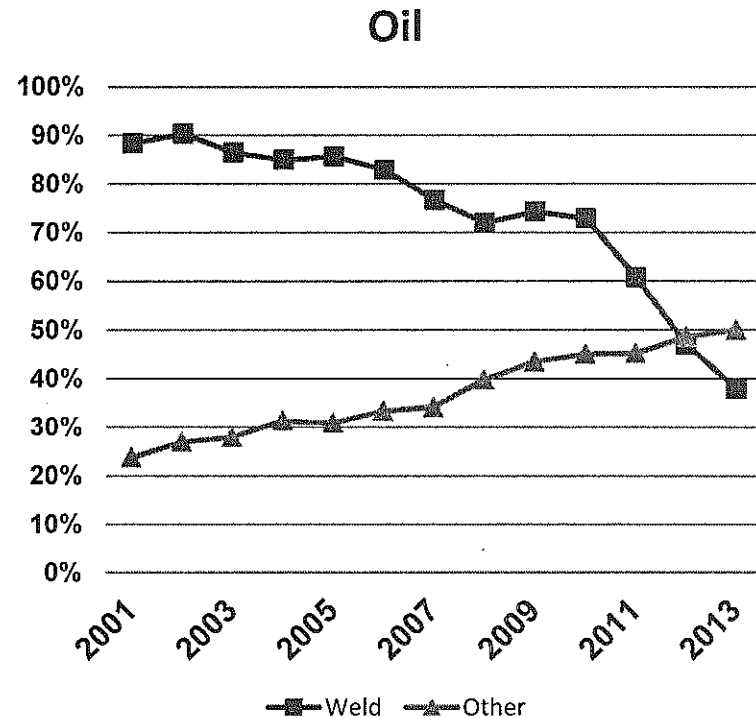
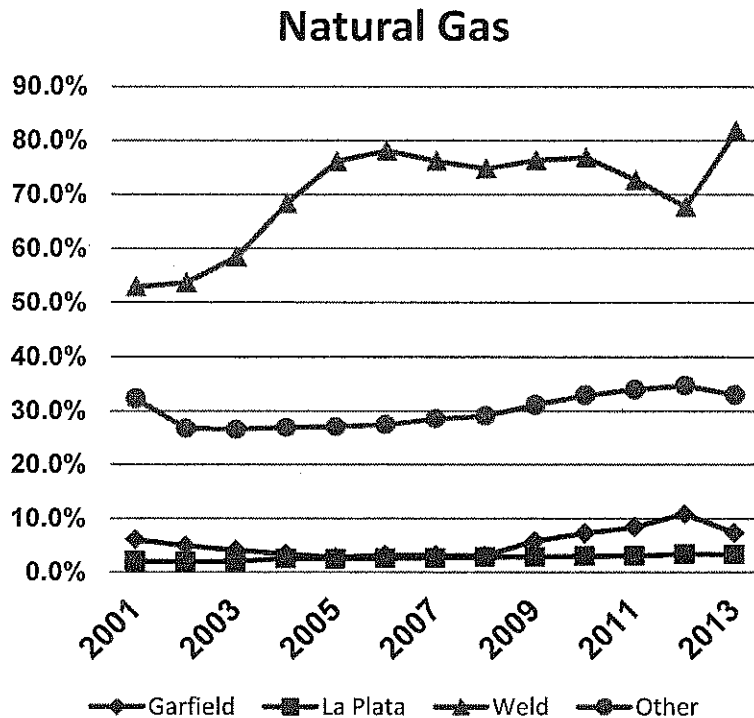


Oil



Source: Colorado Oil and Gas Conservation Commission

% Stripper Production, by County 2001 through 2013



Source: Colorado Oil and Gas Conservation Commission

Conclusions

- Severance Tax Revenue Dependent on Oil and Natural Gas and is Highly Volatile
- Tax Benefits Have Different Impacts Due to Trends in Production Distribution