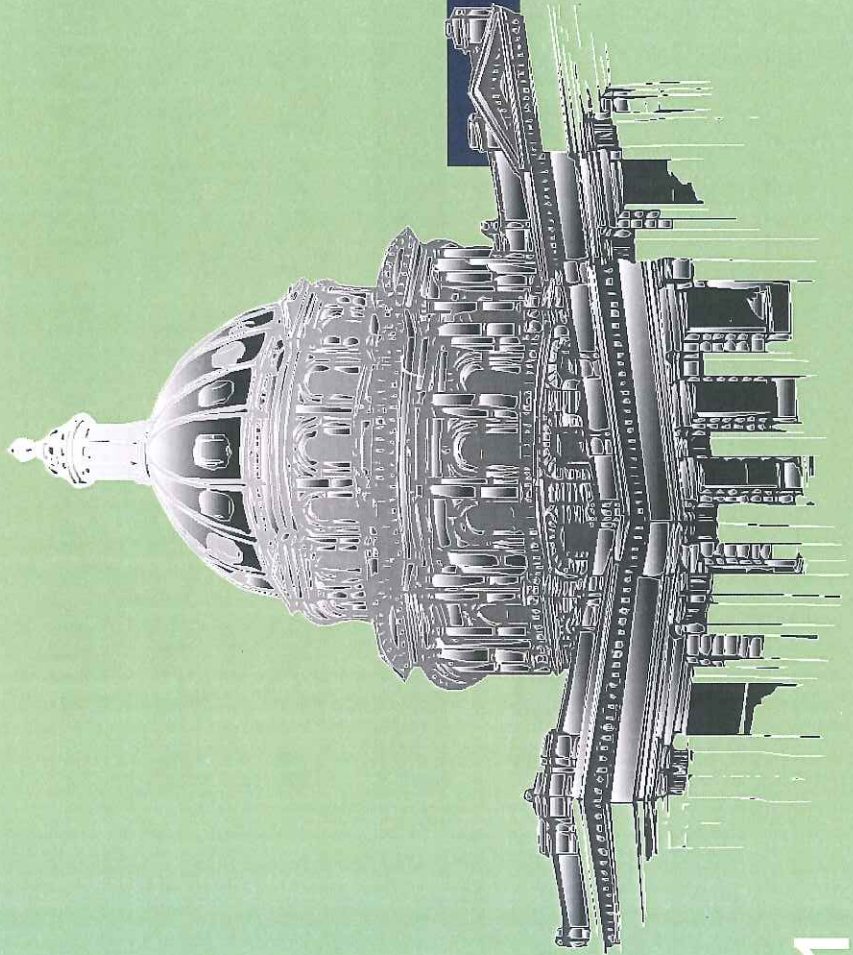


# Outlook for Severance Tax Revenue and Water Project Development

## Water Resource Review Committee

Marc Carey

Colorado Legislative Council Staff  
September 27, 2013



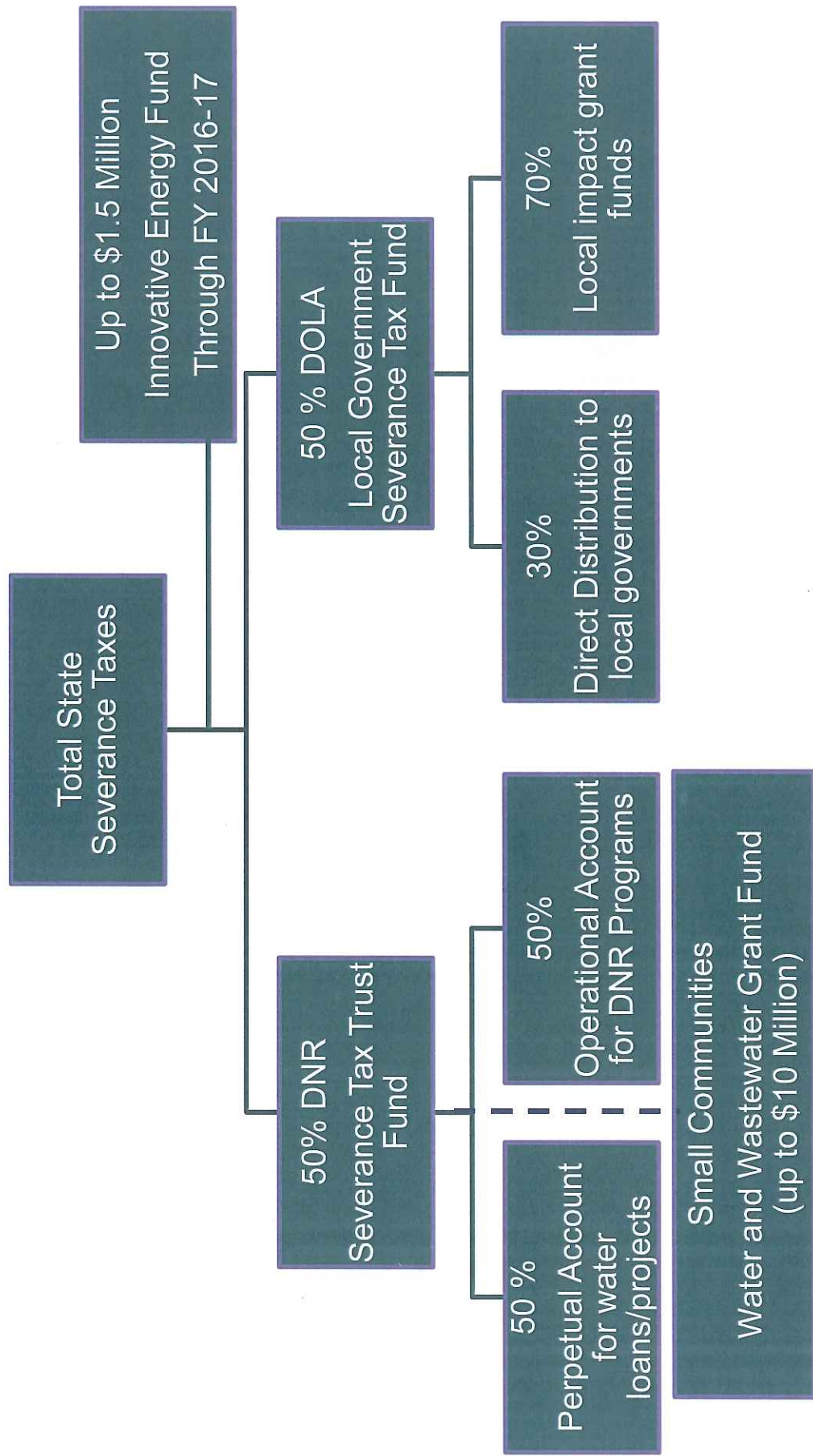
# Topics for Discussion

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- 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)

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

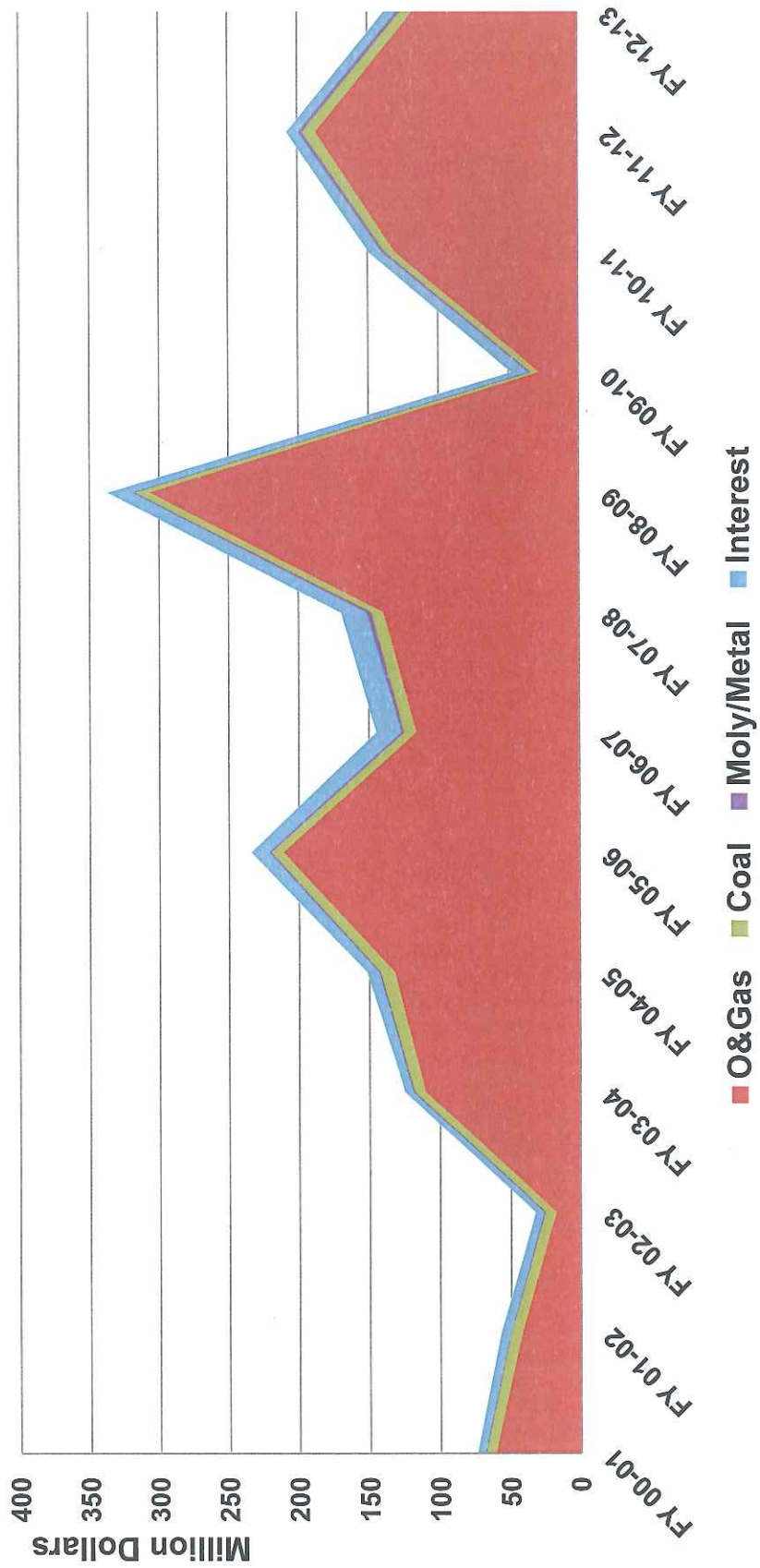
Source: LCS and OSPB September Revenue Forecasts

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

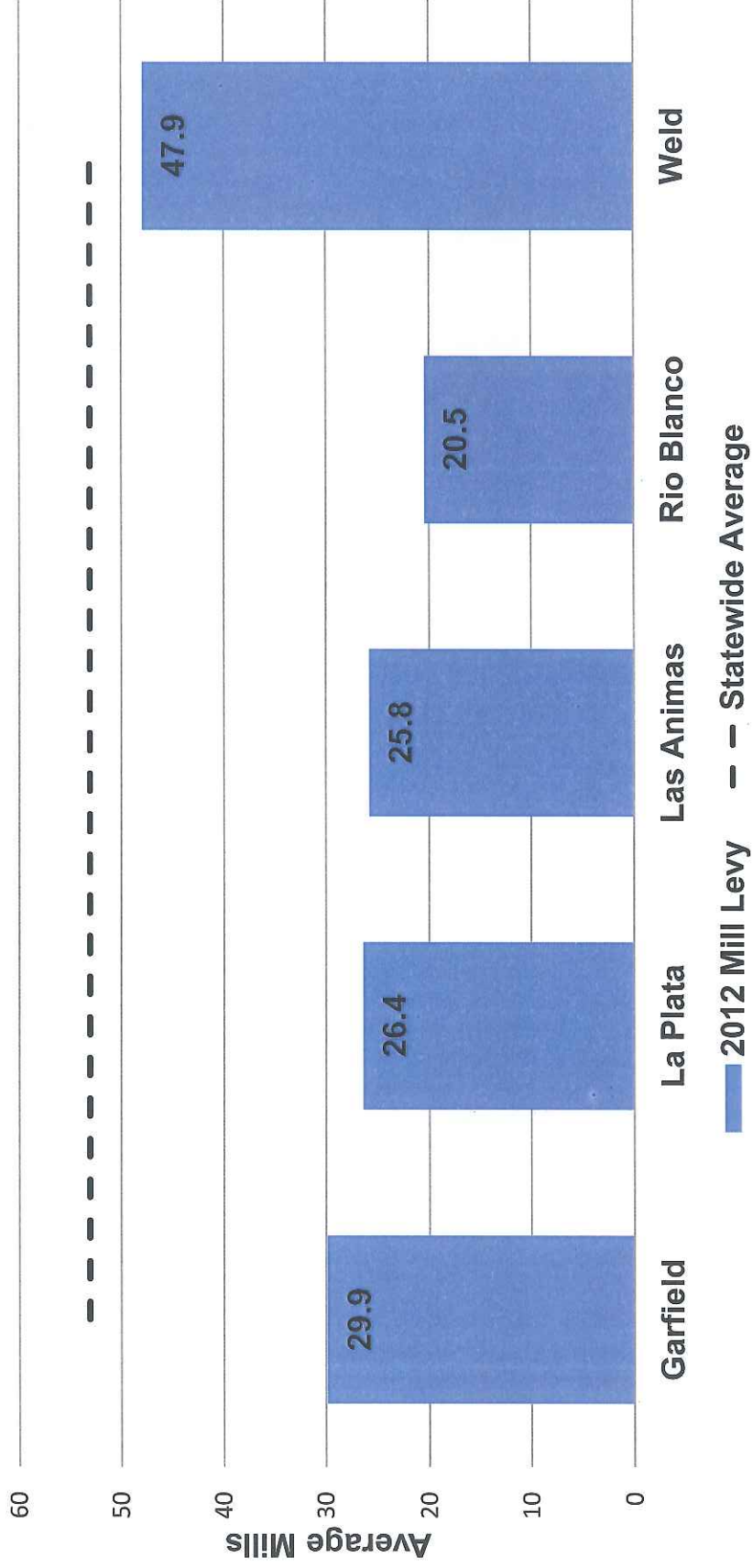


Source: Colorado Comptroller's Office

# 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



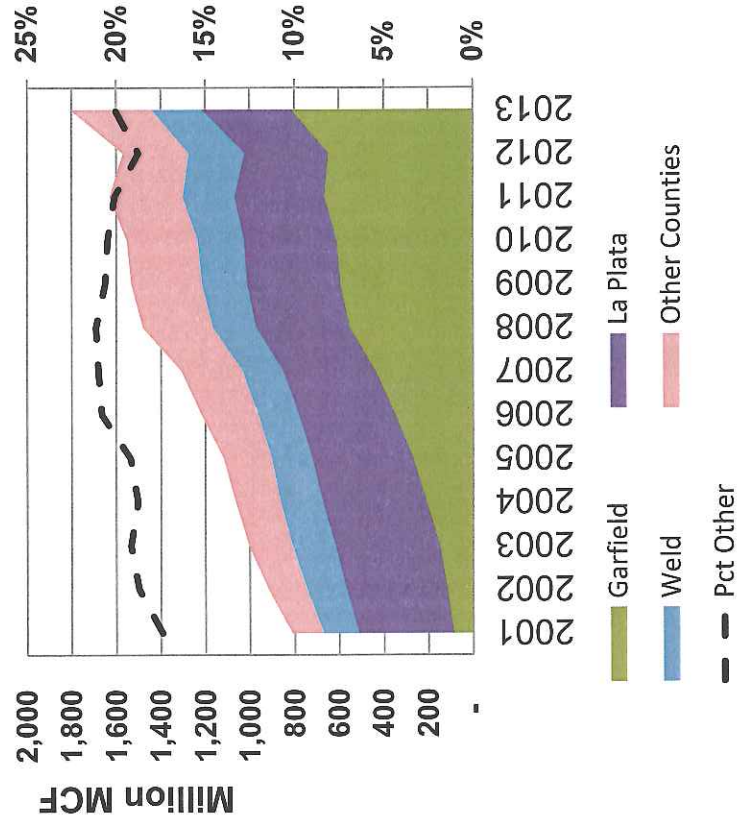
Source: Division of Property Taxation



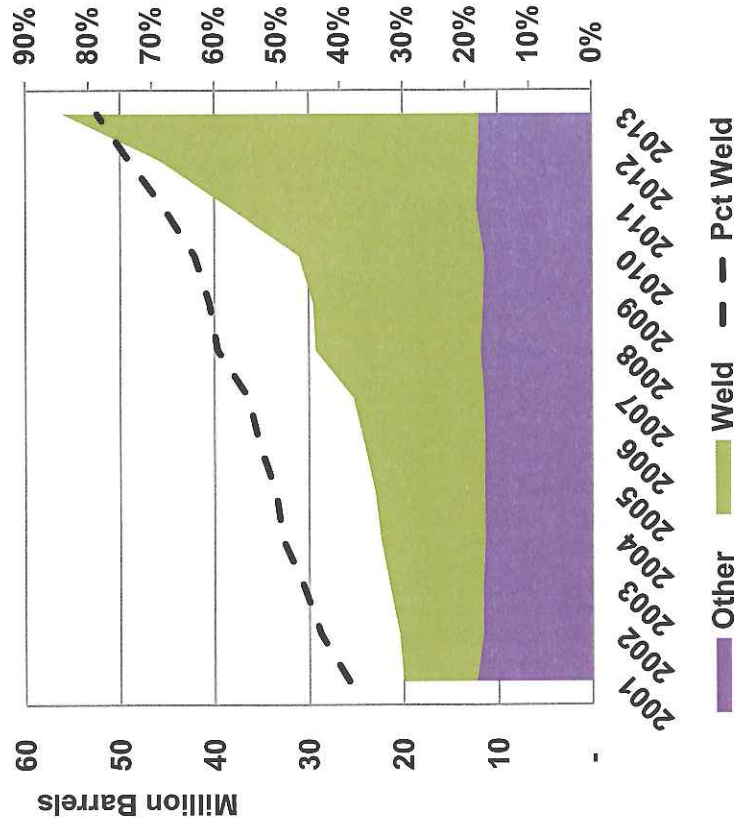
# Oil and Gas Production, by County

## 2001 through 2013

### Natural Gas



### Oil

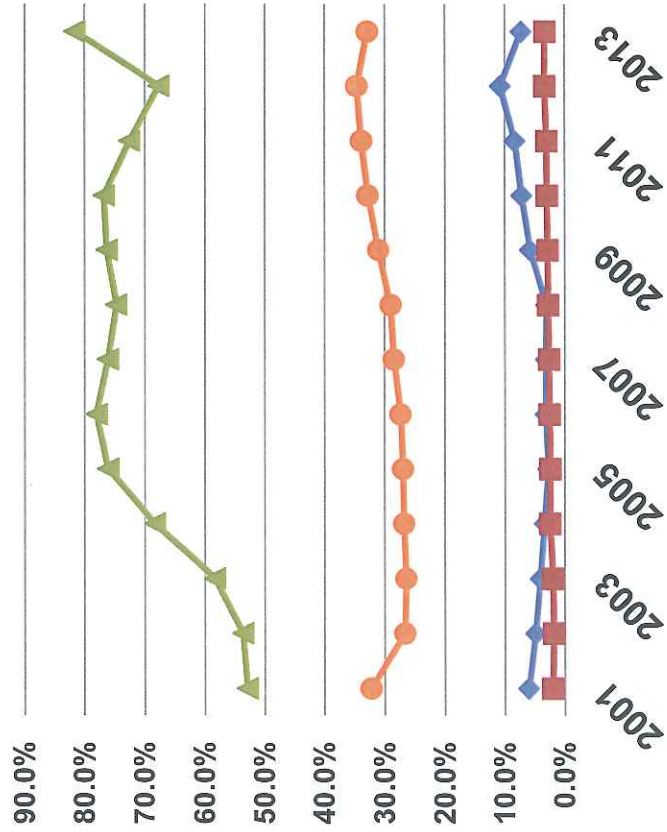


Source: Colorado Oil and Gas Conservation Commission

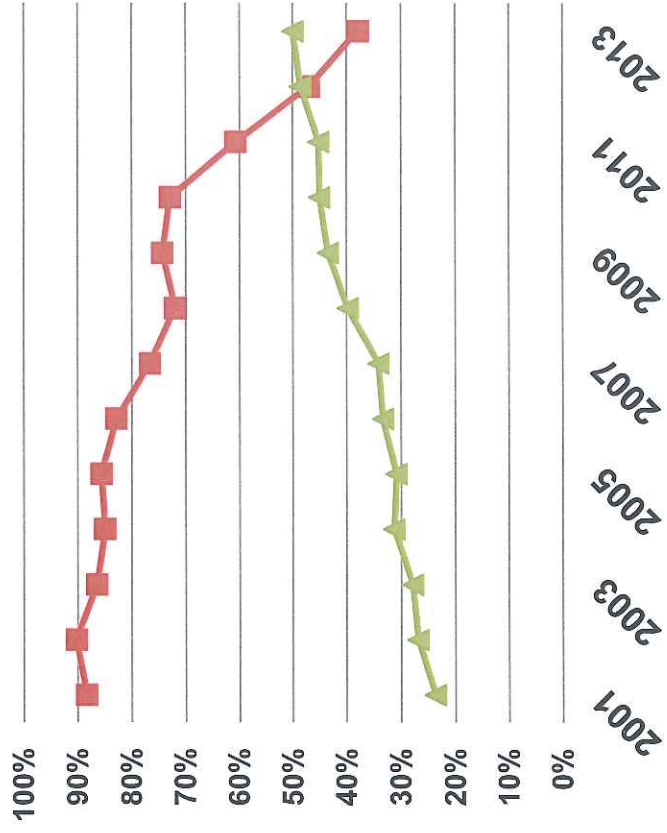


# % Stripper Production, by County 2001 through 2013

## Natural Gas



## Oil



Source: Colorado Oil and Gas Conservation Commission

# Conclusions

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