



*Fiscal Impacts of Oil & Gas Production in
New Mexico*

Presented to the Revenue Stabilization and Tax Policy
Committee

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NMTRI Principles of Good Tax Policy

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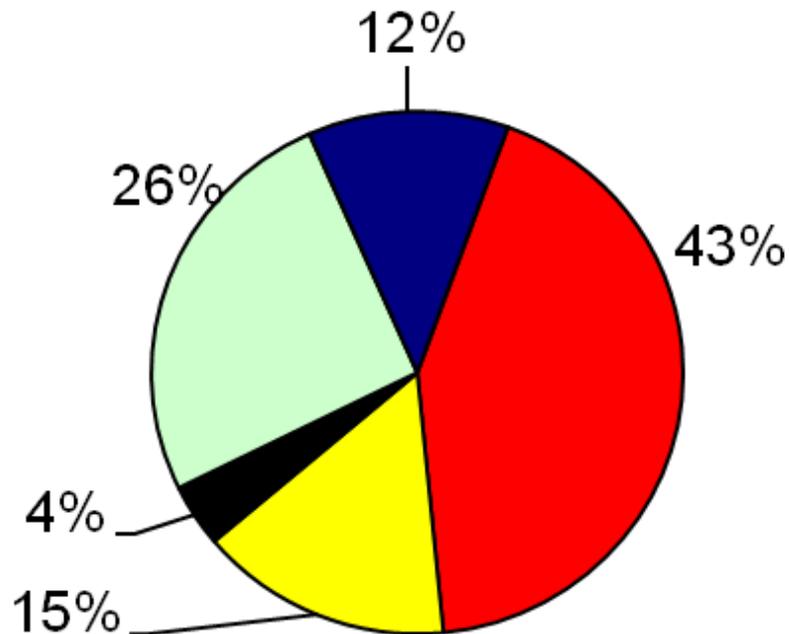
N.M. Tax Research Institute is a non-profit, non-partisan member-supported organization dedicated to advancing the following principles of good tax policy in New Mexico:

- **Adequacy**
 - Revenues should be sufficient to fund needed services
- **Efficiency**
 - Interference with the private economy should be minimized
- **Equity**
 - Taxpayers should be treated fairly
- **Simplicity**
 - Laws, regulations, forms and procedures should be as simple as possible
- **Comprehensiveness**
 - All taxes should be considered when evaluating the system
- **Accountability**
 - Exceptions should be rare and should be carefully evaluated and justified

FY2013 Contribution from Oil and Natural Gas Production – Economic Environment

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FY12 General Fund Revenue



■ Sales ■ Energy ■ Other ■ Income ■ Investments

Source: Consensus Revenue Estimate

FY2013 Contribution from Oil and Natural Gas

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Question: How Much Does the Oil and Gas Industry Contribute to the state and local governments, schools, etc.?

NMTRI and primary research contractor Laird Graeser complete preliminary study February, 2014.

FY2013 Contribution from Oil and Natural Gas Production – General Approach

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- Attempt to quantify the DIRECT fiscal contributions of the oil and gas industry to NM beneficiaries (general fund, local gov'ts, schools, etc.)
- Few assumptions/models – primarily data driven
- No attempt made to quantify indirect, secondary or dynamic effects
- Accordingly, the methodology leaves “money on the table” - so the results can be viewed as a LOWER BOUNDARY of actual industry contributions
- We make no attempt to quantify “externalities” or other costs presented by industry activity

FY2013 Contribution from Oil and Natural Gas Production – General Approach

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- **Gross Receipts and Compensating Tax**
NAICS codes utilized
- **Corporate Income Tax**
NAICS codes utilized
- **Personal Income Tax**
NAICS codes – Withholding (PIT)
Oil and Gas Proceeds Withholding

FY2013 Contribution from Oil and Natural Gas Production – General Approach

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- **Severance and Land Grant Permanent Model**
 - Money goes in and out – have to give credit - but can't double count
 - Measured historic contributions and applied a historical percentage of O&G contributions to the funds – to the outflows to the general fund, capital projects, etc.
- **Other revenues where O&G has to be teased out**
 - Conservation Tax
 - Federal Mineral Leasing
 - Land Office Income

FY2013 Contribution from Oil and Natural Gas Production – General Approach

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- **While other revenue sources entirely general fund**
 - Oil and Gas School Tax
 - Natural Gas Processors Tax

FY2013 Contribution from Oil and Natural Gas Production – Significant Findings

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Fund or Program	Revenue Detail	% Attrib. to OGAS
Severance Tax Permanent Fund	Interest transferred to the General Fund for FY 2013 attributable to OGAS.	86 %
Land Grant Permanent Fund	Interest transferred to the General Fund for FY 2013 attributable to OGAS.	96.6%
State General Fund	GRT paid by industry in OGAS-related categories, CIT, PIT withholding , OGAS withholding, Emergency School Tax, Conservation Tax, Natural Gas Processors Tax, STPF interest, LGPF interest, federal royalty sharing and SLO revenues, for FY 2013 attributable to OGAS.	31.5%
School funding (State Equalization Guarantee)	General Fund portion of K-12 education attributable to OGAS.	31.5%
Higher Education funding	General Fund portion of Constitutional institutions attributable to OGAS for FY 2012 and FY 2013.	31.5%
Severance Tax Bonds	2007-2013 STBs total listed by County and portion attributable to OGAS.	95% 5-year average

FY2013 General Fund Contribution from Oil and Natural Gas Production

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FY 2013 General Fund			
Category	Amount (\$ millions)	OGAS Attributed Amounts (\$ millions)	Approx. % OGAS
Gross Receipts Tax	\$1,912.7	\$127.5	6.7%
Compensating Tax	\$50.7	\$14.8	29.2%
Selective Sales Taxes	\$405.2	>0	0.0%
Net Personal Income	\$1,225.7	\$120.3	9.8%
Corporate Income Tax	\$263.0	\$54.0	20.5%
Oil & Gas School Tax	\$385.0	\$385.0	100.0%
7% Oil Conservation	\$21.2	\$20.2	95.2%
Resources excise	\$15.1	\$0.0	0.0%
Natural Gas Processors	\$24.2	\$24.2	100.0%
Perm. Fund Income	\$440.9	\$425.9	96.6%
Sev Tax Income Fund	\$176.2	\$151.5	86.0%
Federal Mineral Leasing	\$459.6	\$407.6	88.7%
Land Office Income	\$44.6	\$30.3	68.0%
All other categories	\$166.2	\$0.0	0.0%
Recurring General Fund/Total	\$5,590.2	\$1,761.2	31.5%

FY2013 Contribution from Oil and Natural Gas Production

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- **Percentage of LGPF attributed to Oil and Natural Gas Production**
96.6%
- **Percentage of STPF attributed to Oil and Natural Gas Production**
86%
- **Percentage of General Fund Attributed to Oil and Natural Gas Production**
31.5%
- **FY 2013 Severance Taxes Paid to STBF and a portion thence to STPF (after bond repayments)**
\$419,992,937, with \$0 to STPF
- **FY 2013 Severance Tax Bond projects**
769 projects for \$218,132,000 (of which \$207,225,000 is attributed to Oil and Natural Gas production – Severance Taxes)
- **7-year total Severance Tax Bond Projects**
\$1,449,994,000 (of which, \$1,248,767,000 attributed to Oil and Natural Gas production (severance taxes paid))

FY2013 Contribution from Oil and Natural Gas Production

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- **FY 2013 Ending Balance in STPF**
\$3,873,169,911
- **FY2013 Royalties paid for production on State Lands**
\$494,082,929
- **FY2013 Bonus Payments to SLO for the right to produce on State Lands**
\$30,349,730
- **FY 2013 Ending Balance in LGPF**
\$13,280,000,000
- **Royalties Paid to MMS for production on Federal of which a portion is returned as federal revenue sharing**
\$835,156,988, with \$407,603,643 returned as revenue sharing

FY2013 Contribution from Oil and Natural Gas Production

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- **Royalties paid for production on Indian Lands**
\$31,118,909
- **In Lieu of School and Severance Taxes paid for production on Indian Land**
\$3,159,824
- **Total Ad Valorem Production Taxes paid**
\$126,391,042 (approximately \$6.3 million for state GO Bond Debt Service and \$120.1 million for all local property tax beneficiaries)
- **Total Ad Valorem Production Equipment Tax**
Approximately \$79.4 million (approximately \$4.0 million state GO Bond Debt Service and \$75.4 million for all local property tax beneficiaries)
- **General Fund School Support to 89 local school districts (31.5%)**
\$714,223,614
- **General Fund Higher Education Funding (31.5%)**
\$227,797,800

Questions

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