

# Funding Section

- Costs
- Revenue sources

# Examples of State Costs

- Creation of a program to review permits, conduct inspections and develop emergency response plans
- Reviewing applications for drilling oil/gas wells
- Setting requirements for proper locations, well designs and construction of wells
- Inspection of drilling activity
- Creation of design standards
- Responding to citizens' questions/concerns
- Customer service support for companies wishing to learn more about regulations
- Public education
- Overseeing well closures

# Arkansas as an Example

- 7 full-time positions to inspect and monitor shale gas activity
  - 4 inspectors (200 inspections each in 2011)
  - 1 supervisor
  - 2 enforcement administrators
- 12 additional positions in the Arkansas Department of Environmental Quality assist
- 39 positions staff the Arkansas Oil and Gas Commission
  - Issued 23 permits/week in 2011 (1,200 total)
- Pennsylvania employs about 200 people

# Arkansas positions

- General counsel
- Regulatory counsel
- Geologists
- Permitting specialists
- Fiscal officer
- GIS analyst
- IT support
- Webmaster

# Revenue Types

- Bonds - to ensure the operator properly reclaims the site after drilling (or the agency can use the bond to fund reclamation)
- Severance taxes – generally a flat rate per unit of oil or gas
  - NC currently has the lowest severance tax in the nation, except for states with no severance tax
- Corporate income taxes
- Pennsylvania's impact fee
- New York's property tax on natural gas

# Additional Types of Taxes

- Real property taxes
- Sales and use taxes (both state and local)
- Conservation or environmental taxes – may be used for plugging and reclaiming abandoned well sites, education, gather background environmental data, species conservation, energy assistance, water efficiency grants, or other conservation initiatives.

# Fee Types

- Well permitting fees – generally range from \$0 to \$6,500
- Well abandonment fees – North Carolina
- Annual fees for permit holders based on number of wells or production of each well

# Report Recommendations

- Further research on an appropriate level of severance tax
- For an oil and gas program to effectively oversee activities, inspections must be conducted at various stages throughout the life of the well. Severance tax revenue changes with the market, but the need for inspections does not. An annual fee is recommended to recover the costs of inspections and data collection.

# Report Recommendations

- Severance taxes and program fees should fund:
  - The administration of the oil and gas program;
  - Conservation initiatives, including land and water conservation and the improvement of water and wastewater infrastructure;
  - Reclamation and remediation of lands adversely impacted by oil and gas exploration and production;
  - Costs incurred by local governments for infrastructure and public services.