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Save It or Spend It? How New Mexico, Pennsylvania, and Texas Manage Oil and Gas Revenues for the Future

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Abstract

Energy development often provides substantial economic benefits as well as changes to environmental and health conditions for host communities. In this analysis, we seek to understand one aspect of energy development with important short- and long-term implications: how state governments collect and use oil and gas revenues. We focus on the top US oil- and gas-producing states: New Mexico, Pennsylvania, and Texas, which offer three distinct models for collecting and using revenue to manage current and future fiscal health. We find that New Mexico collects the largest share of revenues among the three states (roughly 20 percent of production value in 2023) and invests roughly half in long-term savings funds that will support education and other government services in perpetuity. Texas collects roughly 10 percent of production value and invests roughly one-fifth in long-term savings earmarked for statewide education, along with some investments in short-term savings. Pennsylvania collects just 3 percent and saves little to none for the future. Although New Mexico's approach robustly supports statewide fiscal health, none of these states have policies to protect the finances of the local governments in host communities (specifically, counties, municipalities, and special districts), which may face significant fiscal risk from short term booms and busts and longer-term risks from an energy transition.

Contents

1. Introduction and Background

1.1. Environmental, Social, and Economic Effects of Oil and Gas Development

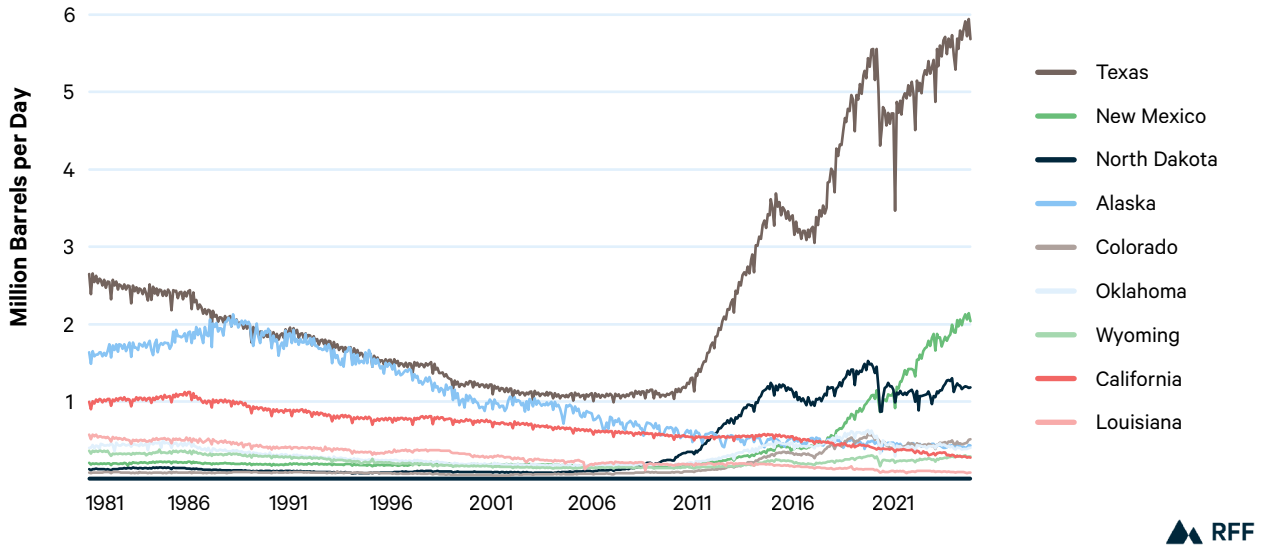
The oil and gas industry provides a mix of short-term benefits and risks to host communities. These risks include air and water pollution from a variety of sources (Patterson et al. 2017; Abualfaraj et al. 2018; Fann et al. 2018), which in turn can harm residents' health (Rasmussen et al. 2016; Currie et al. 2017; Bartik et al. 2019; Hill and Ma 2022) and reduce property values for certain homeowners (Boxall et al. 2005; Muehlenbachs et al. 2015). Community-level effects can include increased risk of traffic accidents (Graham et al. 2015; Xu and Xu 2020), changes in community character (Jacquet 2014; Klasic et al. 2022), and higher crime rates during boom periods (James and Smith 2017; Andrews and Deza 2018; Gourley and Madonia 2018).

The short-term local economic benefits of the industry include high-paying employment opportunities (Weber 2012; Feyrer et al. 2017), lease revenue for landowners (Brown et al. 2016, 2019; Feyrer et al. 2017), and revenue that supports essential public services (Haggerty 2015; Weber et al. 2016; Newell and Raimi 2018). However, these economic benefits are volatile and change rapidly with swings in oil and gas prices (Raimi et al. 2019; Klasic et al. 2022), which are almost entirely outside the control of local or state policymakers.

Over the longer term, the economic effects of the oil and gas industry on host communities are mixed. A substantial literature has examined whether, and to what extent, US oil and gas communities suffer from a "resource curse," with evidence suggesting that outcomes vary across geographies and over time (James and James 2011; Ouedraogo 2012; Haggerty et al. 2014; Allcott and Keniston 2018). Looking toward the future, global demand for oil and natural gas is projected to stagnate or decline under most scenarios and fall rapidly under ambitious climate policies (Raimi et al. 2024). In a future with declining hydrocarbon demand, producing communities in the United States (and around the world) will face profound questions about their economic futures (Raimi and Kaufman 2024).

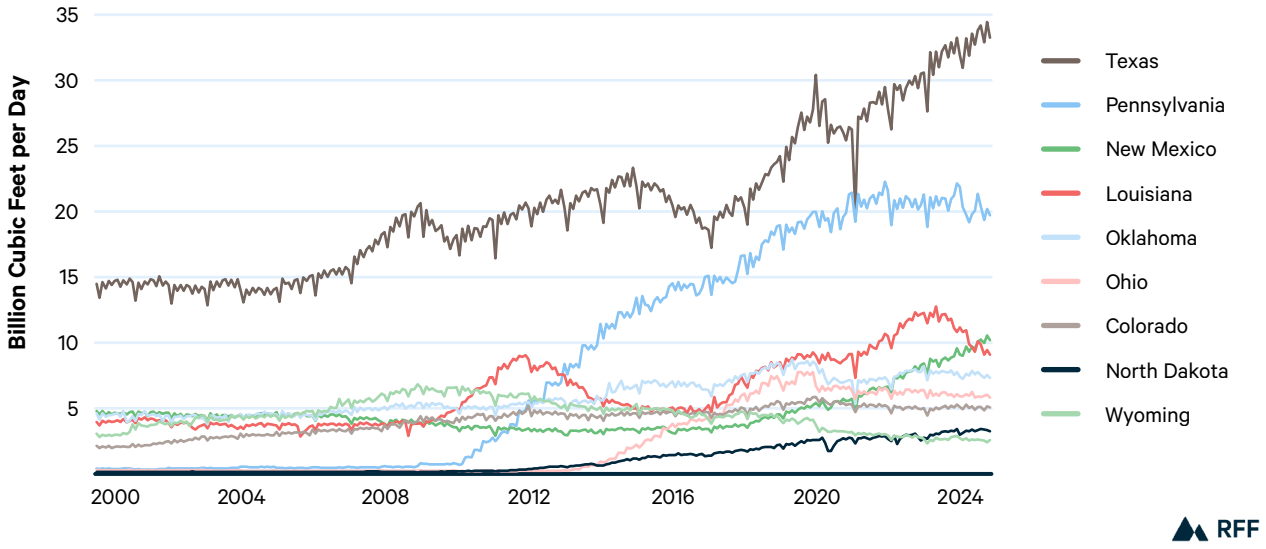
In this report, we examine one of the biggest economic issues facing oil- and gas-producing regions of the United States: public revenues. Specifically, we examine whether existing oil and gas revenue policies support long-term fiscal stability in New Mexico, Texas, and Pennsylvania. As Figures 1 and 2 illustrate, Texas is the country's largest producer of both oil and natural gas, New Mexico is the second-largest producer of oil, and Pennsylvania, the second-largest producer of gas.

Figure 1. Crude Oil Production for Select States, 1981–2024



Source: US EIA. Data through November 2024.

Figure 2. Natural Gas Production for Select States, 2000–2024



Note: billion cubic feet per day of marketed production.
Source: US EIA. State-level data not available before 2000. Data through November 2024.

This analysis does not seek to assess the considerable fiscal risks associated with the decommissioning of oil and gas infrastructure in the United States. For example, the costs of remediating orphaned oil and gas wells, which may number in the millions, pose large financial burdens on US states and the federal government (Raimi et al. 2021; Agerton et al. 2023; Kang et al. 2023). Additional public costs may also come from decommissioning other oil and gas infrastructure, such as refineries, storage facilities, and pipelines (Kaiser 2021). Future work to estimate these liabilities would be valuable when considering the full range of fiscal benefits and costs of industry activity.

1.2. Oil and Gas Revenue Policies

State governments determine how to raise revenue from oil and gas production and how to use it. In theory, taxing oil and gas extraction can be justified on efficiency grounds because taxation can capture a portion of economic rents generated by resource production without distorting investment decisions, and those revenues can be directed to the public good (Hotelling 1931). Resource taxes can also, depending on the use of the revenues, compensate future generations for the extraction of nonrenewable resources, such as oil and gas (Hartwick 1977).

In practice, US states collect severance taxes (paid by firms for the privilege of severing a mineral from Earth), leasing revenue (e.g., royalties) from production on publicly owned lands, income taxes, sales taxes, local property taxes, and several smaller revenue streams. With the exception of local property taxes, these revenues are typically collected by state governments, which then decide how much to allocate to various purposes—short-term spending, long-term saving, allocations to local governments, and other priorities. Local property taxes are typically collected and used by counties, school districts, and municipalities.

Previous work has shown that increased revenue from natural resource development, such as oil and gas production, encourages governments to reduce dependence on other revenue sources, raise spending, and increase savings (James 2015). Savings give governments a fiscal cushion that can smooth the effects of short-term booms and busts, as well as longer-term declines driven by geological, technological, or policy factors.

But using higher oil and gas revenues to reduce other taxes (e.g., personal income taxes) can introduce considerable fiscal risks because political and in some cases legal factors make it difficult or impossible for governments to increase tax rates when resource revenues decline. For example, Alaska eliminated income taxes in 1981, shortly after oil production from its North Slope began flowing to market (Wertz 2011), and has not reinstated them despite steadily declining production volumes. Similar dynamics exist for local governments in Texas and other states where local property tax rates in oil- and gas-producing counties decline by default during boom periods but require voter approval to reset during busts (Newell and Raimi 2018), and in Wyoming, where fossil resource revenues play a dominant role in state and local budgets (Freudenthal 2022).

One approach that governments can take to reduce fiscal risk is to invest oil and gas revenues in long-term savings funds that generate revenue for public services in perpetuity. These "permanent funds" are capitalized by revenues from oil and gas production, and the investment earnings that those funds generate are used to fund services. Crucially, these funds are protected from the annual (or biannual) budget process and cannot be "raided" by state legislators facing near-term budget gaps.

The best-known examples of this approach are the sovereign wealth funds for major oil-exporting nations: Norway's Sovereign Wealth Fund stood at roughly $1.9 trillion as of July 2025, and Saudi Arabia's Public Investment Fund held $1.2 trillion in assets as of 2024.[1] But several US states, including New Mexico, Texas, Wyoming, North Dakota, and Alaska, also make use of permanent funds (Newell and Raimi 2018).

In addition to funding current state expenditures and investing in future spending, revenues from US oil and gas production support local school districts and institutions of higher education. Increased oil and gas production has substantially boosted these revenue flows. However, multiple studies have found that increased funding from energy sources, including oil, gas, and wind, have small or even negative effects on educational outcomes in affected school districts (Marchand and Weber 2020; Brunner et al. 2022; Schiller and Slechten 2025).

In principle, investing oil and gas revenues in education should build human capital and improve the prospects for future economic growth (assuming a sufficient proportion of locally educated students remain in-state). However, revenues from oil and gas production that are earmarked for education (or other purposes) could crowd out funding from other revenue sources or lead policymakers to reduce other tax rates, potentially resulting in no net increase in spending on education. Although our analysis does not attempt to answer these and other questions related to revenue policies and long-term economic development, they remain important determinants of social and economic well-being for communities and states across the nation.

1.3. New Mexico, Pennsylvania, and Texas

New Mexico, Pennsylvania, and Texas have rich and varied histories of oil and gas development. In Pennsylvania, where the oil industry began in 1859 (Yergin 1990), extraction occurred at scale for decades before meaningful regulation emerged to govern the industry, resulting in—among other things—hundreds of thousands of orphaned wells (Kang et al. 2023). Oil extraction continues today in Pennsylvania in very low quantities, mostly in the historical oil region centered in Venango County in the state's northwest. In the first decade of the 2000s, operators began to unlock natural gas at scale from "unconventional" (i.e., shale) rocks, such as the Marcellus, with

1 Norges Bank Investment Management (2025) reported on July 8, 2025, that the fund value was 19,543 billion kroner, roughly equivalent to $1,933 billion USD at current exchange rates. The most recent audited financial report for the Public Investment Fund (KPMG 2025) values its assets at 4,321 billion riyal, roughly equivalent to $1,167 billion USD at current exchange rates.

wells scattered across a crescent stretching from Greene County in the state's southwest to Susquehanna County in the northeast.

Despite that long history of production, Pennsylvania has never imposed a severance tax, nor does it allow local governments to apply their ad valorem property taxes to oil or natural gas production property. Instead, legislators passed a law in 2012 known as Act 13, which established annual fees for each unconventional (i.e., shale) well and directed a substantial portion of the revenues to communities where drilling occurred. Although the state is now the second-largest natural gas producer, its large and diverse economy and major cities like Philadelphia and Pittsburgh mean that the oil and gas industry accounted for 1.3 percent of state economic output in calendar year (CY) 2023, just slightly higher than the national average of 1.2 percent.[2]

In Texas, oil was produced in modest quantities until 1901, when a well drilled into the Spindletop field in southeastern Texas gushed an estimated 100,000 barrels per day, ushering in a new scale of mass production for the soon-to-be-global industry (Yergin 1990). In the decades that followed, Texas became the world's largest oil producer, with discoveries made across the state.

From the 1970s through the 2000s, production plateaued and declined in Texas (and nationally), but extraction experienced a renaissance with the application of horizontal drilling and hydraulic fracturing technologies applied at scale in the 2000s. Today, Texas is producing more oil and gas than ever before, dominated by the Permian Basin in West Texas (which stretches into eastern New Mexico), plus contributions from the Eagle Ford Shale (South Texas), Haynesville Shale (East Texas), and elsewhere. Corporate headquarters and regional offices can be found in several major cities, including greater Houston, Fort Worth, and Midland. Statewide, the industry accounted for 7.6 percent of economic output in CY2023.

New Mexico's oil industry began in 1922 with wells drilled on the Navajo Nation's reservation in the San Juan Basin, in the northwestern corner of the state, followed by production from the Permian Basin in the southeast in the late 1920s. By the turn of the century, production in the San Juan Basin was dominated by natural gas, which peaked around 2000 and has steadily declined since. In the Permian Basin, oil and gas production have spiked to record levels in recent years due to the application of horizontal drilling and hydraulic fracturing, growing at an even more rapid rate than on the Texas side of the border (Raimi and Whitlock 2023).

Although few oil and gas companies are headquartered in New Mexico, oil and gas extraction accounted for 9.6 percent of the state's economic output in CY2023 and an even greater share of its government revenue, as we discuss in detail in Sections 3 and 4.

2 GDP data in this section come from the U.S. Bureau of Economic Analysis "Regional data" interactive online data system. The contribution of the upstream oil and gas industry to state GDP is calculated by summing the sectors "Oil and gas extraction" and "Support activities for mining" divided by the "All industry total" category.

As the oil and gas industry has evolved in each state, regulatory structures have grown and adapted to track production levels, maximize production from available resources, and manage environmental hazards. In the following section, we describe the policies governing the collection and allocation of revenue that comes directly from oil and gas extraction.

2. Data and Methods

We gathered data and analyzed existing public policies from our three states of interest to estimate how oil and gas production generates revenues for state current expenditures, state permanent funds, local governments, and educational systems. We began by identifying all major mechanisms through which states and local governments collect revenue directly from oil and gas extraction and related activities. We then searched for data quantifying revenue collections for each mechanism in fiscal years (FY) 2023 and 2024. When data were not publicly available, we emailed relevant state agencies or submitted public records requests. In the rare cases where data were not made available, we used various procedures to estimate the contribution of oil and gas production to revenue flows based on available data and statutes.

We summarized each revenue mechanism by documenting how the revenue is collected (e.g., tax rate, tax base, or royalty rate), which government entity collects the revenue, and other pertinent details of the policy. Details on each revenue source, including data sources, collection processes, allocation processes, and—where necessary—our methods to estimate revenue flows, are described in detail in Appendix B.[3]

Because state revenue mechanisms vary in their structures, naming conventions, and implementation, we needed to create a standardized classification system to compare policies across states. As in previous work (Newell and Raimi 2018), we grouped revenue sources into the following categories:

- **Federal lands**. Revenues distributed to states by the federal government from oil and gas leases on federally owned lands in the state. This category typically includes royalties, rents, and bonus payments made when leases are signed.
- **State lands**. Revenues from oil and gas leases on state-owned lands. This source typically includes royalties, rents, and bonus payments made when leases are signed.
- **Severance tax (or similar)**. A tax or fee applied by the state for the privilege of severing a nonrenewable mineral from the subsurface. These taxes are typically applied to the value of oil and gas produced from each well, although Pennsylvania's Impact Fee instead imposes an annual fee on each well drilled into a shale formation.

3 As described in Appendix B, we relied in part on generative artificial intelligence tools to identify and summarize relevant sections of state code, which we then manually verified to ensure accuracy and edited to improve clarity.

- **Property tax**. Ad valorem taxes applied to the value of oil and gas property in the state. Methods for determining the value of property vary by state, and Pennsylvania exempts oil and gas production property from these taxes.
- **Sales tax**. Taxes applied to the sale of goods and services in a state. We include the Texas and Pennsylvania sales and use taxes in this category.
- **Income tax**. Taxes applied to the net or gross income of a business or individual doing business in a state. For ease of comparison, we include New Mexico's gross receipts tax, its oil and gas proceeds withholding tax, Texas' oil well service tax, and Texas' franchise tax in this category, alongside Pennsylvania's personal and corporate income taxes.
- **Other**. Other revenue mechanisms (e.g., regulatory fees that support the provision of government services; financial penalties that companies pay because of noncompliance with regulations).

Next, we searched for data documenting how these revenues were distributed after collection. In some cases, this information is clearly provided on state or local websites or in monthly and annual reports. When revenue distribution was not clearly quantified in public reports (which is often the case), we sought information from relevant state offices through email or public records requests. In cases where agencies did not provide information on revenue allocations, we relied on state statutes along with public data on production volumes and prices to estimate how revenues flowed to different levels and types of government. To produce these estimates, we carefully documented provisions of state statutes and applied the appropriate formulas to estimate revenue flows (see Appendix B).

Because revenues are allocated to a wide variety of purposes across state and local public entities, we created a classification system to distinguish revenue uses, similar to the approach taken in Newell and Raimi (2018). We classified revenue allocations into the following groups:

- **State current expenditures**. Revenues that states spend in the current fiscal year or that states can expect to spend in the near future (i.e., the next budget cycle). We include states' "rainy day" savings funds that are designed to balance short-term shortfalls.
- **State permanent funds**. Revenues that are invested in a long-term savings fund, the principal of which is protected from use for near-term spending. These funds are designed to generate revenue for public purposes in perpetuity.
- **State education current expenditures**. Revenues that are specifically earmarked for higher or primary education. We do not include appropriations in the regular budget process because we cannot distinguish between oil- and gas-generated revenues and other revenues used in that process.
- **State education permanent funds**. Revenues that are invested in a long-term savings fund, the principal of which is protected from use for near-term spending. These funds are designed to generate revenue specifically for higher or primary education in perpetuity.

- **School districts**. Revenues that are collected by or allocated directly to school districts.
- **Local governments**. For simplicity, we group the following three types of local government entities into a single category:
    * *Counties*: revenues that are collected by or allocated directly to county governments.
    * *Municipalities*: revenues that are collected by or allocated directly to cities, towns, townships, villages, or similar subcounty government units.
    * *Other local governments*: revenues that are collected by or allocated directly to "special districts," such as library districts, hospital districts, and fire districts. These taxing entities may be subcounty or cross-county jurisdictions.

We do not include revenues flowing to Tribal nations because of data limitations. When oil and gas production occurs on reservation lands (as it does in large quantities in New Mexico), the U.S. federal government collects royalties and other revenues on behalf of Tribal nations and Tribal citizens, then distributes those revenues back to the relevant Tribal nation or citizen. In addition, Tribal nations often collect severance taxes from production occurring on reservation lands. However, none of these revenue data are made public, preventing us from including them in this analysis.

The following section reports our results.

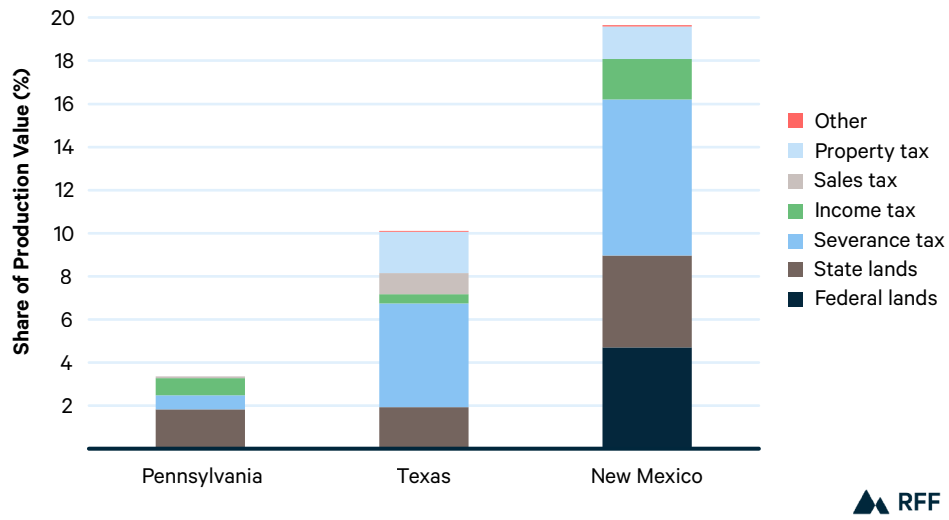
3. Results

3.1. Revenue Collection

Our results reveal that New Mexico, Pennsylvania, and Texas take very different approaches to oil and gas fiscal policy. In FY2023 (the most recent year for which complete data are available), government collections were $909 million, or 3.4 percent of the value of all oil and gas produced in Pennsylvania; $19.4 billion, or 10.1 percent in Texas; and $12.3 billion, or 19.7 percent in New Mexico. The largest revenue mechanisms were severance taxes (35 percent of all collections on average across the three states), state land leases (32 percent), income taxes (12 percent), property taxes (9 percent), and federal land leases (8 percent). These figures vary widely among the states, with Pennsylvania and New Mexico deriving a large share of revenues from public land leases, whereas Texas generates more revenue from severance and property taxes (Figure 3).

The passage of the One Big Beautiful Bill Act (OBBBA) in July 2025, which reduces federal royalty rates from 16.67 percent to 12.5 percent, will have a considerable effect on New Mexico's future oil and gas revenue collections from federal lands. Recent analysis estimates that this will reduce the state's share of federal leasing revenues by $1.7 billion from 2026 to 2035 (Prest 2025). However, New Mexico adopted a law in

Figure 3. State and Local Revenue as Share of Oil and Gas Production Value, FY2023



Note: See Appendix A for underlying data and additional figures illustrating results.

2025 that will allow the state to increase royalties on certain state lands from 20 to 25 percent for new wells, potentially increasing revenues from state leases (Munoz et al. 2025).

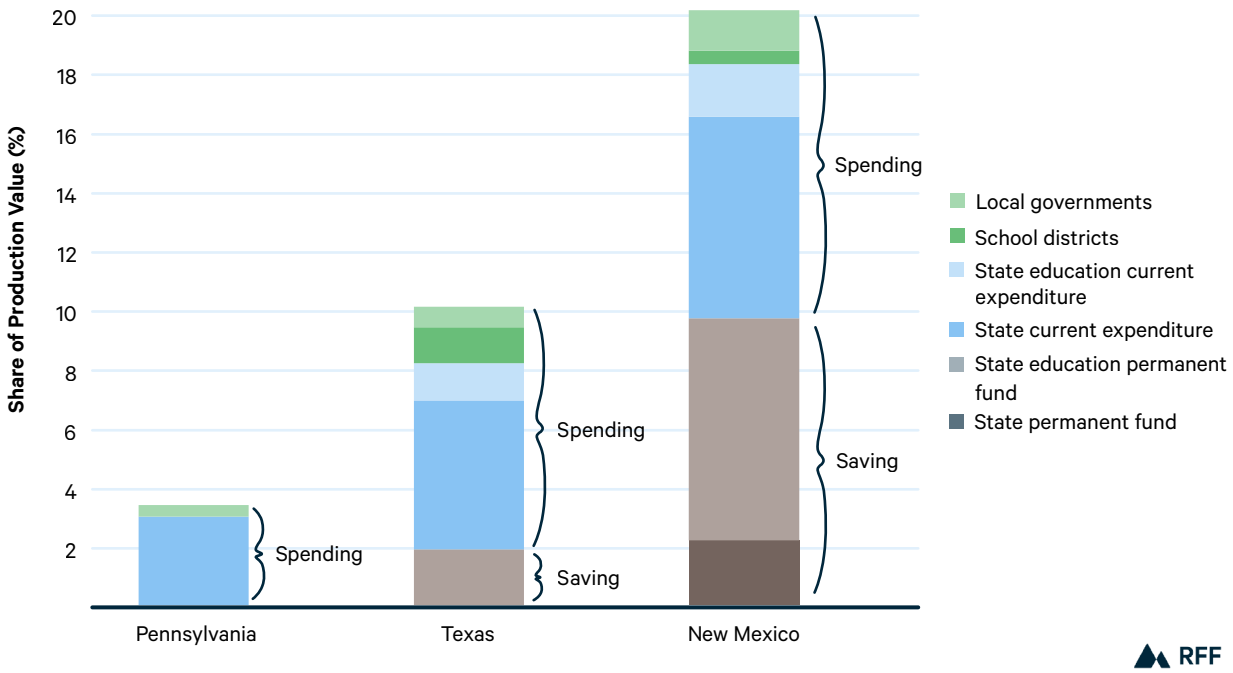
3.2. Revenue Use

States also use oil and gas revenues in very different ways. In Pennsylvania, most revenue supports state current expenditures, with a small proportion benefiting producing communities, and no revenue dedicated to education. As of June 2025, the state was also considering new legislation that would restrict funds from flowing to local governments that enacted certain restrictions on the location of newly drilled horizontal wells (Bartolotta 2025).

In Texas, the plurality of funds support ongoing state programs, with smaller portions flowing to statewide education, local school districts, and local governments. Texas also saves revenues in two ways. First, revenue from state land leases supports a permanent education fund for primary and higher education. Second, the state saves a portion of severance tax collections in its rainy day fund (formally, the Economic Stabilization Fund), which held a balance of $21 billion at the close of FY2024 (Texas Comptroller of Public Accounts 2025a). We do not classify this as a permanent fund because it is designed to support short-term fluctuations in public revenues rather than provide a perpetual source of revenue.

New Mexico differs substantially, investing roughly half of its oil and gas revenues in permanent funds that largely benefit statewide education programs. Most of these investments come from royalties flowing from federal and state lands, although

Figure 4. Oil and Gas Revenue Use as Share of Oil and Gas Production Value, FY2023



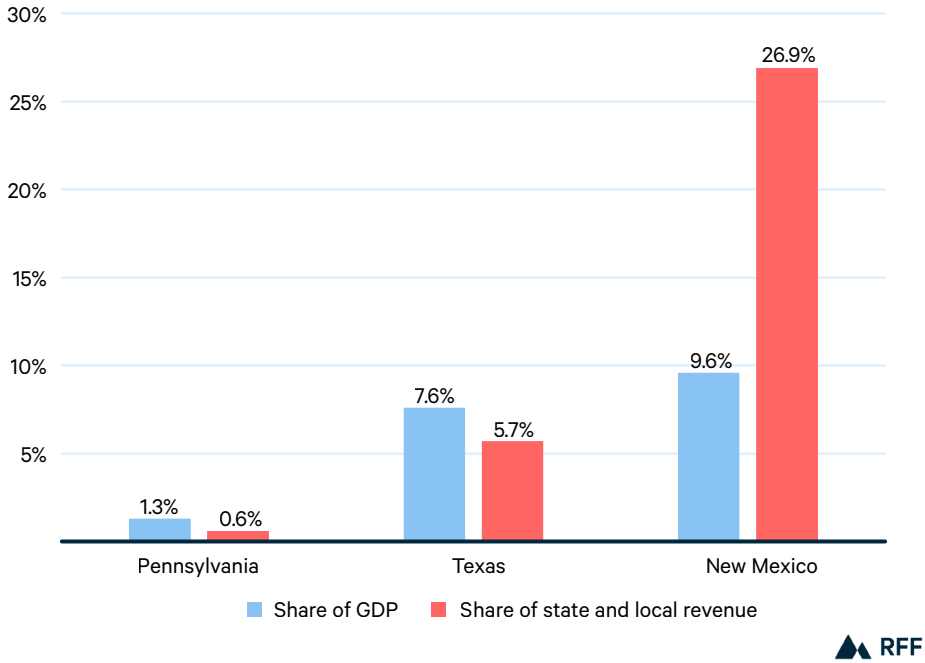
Note: See Appendix A for underlying data. New Mexico's revenue allocation totals in FY2023 differ by 0.4 percent of production value (roughly $273 million) from its collection totals in that same year primarily because of differences in revenue collections and allocations from federal leases. This discrepancy is likely due to the two- to three-month lag between oil and gas production from federal leases and distribution of the associated revenue by the federal government to states and tribes (Office of Natural Resources Revenue 2024) and lags between the state's receipt of revenue and the allocation of that revenue to various state funds.

the state also invests a portion of its severance tax revenues in a permanent fund.[4] Roughly 40 percent of the state's oil and gas revenues supports state current expenditures (including statewide education), and roughly 10 percent flows to the local level for counties, school districts, and other local governments.

How significant are these revenues in terms of overall state and local government revenue? Again we see substantial variation. In Pennsylvania, oil and gas revenues account for 0.6 percent of all state and local revenues (including fees for services and transfers from the federal government) in FY2023. When looking only at own-source tax revenue (i.e., excluding fees for services and transfers from the federal government), oil and gas accounted for 1.7 percent of state and local revenues. In Texas, oil and gas revenues accounted for 5.7 percent of all state and local revenue and 10.2 percent of state and local own-source tax revenue. In New Mexico, oil and gas play a dominant role in public revenues, accounting for 26.9 percent of all state and local

4 Our results show revenues and policies in place in FY2023. Effective FY2025, New Mexico allocates additional severance tax revenues into a permanent fund (New Mexico Legislative Finance Committee 2023).

Figure 5. Economic and Fiscal Contributions of Oil and Gas Industry, by State, 2023



Note: See Section 1.3 for GDP data sources and notes. Share of state and local revenues includes state and local taxes, fees, and federal transfers.

revenue in FY2023 and 56.1 percent of state and local own-source tax revenue in that year.[5]

As noted in Section 1.3, the broader economic contribution of the oil and gas industry varies widely across the three states. Comparing the economic contribution of the industry with its fiscal contribution offers a useful window into each state's dependence on oil and gas extraction for public revenues and the broader economy. As Figure 5 shows, the industry plays a relatively small role in the overall economy of Pennsylvania and an even smaller role in its public finances. In Texas, the industry's direct contribution to state and local revenues is fairly similar to its role in the broader economy. In New Mexico, oil and gas plays an outsized fiscal role relative to its economic contribution.

5 State and local revenue data for FY2023 are not yet available from the annual Census of State and Local Governments. We therefore use data for state revenues from each state's comprehensive annual financial report from FY 2023, and we gather data for local property tax and sales tax revenues from various sources for each state.

4. Discussion and Policy Implications

4.1. Comparing the Three States

The states examined here range from relatively high levels of revenue collection and long-term savings in New Mexico to low levels of revenue collection and effectively no savings in Pennsylvania, with Texas falling roughly in between the two poles.

In part because a large share of its production occurs on state and federal land, New Mexico collects a larger share of oil and gas revenues than Pennsylvania or Texas. Another difference is that it dedicates a substantial amount of revenue to permanent funds that will support state fiscal stability for decades to come. This approach will provide fiscal benefits for residents regardless of the pace and scale of a national or global energy transition. Policymakers have enhanced the contributions to permanent funds in recent legislative sessions, and investment income from permanent funds was projected to overtake income taxes as the second-largest revenue source for the state general fund by FY2025 (New Mexico Legislative Finance Committee 2023), then growing further in the future. In short, New Mexico is heavily dependent on oil and gas revenues but has taken proactive steps to manage its fiscal risks for the future.

One potential challenge for oil- and gas-producing communities in New Mexico is that local governments cannot create and operate their own permanent funds. Instead, counties, municipalities, and other local governments are subject to the volatility that comes from fluctuating oil and gas prices. This lack of predictability and stability increases the fiscal risk for the communities that produce most of the state's oil and gas.

In Pennsylvania, state policies result in relatively little revenue collection from oil and gas extraction and no long-term savings. Because the oil and gas industry plays a relatively small role in the state economy, however, this presents little fiscal risk for the state as a whole.

But existing policies do create fiscal risks for the mostly rural jurisdictions where Pennsylvania's natural gas production is concentrated, such as in Bradford, Greene, Lycoming, Susquehanna, and Washington counties. In FY2024, 16 townships in these five top-producing counties received more than $500,000 in revenue from the state Impact Fee, and more than 70 received more than $200,000 (PA Public Utility Commission 2025). Budget data are rarely available online for rural townships, but population data help contextualize the significance of these funding levels. For example, in 2024, Auburn Township, a division of Susquehanna County and the top recipient of Impact Fee revenues, collected more than $500 per resident. This level of funding provides meaningful support for communities hosting energy development but could also pose fiscal risks if local governments become reliant on these revenues to fund recurring expenses.

Texas, as the nation's leading oil and gas producer, collects more revenue from extraction than any other US state. It saves some of that revenue in permanent funds to support statewide education and some in a short-term rainy day fund that can address near-term revenue volatility for the state government. However, it does not save any revenue to support local government services, nor does it invest in permanent funds to support state services. This introduces long-term fiscal risk for the state as a whole, along with short- and long-term risk for the communities where extraction is concentrated.

Another fiscal challenge for communities that host oil and gas development in Texas is driven by state property tax requirements. As noted in Section 1.2, Texas state law limits the increase in property tax revenue that counties and other local governments can collect from year to year. When oil and gas property values increase substantially (as they typically do when prices rise), property tax rates decline by default to limit the growth in tax revenue. This policy provides a clear near-term financial benefit for property owners.

However, when oil and gas property values decline (as they generally do when prices fall), raising property tax rates to their previous levels typically requires voter approval, and securing such approval is politically challenging. As a result, this one-way ratchet creates an ongoing risk that local governments will struggle to raise adequate revenue during downturns in the industry. Data from recent years support this structural downward pressure on local property tax rates: from 2020 through 2024, 70 percent of changes in county property tax rates reduced those rates, while just 30 percent of changes raised rates.[6]

5. Conclusion and Future Research

The United States is producing more oil and gas than any country in history. At the same time, a transition away from fossil fuels, including oil and gas, is needed to avoid the worst consequences of climate change. Although the pace and scale of that transition is far from certain, many US oil- and gas-producing communities have already experienced significant declines in output due to aging fields. At the same time, volatile and uncertain commodity markets create challenges for communities that rely on the industry for employment, community identity, and public revenues.

In this analysis, we show how Pennsylvania, New Mexico, and Texas vary in their approaches to collecting and allocating oil and gas revenues to support public services over the short- and long-term. We find that Pennsylvania collects relatively little revenue from the industry but faces low fiscal risk because of its large and diverse statewide economy. New Mexico, on the other hand, is heavily dependent on oil and gas production to fund public services but has taken steps to reduce its fiscal risk, primarily by investing substantial sums in permanent funds that can support state

6 Authors' analysis of changes in annual Texas county property tax rates. Data from Texas Comptroller of Public Accounts (2025ab).

services and education in perpetuity. Recent federal policy changes, however, are projected to reduce New Mexico's oil and gas revenues from federal lands. Between these two poles is Texas: it relies on oil and gas for a meaningful share of public revenues, and it has taken some modest steps to reduce its fiscal reliance on the industry. We find that none of these states have enacted policies to protect the fiscal health of the often rural local governments where extraction takes place, raising concern about the effects of revenue volatility in these locations.

Looking forward, additional analysis can help refine state, and perhaps federal, policy regarding the management of fossil fuel revenues. For example, how do states invest their permanent funds, and might existing investment strategies be reconsidered? How do states other than Pennsylvania, New Mexico, and Texas manage their oil and gas revenues, and what lessons can those policies offer? How do the fiscal benefits of oil and gas development compare with the fiscal risks from orphaned wells and other industry infrastructure? And what options are available to best support the communities where extraction occurs and that bear its environmental and health risks?

The future of oil and gas in the United States and globally is highly uncertain. But regardless of the future development in energy technologies, policies, and geopolitics, sound fiscal policy can reduce risks for oil- and gas-producing communities, no matter the speed and shape of the energy transition.

Appendix A. Supplemental Data and Figures

This section provides supplemental data and figures with detailed results.

Table A1 shows the data underlying Figure 3. Note that we include the value of oil and gas production for each state. This value was obtained by multiplying the monthly volumes of oil and natural gas produced by the average monthly price of each commodity for each state's fiscal year. We use data from the US Energy Information Administration (EIA) on crude oil and natural gas production (including all marketed production) and multiply those volumes by the first purchase price of crude oil in each state and the average monthly Henry Hub price for natural gas (state-specific natural gas prices were not publicly available).

Table 1. State and Local Revenue and Total Oil and Gas Production Value, FY2023

Revenue source	PA	TX	NM
Federal lands	$6,109	$24,983,077	$2,933,966,441
Income tax	$213,100,000	$820,944,851	$1,175,001,258
Property tax		$3,668,572,607	$941,618,540
Sales tax	$21,300,000	$1,871,157,345	
Severance	$179,634,750	$9,281,415,170	$4,520,057,217
State lands	$494,752,775	$3,667,151,067	$2,661,424,775
Other		$77,228,490	$35,120,816
Total revenue	**$908,793,634**	**$19,411,452,606**	**$12,267,189,047**
Total value of production	**$27,111,415,499**	**$192,229,948,819**	**$62,421,775,143**

Table A2 shows the data underlying Figure 4.

Table 2. Oil and Gas Revenue Use, by Type, FY2023

Revenue destination	PA	TX	NM
Counties	$42,513,353	$901,299,523	$456,767,124
Municipalities	$57,701,122	$48,858,307	$158,708,920
Other local	$4,828,508	$381,292,949	$226,584,244
School districts		$2,337,121,828	$283,367,775
State current expenditure	$808,278,485	$9,658,209,561	$4,241,426,774
State education current expenditure		$2,433,704,701	$1,119,372,233
State education permanent fund		$3,627,497,985	$4,685,452,787
State permanent fund			$1,368,377,137
Total allocations	**$913,321,468**	**$19,387,984,855**	**$12,540,056,994**
Total value of production	**$27,111,415,499**	**$192,229,948,819**	**$62,421,775,143**

Figures A1 through A3 illustrate revenue collections and allocations for each state using Sankey diagrams.

Figure A.1. New Mexico Revenue Collection and Allocation, FY2023

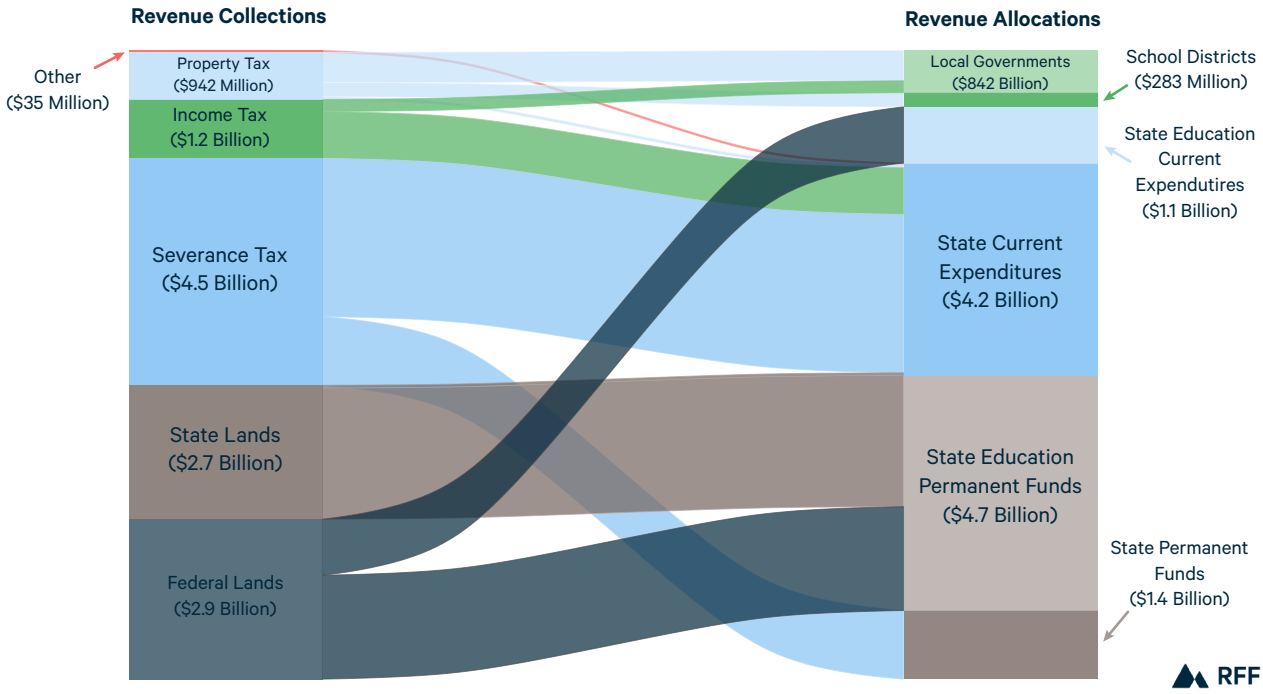


Figure A.2. Pennsylvania Revenue Collection and Allocation, FY2023

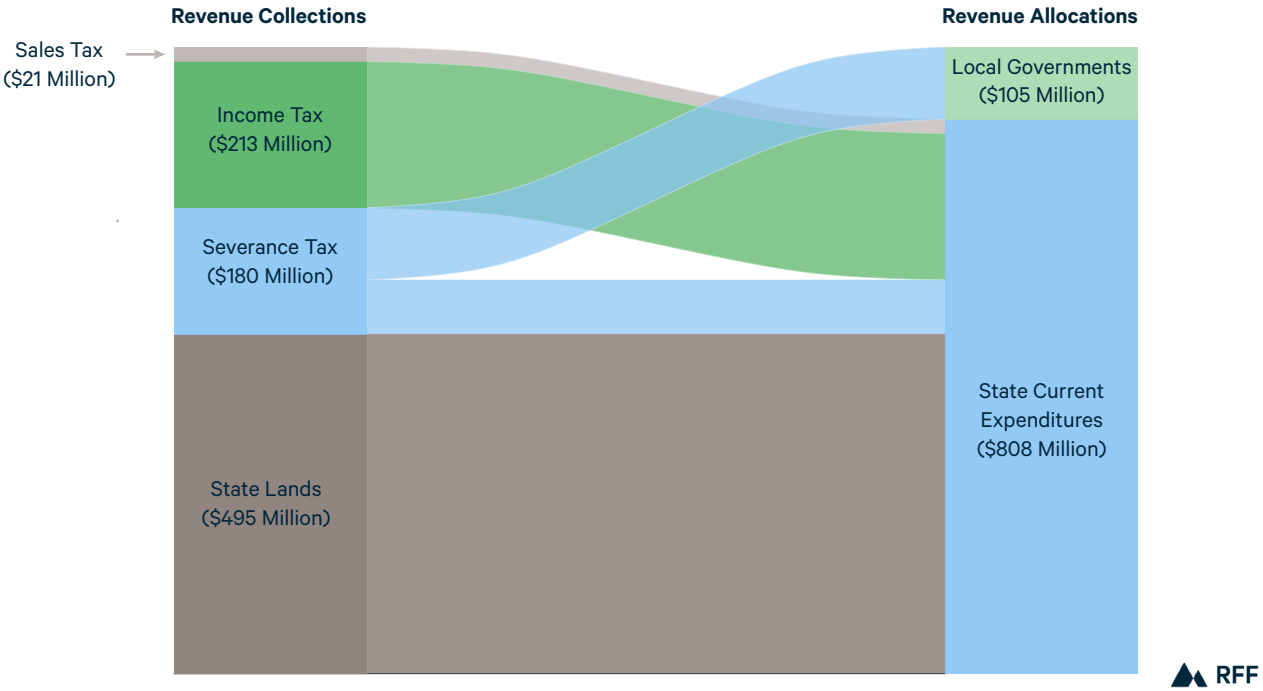
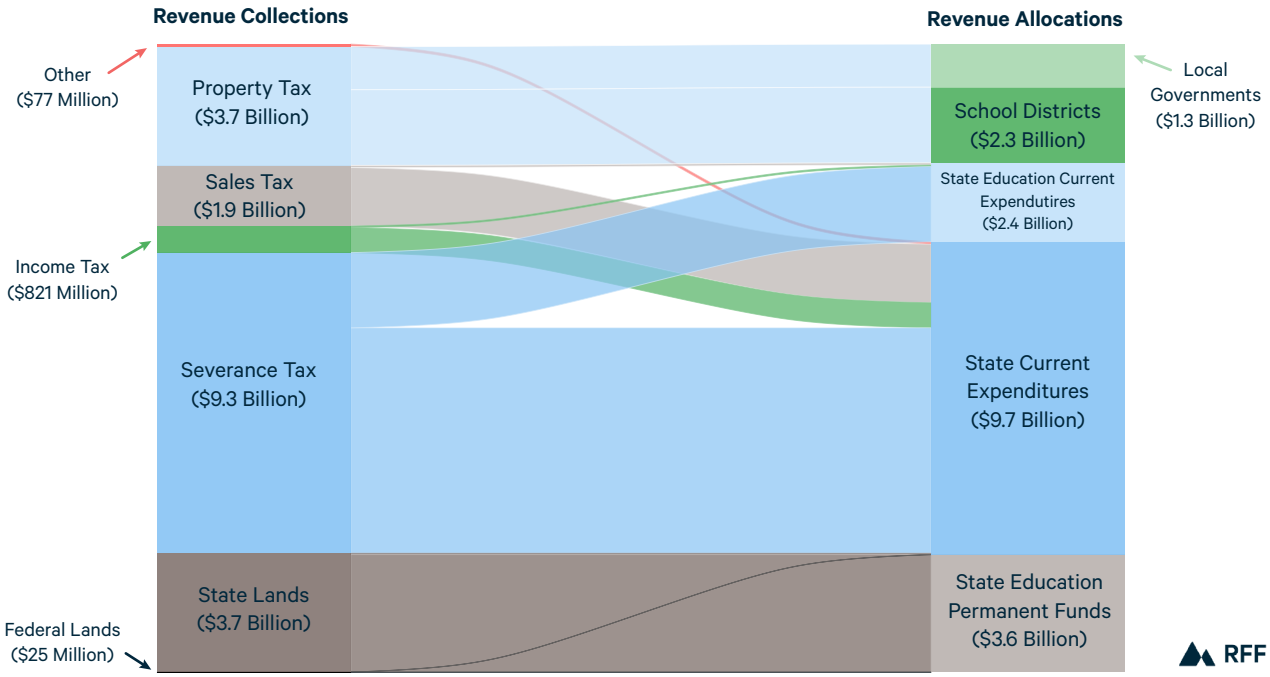


Figure A.3. Texas Revenue Collection and Allocation, FY2023



Appendix B. Oil and Gas Revenue Collection and Allocation Policies in New Mexico, Texas, and Pennsylvania

B.1. Artificial Intelligence Usage Disclosure

The authors utilized **OpenAI's Deep Research** for legal research and description drafting. Released in February 2025, Deep Research is an artificial intelligence (AI) tool that leverages an early version of OpenAI o3's web-browsing model and **reasoning capabilities** to conduct research on complex requests. Specifically, we trained and queried Open AI's ChatGPT 4o with Deep Research, then confirmed results by reviewing relevant legal text. In some cases, after confirming accuracy, we copied portions of text from ChatGPT output and then edited for clarity. The procedures deployed in the creation of this document comply with Elsevier's AI policies for academic publications.

Next, we manually verified that the information and legal citations were accurate, then edited the text to improve clarity and ensure consistency across entries. The authors take full responsibility for all content in this publication.

B.2. New Mexico

B.2.1. Oil and Gas Ad Valorem Production Tax

Collections

New Mexico levies a property tax on the assessed value of products sold from each production unit (NMSA, § 7-32) in an amount equal to 150 percent of the value of the products after deducting royalties paid or due to the United States or the state of New Mexico; royalties paid or due to any Indian tribe[7], Indian Pueblo, or Indian that is a ward of the United States; and the reasonable expense of trucking any product from the production unit to the first place of market (NMSA, § 7-32-5). The rate is a composite that varies by local taxing authorities, like counties and school districts, pursuant to NMSA § 7-37-7. Though the rate is calculated by local authorities, the tax is collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-32-4). This process is conducted **in collaboration** with county governments.

Data come from the **Annual Property Tax Facts**, published by the New Mexico Department of Finance and Administration, Table 2.

7 In this document, we use the term "Indian" when reproducing contemporaneous federal policies or laws.

Allocations

We estimate ad valorem production and equipment tax allocations using the **Annual Property Tax Facts** documents published by the New Mexico Department of Finance and Administration. For 2023 and 2024, we use Table 2 (Property Tax Obligations by New Mexico County) to document ad valorem production and equipment tax obligations by county. We then multiply the statewide sum of ad valorem production and equipment tax obligations by the proportion of all property tax obligations to various state and local entities (as documented in Table 3, Distribution of New Mexico Property Tax Obligations by Recipient).

This method is an approximation because county-level distributions are not reported. The approach makes the simplifying assumption that revenues from ad valorem production and equipment tax collections are allocated in equal proportion to other property tax revenues. Internal calculations can be found in the file "Revenue data/NM/prop_tax_allocations_NM.xlsx" for more detail. We classify the disaggregated revenues to these various entities as "State current expenditure," "Counties," "School districts," "Municipalities," and "Other local."

B.2.2. Oil and Gas Production Equipment *Ad Valorem* Tax

Collections

New Mexico levies a property tax on the assessed value of the equipment at each production unit (NMSA, § 7-34), with a taxable value equal to 27 percent of the value of the products at that unit (NMSA, § 7-34-3). The rate is a composite that varies by local taxing authorities, like counties and school districts, pursuant to NMSA § 7-37-7. Though the rate is initially calculated by local authorities, the tax is collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-34-6). This process is conducted **in collaboration** with county governments.

Data are in the **Annual Property Tax Facts**, published by the New Mexico Department of Finance and Administration, Table 2.

Allocations

We follow the same approach described in Section B.2.1.

B.2.3. Royalties, Leases, and Sales from Federal Lands

Collections

More than half of oil and gas production in New Mexico was on federal lands as of 2023. Under 30 US Code § 191, the US distributes roughly half of oil and gas revenues from production on federal lands to the states where production occurred. These revenues include royalties on production, with a rate set by statute at 12.5 percent, as

well as **bonus bids from lease sales and annual rental payments** for federal leases (30 US Code § 226(b)(1)(A)). The Inflation Reduction Act of 2022 had raised the royalty rate to 16.67 percent, but the One Big Beautiful Bill Act of 2025 rolled rates back to 12.5 percent.

Disbursement data from the US Department of Interior to states can be found through the online **Office of Natural Resources Revenue** portal.

Allocations

For FY2023 and FY2024, we use the state's **General Fund audits** to track federal Mineral Leasing Act revenues, which are allocated to the General Fund for public education appropriations, with excess revenues over the five-year average to be transferred to the **Early Childhood and Education Care Fund**. We classify these revenues as flowing to "State education current expenditures" and "State education permanent funds," respectively. For more information on recent reforms to Federal Mineral Leasing Revenues, see page 7 of the **Money Matters analysis** by the New Mexico Legislative Finance Committee.

Because of recent rapid growth in revenues from oil and gas production on federal lands, New Mexico has reformed the allocation of Mineral Leasing Act funds to allow for distributions to the Severance Tax Permanent Fund starting in FY2025 (NMSA, § 9-29A-3(B)). Because our analysis focuses on 2023 and 2024, we follow the relevant allocation formulas for those years.

B.2.4. Royalties, Rents, Bonuses, and Interest from State Lands

Collections

Under New Mexico law, the Commissioner of Public Lands (through the State Land Office) is responsible for leasing state trust lands for oil and gas (NMSA. § 19-10-1). State statutes set a maximum royalty rate of 20 percent for oil and gas leases on state lands, with standard lease forms providing for royalties ranging from one-eighth (12.5 percent) on exploratory leases up to one-fifth (20 percent) on certain "premium restricted" lands (NMSA 1978, §§ 19-10-4.1 to 19-10-4.3; 19.2.100.13 NMAC). In addition to royalties, the State Land Office collects one-time bonus bids paid at lease sales and annual rent payments from state leases (NMSA § 19-10-17), with interest charged on any late payments (NMSA § 19-1-3). A new law passed in the 2025 session (**S.B. 23**) will raise the maximum royalty rate for new oil and gas leases on certain state lands from 20 to 25 percent.

Collection data for oil and gas revenues for production on state lands are in the **Annual Reports** of the State Land Office.

Allocations

All oil and gas royalties collected by the State Land Office are allocated to the Land Grant Permanent Fund, which is managed by New Mexico's State Investment Council. For FY2023 and FY2024, we collect and categorize royalty revenue distributed into the Land Grant Permanent Fund for each beneficiary, as reported in **SLO Annual Reports**, classifying these revenues as "State education permanent funds."

Oil and gas lease rentals, bonuses, and interest, however, **are allocated** to the Land Maintenance Fund after deducting the State Land Office's agency budget (**NMSLO 2024, p. 17**). We separately report these revenues as "State current expenditures" allocations. The Restoration and Remediation Fund is a nonreverting special revenue fund that holds a maximum of $5 million for restoration and conservation projects. A helpful diagram can be found on the State Land Office's **website**.

B.2.5. Oil and Gas Emergency School Tax

Collections

For ease of comparison, we classify New Mexico's oil and gas emergency school tax (NMSA, § 7-31) as a severance tax. New Mexico levies a severance tax at a rate of 3.15 percent for oil and 4 percent for natural gas (NMSA, § 7-31-4) on the value of severed hydrocarbons. The taxable value of the products is defined as the actual price at the production unit after deducting "A. royalties paid or due to the United States or the State of New Mexico; B. royalties paid or due any Indian tribe, Indian pueblo or Indian that is a ward of the United States of America; and C. the reasonable expense of trucking any product from the production unit to the first place of market" (NMSA, § 7-31-5). The New Mexico Taxation and Revenue Department is responsible for collecting the tax (NMSA, § 7-31-4).

The state revenues from this tax are tracked in **General Fund audits** with the line item Severance—School.

Allocations

We track allocations from the oil and gas emergency school tax with **General Fund** audits, which disclose total oil and gas emergency school tax revenues (indicated by line item Severance—School) and the portion of these revenues allocated to the Excess Extraction Tax Suspense Fund. For FY2023 and FY2024, oil and gas emergency school tax revenues were allocated to the state's General Fund and to the Excess Extraction Tax Suspense Fund, both of which we classify as "State current expenditures." Because only the Excess Extraction Tax Suspense Fund appropriation is disclosed, we back-calculate the General Fund share of this revenue stream. Confirmation of this method, and more information on state fiscal policy, appears in the December 2023 general fund consensus revenue estimate published by the **New Mexico Legislative Finance Committee**.

B.2.6. Oil and Gas Conservation Tax

Collections

As with the emergency school tax, we classify New Mexico's oil and gas conservation tax (NMSA, § 7-30) as a severance tax. New Mexico imposes the oil and gas conservation tax on the sale of all oil, natural gas, and other hydrocarbons severed from each production unit at a base rate of 0.19 percent of the product's taxable value (NMSA, § 7-30-4(A)). The "taxable value" is defined as the actual price of the product at the production unit, minus any royalties paid to the United States, the state of New Mexico, or any Indian tribe or pueblo, and minus reasonable trucking costs to the first market (NMSA, § 7-30-5). When the average price of West Texas Intermediate (WTI) crude oil exceeds $70 per barrel for a given quarter, the total conservation tax rate on oil is increased to 0.24 percent (NMSA, § 7-30-4(B)). The oil and gas conservation tax is collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-30-4).

Collection data for the oil and gas conservation tax are not publicly available. However, the New Mexico **General Fund audits** track the share of conservation tax revenues that are allocated to the General Fund, with the line item "Severance—Conservation." Because this share is defined in New Mexico statutes (NMSA § 7-1-6.21) and the collections are split between the General Fund and the Oil and Gas Reclamation Fund, we can use the percentage to calculate total conservation tax collections. Our estimate is consistent with the values calculated by the **New Mexico Legislative Finance Committee**.

The shares of conservation tax collections that are distributed to the General Fund depends on the average WTI oil price: when the average WTI price is below $70 for the previous quarter, 10.53 percent of the tax revenue is deposited into the Oil and Gas Reclamation Fund, with the remainder allocated to the General Fund; when the WTI price exceeds $70, the distribution to the Oil and Gas Reclamation Fund is 19.7 percent. Average oil prices for FY2023 and FY2024 exceeded $70, so the 19.7 percent split was taken to calculate total collections. Internal calculations can be found in the file "NM_conserv_detail.xlsx."

Allocations

Because New Mexico's oil and gas conservation tax is allocated to the General Fund and the Oil and Gas Reclamation Fund, both of which we classify as "State current expenditures," we use the figure calculated by our collections method (described above) for this tax to report this revenue stream's allocation. Internal calculations can be found in the file "NM_conserv_detail.xlsx."

B.2.7. Oil and Gas Severance Tax

Collections

New Mexico imposes an oil and gas severance tax (NMSA, § 7-29) with a rate of 3.75 percent for oil, natural gas, and other hydrocarbons severed from each production unit, with additional nonhydrocarbon products, such as carbon dioxide and helium, taxed at

the same base rate (NMSA, § 7-29-4(A)). The method of determining the taxable value is defined as the actual price of the product at the production unit, minus any royalties paid to the United States, the state of New Mexico, or any Indian tribe or pueblo, and minus reasonable transportation and processing costs to the first market (NMSA, § 7-29-4.1). Tax rates are reduced for certain wells, such as stripper (low-producing) and workover wells, if oil and gas prices fall to very low levels (e.g., WTI below $24 per barrel) (NMSA § 7-29-4(A)). The tax is collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-29-4).

State revenues from the oil and gas severance tax are tracked through New Mexico's Annual Comprehensive Financial Report for **FY2023** and **FY2024**.

Allocations

All severance tax revenues are allocated to the Severance Tax Bonding Fund, which funds capital demands of local governments, public educational institutions, and state agencies. After severance tax revenues are allocated to the Bonding Fund and all debt service on existing severance and supplemental severance tax bonds are paid, the remainder of the funds are allocated to the Severance Tax Permanent Fund. We document Severance Tax Permanent Fund allocations with the contributions data found in the figure on page 14 of the **2024 Audit Report** of the New Mexico State Investment Council. We then back-calculate Severance Tax Bonding Fund allocations by subtracting the Permanent Fund values from the total severance tax collections, found in **New Mexico's Annual Financial Reports**. We classify the Bonding Fund allocations as "State current expenditures" and the Permanent Fund allocations as "State permanent funds."

B.2.8. Natural Gas Processors Tax

Collections

New Mexico imposes a privilege tax on any person operating a natural gas processing plant in the state (NMSA, § 7-33). We group revenues from this tax into an overarching "other" category for ease of comparison among states. The tax is measured by the heating content of natural gas delivered to the plant inlet (in million British thermal units, MMBtu), with allowable deductions for gas volumes used in processing, returned to the production lease, legally flared, or lost due to plant malfunctions (NMSA, § 7-33-4(D). The tax rate is adjusted annually based on a statutory formula: $0.0065 per MMBtu multiplied by the ratio of the prior year's average gas value per thousand cubic feet to a $1.33 baseline (NMSA, § 7-33-4(C)). The tax is administered and collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-33-4(A)).

These revenues are tracked in **General Fund audits** with the line item Severance—Processors.

Allocations

All proceeds from the Natural Gas Processors Tax are transferred monthly to the General Fund (as reported by the **NM Department of Taxation and Revenue**), which we classify as "State current expenditures."

B.2.9. Gross Receipts Tax

Collections

For consistency across states, we classify New Mexico's gross receipts tax (GRT) (NMSA, § 7-9) as an income tax because it is based on the income (receipts) of firms and individuals operating in the state. The GRT is levied on persons engaging in business in the state, measured by their gross receipts (the total money or value received) (NMSA, § 7-9-3.5). This includes proceeds from a wide range of transactions in the state, such as selling property, leasing or licensing property, granting the right to use a franchise, and performing services (or performing services elsewhere with the product initially used in New Mexico). A variety of activities are exempt from the tax (e.g., oil and gas mineral interests (NMSA § 7-9-32)) or receive deductions (e.g., sales of wind and solar generation equipment (NMSA § 7-9-54.3)). The state imposed a base GRT rate of 5 percent before July 1, 2023, then 4.875 percent (NMSA, § 7-9-4(A)), although the rate could rise to 5.125 percent if revenues fall by 5 percent or more year-on-year (NMSA, § 7-9-4(C)).

Local governments (counties and municipalities) may impose additional local option GRTs, pursuant to state law authorizing such local taxes (e.g., up to 2.5 percent for municipalities (NMSA, § 7-19D-9(C)) and additional increments for counties (NMSA, § 7-20E-9), which are added to the state rate **to determine the total GRT rate** in a given locality. The tax is collected by the New Mexico Taxation and Revenue Department, which administers both state and local portions: businesses pay the total GRT to the state, and the state then distributes the appropriate shares to counties and municipalities (e.g., NMSA, § 7-1-6.4).

Oil and gas production is not subject to the GRT as long as sales are part of the production chain rather than sales directly to end users (NMSA, § 7-9-33). Oil and gas products consumed as fuel in the pipeline transportation of oil and gas products are also exempt (NMSA, § 7-9-36).

GRT collections were calculated for FY2023 and FY2024 using **Quarterly RP-80 Reports**, which break down gross receipts by geographic area and NAICS codes. Internal calculations can be found in the "gr_aggregate.xlsx" supplemental data file.

Allocations

The New Mexico Department of Taxation and Revenue's **RP-500** reports disclose total GRT distributions on a monthly basis at the level of recipient. To estimate GRT allocations from oil and gas revenues across our allocation categories, we first find the

ratio of total GRT distribution to recipients for each financial year, then multiply this value by the total GRT revenues from oil and gas extraction. We classify the recipients as either "State current expenditures" (as in the case of the General Fund share of the revenue stream), "Counties," "Municipalities," or "Other local." Internal calculations can be found in the file folder "NM/RP-500."

B.2.10. Oil and Gas Proceeds Withholding Tax

Collections

As with other withholding taxes, we classify New Mexico's oil and gas proceeds withholding tax (NMSA § 7-3A) as an income tax. New Mexico law requires any person who disburses oil and gas production payments (the "remitter") to an out-of-state interest owner to deduct and withhold an amount from each payment (NMSA, § 7-3A-3). The withholding rate cannot exceed the higher of the state's top personal or its corporate income tax rate (NMSA, § 7-3A-3 (D)). Certain payments are exempt from this withholding requirement: no tax is withheld on payments to New Mexico residents or in-state businesses, government entities, federally recognized tribes, or 501(c)(3) charitable organizations (NMSA, § 7-3A-3 (C)). The oil and gas proceeds withholding tax is administered and collected by the New Mexico Taxation and Revenue Department (NMSA, § 7-3A-9 (B)), with remitters remitting the withheld taxes to the state each quarter.

We obtain data on this tax from the New Mexico Department of Finance and Administration's **General Fund Year to Date Revenue Accrual** documents for 2023 and 2024, which track the state's General Fund account. Specifically, the line item can be found under the Income Tax category.

Allocations

We did not identify any special treatment of revenues from the oil and gas proceeds withholding tax, so we assume that collections are allocated to the state's General Fund, which we classify as "State current expenditures."

B.3. Texas

B.3.1. Oil Production Tax

Collections

Texas imposes a severance tax on oil (TX Tax Code § 202) at a rate of 4.6 percent of the market value of oil produced in the state, or $0.046 per barrel, whichever yields more (TX Tax Code § 202.052(a)). The tax base is the market value of the oil at the time and place of production, defined as the oil's actual market value plus any bonus, premium, royalty interest, or other thing of value paid for the oil (TX Tax Code

§ 202.053, § 202.002). Oil produced from qualifying new or expanded enhanced oil recovery projects is taxed at a reduced rate of 2.3 percent (TX Tax Code § 202.052(b)), with additional incentives for projects using anthropogenic carbon dioxide (TX Tax Code § 202.0545), low-producing leases (§ 202.0548), and several types of wells. The tax is administered and collected by the Texas Comptroller of Public Accounts (TX Tax Code § 111.001).

The FY2023 and FY2024 tax collection figures for the Texas oil production tax are in the Fiscal 2024 **Annual Cash Report** published by the state's comptroller.

Allocations

Revenues from the oil production tax **are split** between the state's General Revenue Fund (75 percent), which we classify as a "State current expenditure" and the Foundation School Account (25 percent), which we classify as a "State education current expenditure." These revenues are further distributed on the General Revenue Fund side to the **Economic Stabilization Fund** (ESF) and the State Highway Fund. Even though the ESF acts as a rainy day fund for Texas, we classify these revenues as "State current expenditures," since there is no statutory language that permanently protects these revenues and uses them to generate perpetual returns, as in New Mexico's permanent funds.

B.3.2. Natural Gas Production Tax

Collections

Texas imposes a severance tax on natural gas production (TX Tax Code § 201.001) at 7.5 percent of the market value of all gas produced and saved in the state, including natural gas and casinghead gas (TX Tax Code § 201.052). Condensate, defined as a liquid hydrocarbon recovered from gas by separation, is taxed as crude oil, at 4.6 percent of market value (TX Tax Code § 201.055). The tax base is the gross value of gas "produced and saved," which includes royalty interests (TX Tax Code § 201.205). Texas law defines "market value" at the wellhead, allowing producers to deduct marketing costs (e.g., compression, dehydration, sweetening, and transportation to the point of sale) from gross receipts to determine taxable value (TX Tax Code § 201.101). Certain production is exempt (TX Tax Code § 201.053): gas injected into a formation, gas "lawfully vented or flared" from oil wells, gas used for lifting oil (if not sold), and gas from wells qualifying under special incentive programs (e.g., previously inactive wells or reactivated orphan wells).

The statute also provides a tax incentive for "high-cost" natural gas wells (often encompassing shale gas), which receive a severance tax reduction equal to the tax rate minus the following: the base tax rate multiplied by the ratio of the well's drilling and completion costs to twice the median drilling and completion costs for high-cost wells during the previous fiscal year. The deduction is available for up to 120 months, or until 50 percent of drilling and completion costs are recovered, whichever is first (TX Tax Code § 201.057). Low-producing ("marginal") gas wells also face a reduced tax rate

when monthly production and gas prices fall below specified thresholds (TX Tax Code § 201.059). All natural gas production taxes are collected and administered by the Texas Comptroller of Public Accounts (TX Tax Code § 111.001).

The FY2023 and FY2024 tax collection figures for the Texas natural gas production tax are in the Fiscal 2024 **Annual Cash Report** published by the state's comptroller.

Allocations

Revenues from the gas production tax are allocated in the same manner as the oil production tax (see B.3.1).

B.3.3. Oil Well Service Tax

Collections

Texas levies an oil well servicing tax (TX Tax Code Sec. 191.081), which we classify for ease of comparison as an income tax, at a rate of 2.42 percent of the gross receipts from certain oil and gas well services, after deducting the reasonable value of materials used or consumed in the well (TX Tax Code § 191.083). "Oil well service" is defined to include cementing casing, shooting, fracturing, acidizing, and surveying or testing well formations or their contents using downhole instruments (TX Tax Code § 191.081). The tax is imposed on the person or company engaged in providing these services to others for compensation (TX Tax Code § 191.082(a)). However, services incidental to drilling or reworking a well, when performed by the drilling or reworking operator, are exempt from this tax (TX Tax Code § 191.082(b)). The Texas Comptroller of Public Accounts administers the oil well service tax under these statutory provisions, requiring service companies to file monthly reports and remit the tax to the state (TX Tax Code § 191.084).

The FY2023 and FY2024 tax collection figures for the Texas oil well service tax are in the Fiscal 2024 **Annual Cash Report** published by the state's comptroller.

Allocations

Revenues from the oil well service tax **are split** between the state's General Revenue Fund (75 percent), which we classify as a "State current expenditure," and the Foundation School Account (25 percent), which we classify as a "State education current expenditure."

B.3.4. Oil and Gas Well Drilling Permits

Collections

We group revenues from oil and gas well drilling permits and other relatively small fees into an overarching "other" category. Texas law requires a permit (and associated fee) for the drilling, deepening, plugging back, or reentry of oil and gas wells (Texas Natural Resources Code § 85.2021). The fee is tiered by the proposed well depth (TX Nat. Res.

Code § 85.2021(a)). The Railroad Commission of Texas (RRC) is the agency responsible for issuing these permits and collecting the fees (TX Nat. Res. Code § 85.2021(c)). Related Texas statutes establish similar fees for other oil and gas well permits: TX Nat. Res. Code § 91.1013 establishes a $200 application fee for a fluid injection well permit, also paid to RRC, and TX Nat. Res. Code § 89.047 mandates a $250 fee from a prospective operator as part of the process to reenter and assume operation of an orphaned well.

The FY2023 and FY2024 fee collection figures for the Texas oil and gas well drilling permits are in the Fiscal 2024 **Annual Cash Report** published by the state's comptroller.

Allocations

Texas allocates revenues collected from oil and gas well drilling permits to the Oil and Gas Regulation and Cleanup account, which we classify as a "State current expenditure."

B.3.5. Oil and Gas Well Drilling Permits

Collections

We group revenues from oil and gas well drilling permits and other relatively small fees into an overarching "other" category. Texas law requires a permit (and associated fee) for the drilling, deepening, plugging back, or reentry of oil and gas wells (Texas Natural Resources Code § 85.2021). The fee is tiered by the proposed well depth (TX Nat. Res. Code § 85.2021(a)). The Railroad Commission of Texas (RRC) is the agency responsible for issuing these permits and collecting the fees (TX Nat. Res. Code § 85.2021(c)). Related Texas statutes establish similar fees for other oil and gas well permits: TX Nat. Res. Code § 91.1013 establishes a $200 application fee for a fluid injection well permit, also paid to RRC, and TX Nat. Res. Code § 89.047 mandates a $250 fee from a prospective operator as part of the process to reenter and assume operation of an orphaned well.

The FY2023 and FY2024 fee collection figures for the Texas oil and gas well drilling permits are in the Fiscal 2024 **Annual Cash Report** published by the state's comptroller.

Allocations

Texas allocates revenues collected from oil and gas well drilling permits to the **Oil and Gas Regulation and Cleanup account**, which we classify as a "State current expenditure."

B.3.6. Oil and Gas Violations

Collections

We group revenues from the state's oil and gas violations and other relatively small fees into an overarching "other" category. Under Texas law, RRC is authorized to impose administrative and civil penalties for a range of violations, including breaches of safety standards, environmental protection requirements, and permitting rules (TX Nat. Res. Code § 81.0531). The many specific violations of RRC rules are detailed by the **Texas Comptroller Manual of Accounts**. The enabling legislation for these penalties includes TX Nat. Res. Code § 81.0531 and TX Water Code §§ 27.101–27.103, which collectively authorize the RRC to enforce oil and gas regulations through monetary penalties.

The FY2023 and FY2024 collection figures for the Texas oil and gas violations are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The Texas Office of the Comptroller website states that oil and gas violations **revenue flows** to the General Fund, the Anthropogenic Carbon Dioxide Storage Trust Fund, and the Oil and Gas Regulation and Cleanup account. The TX Nat. Res. Code (§ 81.0531(e)) states that revenues shall flow into the state Oilfield Cleanup fund. We classify all of these revenue uses as "State current expenditures."

B.3.7. Oilfield Cleanup Regulatory Fee on Oil

Collections

Texas law imposes an oilfield cleanup regulatory fee on crude oil production under TX Nat. Res. Code § 81.116, set at five-eighths of one cent per barrel of crude petroleum produced in the state. We group this revenue source and other relatively small fees into an overarching "other" category. The fee is assessed upstream at the point of production and is collected in the same manner as the state's oil production tax—that is, it is reported and remitted alongside the oil production tax by the first purchaser of the oil (or by the producer if there is no sale), through the Texas Comptroller's collection process established in the Tax Code (TX Nat. Res. Code § 81.116(c)). By statute, this charge is in addition to the oil production tax and is not subject to the tax's typical exemptions or reduced rates; for example, no severance tax exemptions for low-producing wells or enhanced recovery projects apply to this fee (TX Nat. Res. Code § 81.116(d)).

The FY2023 and FY2024 fee collection figures for the Texas oil-field cleanup regulatory fee on oil are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 81.116(e)).

B.3.8. Oilfield Cleanup Regulatory Fee on Gas

Collections

TX Nat. Res. Code § 81.117 levies an oilfield cleanup regulatory fee on natural gas initially produced in the state, at a rate of 1/15th of one cent per thousand cubic feet (Mcf). We group this revenue source and other relatively small fees into an overarching "other" category. The fee is assessed upstream at the point of production in the same matter as the natural gas production tax (TX Nat. Res. Code § 81.117(c)). Accordingly, the Texas Comptroller of Public Accounts collects the revenues from the tax with the same statutory framework as the natural gas production tax (TX Nat. Res. Code § 81.117(c)). However, no severance tax exemptions or reduced rates apply to this fee (TX Nat. Res. Code § 81.117(d)).

The FY2023 and FY2024 fee collection figures for the Texas oil-field cleanup regulatory fee on gas are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the Oil and Gas Regulation and Cleanup Fund to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 81.117(e)).

B.3.9. Railroad Commission Rule Exceptions

Collections

Operators of oil and gas installations can request an exception from RRC rules, a process that provides another revenue stream for the state. We group this revenue source and other regulatory fees in our "other" category. TX Nat. Res. Code § 81.0521 is the statutory authority for the RRC "rule exception" fee, which requires that each application for an exception to an RRC rule governing oil and gas operations be accompanied by a filing fee. In practice, an operator seeking an exception to an RRC regulation (e.g., a well spacing or density requirement or a well plugging rule) must submit this fee along with the exception application. The statutory amount of the fee is $150 per application.

The FY2023 and FY2024 fee collection figures for the Texas oil-field cleanup regulatory fee on oil are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 81.0521 (c)).

B.3.10. Oil and Gas Compliance Certification Reissue Fee

Collections

TX Nat. Res. Code § 91.707 establishes the statutory authority for RRC to reissue a fee for oil and gas compliance certification, which we group in our "other" category for ease of comparison. This fee applies when a well's certificate of compliance must be reissued. The fee amount is set by statute at $300 for each severance or seal order issued against the well (each enforcement order that led to the certificate's cancellation) (TX Nat. Res. Code § 91.707).

The FY2023 and FY2024 fee collection figures for the Texas oil and gas compliance certification reissue fee are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 91.707(b).

B.3.11. Oil and Gas Regulation and Cleanup Fee Surcharge

Collections

TX Nat. Res. Code § 81.070 authorizes RRC to establish, by rule, an oil and gas regulation and cleanup fee surcharge on certain oil and gas regulatory fees. We group this revenue source and other relatively small fees into an overarching "other" category. The surcharge is applied to various RRC fees (e.g., permit applications, rule exception requests, compliance certificate fees) and is intended to help cover the commission's costs of regulating oil and gas development, including field monitoring, inspections, environmental remediation, well plugging, public information services, and related administrative expenses. By statute, the surcharge may not exceed 185 percent of the underlying base fee (TX Nat. Res. Code § 81.070(f)), and the law expressly prohibits adding this surcharge to the oilfield cleanup regulatory fees on oil or gas production (the per barrel and per Mcf production fees dedicated to cleanup) (TX Nat. Res. Code § 81.070(b)).

The FY2023 and FY2024 fee collection figures for the Texas oil and gas regulation and cleanup fee surcharge are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 81.070(e)).

B.3.12. Abandoned Well Site Equipment Disposal

Collections

RRC has the authority to seize and sell equipment, hydrocarbons, and drill cuttings left at a well site that was not cleaned up (TX Nat. Res. Code § 91.115). The sale or other disposal of these items is governed by TX Nat. Res. Code § 89.085, § 89.086, and § 89.087. We group this revenue source into an overarching "Other" category.

The FY2023 and FY2024 collection figures for the abandoned well site equipment disposal line item are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

Any revenues from disposal are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 89.085(d)).

B.3.13. Pipeline Safety Inspection Fees

Collections

Texas Nat. Res. Code § 81.071 authorizes the RRC to establish pipeline safety inspection fees for intrastate pipelines, distinguished from fees on natural gas distribution and master meter systems, which are governed by Utilities Code § 121.211. We group this revenue source and other relatively small fees into an overarching "other" category. The RRC may assess an annual fee on each pipeline permit holder as well as fees for new pipeline permits, renewals, or amendments, with the aggregate amount set to fully cover all pipeline safety program costs (TX Nat. Res. Code § 81.071(b)-(c)). The fee structure must reflect the regulatory workload for operators of all sizes, and the RRC is empowered to base fees on factors such as pipeline mileage, number of permits, or number of pipeline systems operated (TX Nat. Res. Code § 81.071(d)).

The FY2023 and FY2024 collection figures for the Texas pipeline safety inspection fees are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 81.071(g)).

B.3.14. Railroad Commission Voluntary Cleanup Application Fee

Collections

Texas Natural Resources Code § 91.654(b)(3) establishes application fees for the RRC's Voluntary Cleanup Program, which provides an incentive to remediate property by removing the liability to operators who did not cause or contribute to contamination at the well site. We group application fees collected by the RRC and other relatively small fees into an overarching "other" category. Any application to the program must be accompanied by a $1,000 fee.

The FY2023 and FY2024 collection figures for the Texas Railroad Commission's Voluntary Cleanup application fees are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The proceeds of this fee are dedicated to the **Oil and Gas Regulation and Cleanup Fund** to finance the plugging of abandoned oil and gas wells and the remediation of contaminated oilfield sites (TX Nat. Res. Code § 91.654 (e)).

B.3.15. Injection Well Regulation

Collections

Texas law imposes an injection well regulation fee of $100 on each application for an oil and gas waste disposal well permit. The fee is collected by RRC (TX Water Code § 27.0321). We group this and other relatively small fees into an overarching "other" category. The FY2023 and FY2024 collection figures for the Injection Well Regulation Permit Fee are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The Texas Office of the Comptroller website states that these revenues are deposited in the General Fund, the Water Resource Management account, and the Oil and Gas Regulation and Cleanup account. The TX Water Code states that the revenues shall be deposited into the Oil and Gas Regulation and Cleanup Fund (TX Water Code .§ 27.0321). We classify all these revenue uses as a "State current expenditure."

B.3.16. Oil and Gas Royalties from Parks and Wildlife Lands

Collections

State law requires that oil and gas leases on land owned or held in trust by the Texas Parks and Wildlife Department provide for a royalty of at least one-eighth (12.5 percent) of the value of gross production (TX Nat. Res. Code § 32.1072). Because the revenue stream from these royalties originates from oil production on state lands, we classify them as "State lands." Such leases must also include a clause requiring payment of a "shut-in" royalty, equal to double the annual lease rental (at least $1,200 per well per year), for any well that is capable of producing in paying quantities but is not producing because of a lack of market or facilities (TX Nat. Res. Code § 52.024(b)(1)).

The FY2023 and FY2024 royalty collection figures for the Texas oil royalties from Parks and Wildlife lands are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

Oil and gas royalites from production on Parks and Wildlife lands **is deposited** into the Game, Fish, and Water Safety and State Parks accounts (TX Nat. Res. Code § 32.157), both of which Texas classifies as "General State Operating and Disbursing Funds." Accordingly, we label these revenues as "State current expenditures."

B.3.17. Oil and Gas Royalties from Lands Owned by Educational Institutions

Collections

Oil royalties can arise from lands owned directly by public educational entities, such as independent school districts, county permanent school funds, and state universities (e.g., Texas Tech, the Texas State University System, University of Houston) that hold land in their own name. We classify this revenue stream as "State lands." State law generally mandates a minimum one-eighth royalty (12.5 percent) on any oil and gas production from these lands (TX Nat. Res. Code § 52.022). Leases must also include a clause requiring payment of a shut-in royalty, equal to double the annual lease rental (at least $1,200 per well per year), for any well that is capable of producing in paying quantities but is not producing because of a lack of market or facilities (TX Nat. Res. Code § 52.024(b)(1)). For more details on the many administrative and civil penalties that are tracked with this line item, see the **Texas Comptroller Manual of Accounts**.

The FY2023 and FY2024 royalty collection figures for the Texas oil royalties from lands owned by educational institutions are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

Oil and gas royalites from production on lands owned by the state's educational institutions flow to two funds, depending on whether the lands are held by K–12 schools or higher education. Article VII, Sections 5 and 11, of the **Texas Constitution** establish the Permanent School Fund and the Permanent University Fund, respectively, and mandate that all revenues from these lands flow to the funds' endowment. Investment earnings from this fund are allocated to specific purposes for K–12 and higher educational institutions. We classify this revenue stream as "State education permanent funds."

B.3.18. Oil and Gas Royalties from Other State Lands for State Departments, Boards, and Agencies

Collections

Texas law requires that oil and gas leases on state agency lands reserve a royalty of at least one-eighth (12.5 percent) of the gross production to the state (TX Nat. Res. Code § 32.1072). If a well capable of producing in paying quantities is shut in (i.e., it is not actually producing), the lessee must pay a shut-in royalty equal to twice the annual lease rental, but not less than $1,200 per well per year, to maintain the lease (TX Nat. Res. Code § 52.024(b)(1)).

The FY2023 and FY2024 royalty collection figures for the Texas oil royalties from other state lands for state departments, boards, and agencies are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

We did not identify any special treatment of state revenues from oil and gas royalites from other state lands for state departments, boards, and agencies (TX Nat. Res. Code § 34.018). This revenue **flows into the state's General Fund**, which we classify as a "State current expenditure."

B.3.19. Oil and Gas Bonuses and Rents from Production on State Lands

Collections

Lessees of state-owned lands in Texas pay one-time bonus bids and annual lease rentals for oil and gas development (e.g., TX Nat. Res. Code § 51, § 52). Leases are offered for competitive bidding (with at least a one-eighth royalty) and require the highest bidder to pay an upfront cash bonus and rental fees.

The FY2023 and FY2024 oil and gas bonuses and rents collection figures are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

Oil and gas bonuses and rentals are allocated to various funds depending on the kind of state land where the production occurs. The Texas Comptroller Manual of Accounts **tracks the deposit funds** for bonuses, which flow into the Permanent School Fund, the Permanent University Fund, and several state park and conservation accounts. We classify the first two allocations as "State education permanent fund" revenues and the last as a "State current expenditure."

B.3.20. Outer Continental Shelf Settlement Monies

Collections

Texas receives revenues from offshore oil and gas production under a legal settlement involving the Outer Continental Shelf and adjacent submerged lands. These payments are authorized by Title VIII of a federal law, Consolidated Omnibus Budget Reconciliation Act of 1985, Pub. L. 99-272. Although we did not identify specific references to the collection and management of these revenues in the Texas Natural Resources Code, the Texas Comptroller of Public Accounts appears to receive and manage the payments (see **Revenue Object 3327**, Outer Continental Shelf Settlement Monies). Because these payments originate from oil and gas production under federal waters, we classify this revenue stream under "Federal lands."

The FY2023 and FY2024 Outer Continental Shelf collection figures are in the **Fiscal 2024 Annual Cash Report** published by the state's comptroller.

Allocations

The Texas Office of the Comptroller website states that Outer Continental Shelf settlement monies **are split** between the General Revenue Fund, which we classify as a "State current expenditure" and the Permanent School Fund, classified as a "State education permanent fund." One-third of the revenue goes to the General Revenue Fund, with the remaining two-thirds deposited into the Permanent School Fund.

B.3.21. Royalties, Leases, and Sales from Federal Lands

Collections

Though only a small portion of Texas oil and gas production occurs on federal lands, we also account for these revenues. Under 30 US Code § 191, the federal government distributes roughly half of oil and gas revenues from production on federal lands back to the states where production occurred. These revenues include royalties on production, with a rate set by statute at 12.5 percent, as well as **bonus bids from lease sales and annual rental payments** for federal leases (30 US Code § 226(b)(1)(A)). The Inflation Reduction Act of 2022 had raised the royalty rate to 16.67 percent, but the One Big Beautiful Bill Act of 2025 rolled rates back to 12.5 percent.

Disbursement data from the US Department of Interior can be found through the online **Office of Natural Resources Revenue** portal.

Allocations

We did not identify any specific law that governs the use of revenues received by the state of Texas from the federal government for fossil fuel production on federal lands. We assign the **ONRR disbursement values** to the General Revenue Fund for FY2023 and FY2024 and classify these revenues as "State current expenditures."

B.3.22. Property Tax

Collections

Texas law explicitly considers a "mineral in place" (oil or gas in the ground) and any leasehold or other interest in such minerals as real property subject to taxation (TX Tax Code § 1.04(2)(D). These taxes are levied by local taxing units (e.g., counties, cities, and school districts) and are collected by county tax assessor-collectors pursuant to the Texas Property Tax Code's local administration provisions (TX Tax Code § 6).

We obtained data from the Texas Comptroller's Property Tax Assistance Division for expected property tax levies for 2023 and 2024 for all property classes and filtered for property class G1, which includes the value of oil and gas interests.

Allocations

Property taxes in Texas flow to local governments. We used the Texas Comptroller's expected property tax levies for 2023 and 2024 for property class G1 and the value of oil and gas interests, and aggregated the data to local entities falling under our categories "Counties," "Municipalities," "School districts," and "Other local" (which includes entities like hospitals, water conservation districts, and community colleges). Full details of the aggregation method can be found in the internal file "Revenue data/ TX/ Property Tax/G1_allocation_TX_prop.R." We obtained Comptroller data through a Property Tax Assistance Division open records request.

B.3.23. Franchise Tax

Collections

We classify oil and gas revenues from Texas's general franchise tax as an income tax. Under Texas Tax Code § 171.001, Texas imposes a franchise tax on each taxable entity doing business in Texas, which includes corporations and other entities in the oil and gas industry. The franchise tax is calculated on a taxable entity's "taxable margin" (essentially gross revenue minus certain allowable deductions, such as business cost) and is generally levied at a rate of 0.75 percent of that margin (TX Tax Code § 171.002). The Texas Comptroller of Public Accounts collects the franchise tax and is authorized to enforce its payment; for example, state law permits the Comptroller to forfeit a company's right to do business in Texas if a franchise tax report is not filed or the tax is not paid when due (TX Tax Code § 171.251).

Franchise tax collections by industry are not made public, so we estimate collections by multiplying the **total franchise tax collections** by the ratio of oil and gas industry GDP to all private industry GDP for Texas. We obtain GDP data by industry for the state of Texas from the Bureau of Economic Analysis (BEA) **SAGDP9 data set**, and we define the oil and gas industry GDP contributions as the sum of NAICS 211, Oil and Gas Extraction, and 213, Support Activities for Mining. GDP data for three-digit NAICS codes in the mining sector for FY2024 were not available, so we used the FY2023 ratio for both years. Internal calculations can be found in the file "Revenue data / TX / Franchise, Sales and Use Tax / franchise_sales_calc.xlsx."

Allocations

The franchise tax is allocated to the General Revenue Fund for further allocation to the Property Tax Relief Fund, which we classify as a "State current expenditure." We follow Texas conventions: the Property Tax Relief Fund is **characterized by the state** as a "General State Operating and Disbursing Fund." More detailed information **can be found** with the Texas Comptroller Manual of Accounts.

B.3.24. Sales and Use Tax

Collections

Though crude oil and natural gas are exempted from the sales and use tax, oil and gas companies contribute to this revenue stream through other business activities. Under Texas Tax Code § 151, the state imposes a 6.25 percent sales tax on each retail sale of a taxable item in Texas (TX Tax Code § 151.051) and an equivalent use tax on taxable items purchased out of state for use in Texas (Tex. Tax Code § 151.101(a)). There are exemptions for items taxed under other laws, such as crude oil (TX Tax Code § 151.308). The Texas Comptroller of Public Accounts is charged with collecting these taxes and enforcing compliance (TX Tax Code § 111.001, § 111.002).

Sales and use tax collections by detailed industry (i.e., 3-digit NAICS codes) are not made public, so we estimate collections by multiplying the **sales and use tax collections** from the mining sector (NAICS 21) by the ratio of oil and gas industry GDP to the state's entire mining sector GDP. We obtain GDP data by industry for Texas from BEA's **SAGDP9 data set**, and we define the oil and gas industry GDP contributions as the sum of NAICS 211, Oil and Gas Extraction, and 213, Support Activities for Mining. For the entire mining sector, we took the sum of all three-digit NAICS codes listed under the mining category in the BEA data. GDP data for three-digit NAICS codes in the mining sector for FY2024 were not available, so we used the FY2023 ratio for both years. Internal calculations can be found in the file "Revenue data / TX / Franchise, Sales and Use Tax / franchise_sales_calc.xlsx"

Allocations

Most oil and gas sales and use tax revenues **flow to the General Revenue Fund**, with several revenue flows from particular products allocated to related state functions. For example, the tax on the sale of sporting goods is allocated to Parks and Wildlife funds.

Because we distinguish between "State current expenditure" and "State education current expenditure," we need to distinguish between sales and use tax revenues that flow to the **Tax Reduction and Excellence in Education Fund** and those that flow to the General Revenue Fund. To do this, we assume that the proportion of sales and use tax revenues flowing to the Tax Reduction and Excellence in Education Fund is equal to the proportion of all state sales and use tax revenues flowing to that fund. Internal calculations can be found in the file "Revenue data/TX/Franchise, Sales and Use Tax/SUT_allocation_ed.xlsx."

B.4. Pennsylvania

In this section, we rely primarily on citations identified using the Thomson Reuters **WestLaw service**. Our understanding from legal experts and the state's **Jenkins Law Library** is that the state has never consolidated its full list of statutes into a single official document. Instead, the information is scattered between consolidated and unconsolidated statutes, which can be found on the **state's webpage**. Because we were unable to identify most relevant citations using the state webpage, we rely on WestLaw, which aggregates the information and makes it more easily searchable. Our understanding is that WestLaw derives its information from Purdon's Pennsylvania Statutes Annotated, the source that the Jenkins Law Library describes as a useful (but still unofficial) compilation of Pennsylvania statutes.

B.4.1. Personal Income Tax

Collections

Pennsylvania's personal income tax on wages is collected through employer withholding. Every employer that maintains an office or does business in Pennsylvania and pays compensation to a resident individual (or to a nonresident individual for services performed in Pennsylvania) must withhold the state income tax from the employee's wages each payroll period (72 P.S. § 7316.1(a)). Pennsylvania imposes a flat personal income tax rate of 3.07 percent (72 P.S. § 7302(a)), with "compensation" defined broadly to include salaries, wages, commissions, bonuses, and other payments for services (72 P.S. § 7301(d)). The employer is responsible for deducting the tax on the full amount of taxable wages and remitting it to the Pennsylvania Department of Revenue, which administers and collects the tax (72 P.S. § 7316.1(a)).

We obtained Pennsylvania employer withholding data for NAICS codes 211 and 213 from email communications with the state's Department of Revenue.

Allocations

All personal income tax collections in Pennsylvania are allocated **to the state's General Fund**, which we classify as a "State current expenditure."

B.4.2. Sales and Use Tax

Collections

Pennsylvania imposes a 6 percent statewide sales and use tax on all retail sales and services (72 P.S. § 7202(a)). Under state law, Philadelphia County and Allegheny County (home to Pittsburgh) are authorized to impose supplemental sales taxes (72 P.S. § 7201-B(a)(1)). The code specifies numerous exemptions: for example, certain government or charitable purchases are excluded, as are designated items and services (basic food and hygiene products, utilities, etc.) (72 P.S. § 7204). Vendors (sellers) are responsible for collecting the tax from purchasers at the point of sale and remitting it to the commonwealth (72 P.S. § 7202(a)).

We obtained Pennsylvania data on sales and use taxes for NAICS codes 211 and 213 from email communications with the state's Department of Revenue. We observe that the vast majority of sales tax collections occur outside oil- and gas-producing regions, and all local sales tax revenue are collected by Allegheny County and Philadelphia County. However, the data provided to us do not include the local portion of sales taxes from NAICS codes 211 and 213, which will result in some underestimate of sales and use taxes from the oil and gas sector. Because the local portion of sales and use taxes apply to only two counties, and because the local rate is significantly lower (1 percent) than the state rate (6 percent), we believe that this omission is unlikely to affect our main results.

Allocations

Pennsylvania's state sales and use taxes are allocated **to the state's General Fund**, which we classify as a "State current expenditure."

B.4.3. Corporate Net Income Tax

Collections

Pennsylvania's corporate net income tax (CNIT) is an excise tax on companies' net income, imposed on corporations doing business or employing capital or property in Pennsylvania (72 P.S. § 7402). Taxable income is defined as federal taxable income before any net loss deduction or "special deductions" (61 Pa. Code § 153.11). In 2023, the CNIT rate was 8.99 percent for (72 P.S. § 7402(b)) and is **scheduled to step down** annually to 4.99 percent by 2031. The tax is administered and collected by the Pennsylvania Department of Revenue (72 P.S. § 7408.1).

We obtained Pennsylvania corporate net income tax data for NAICS codes 211 and 213 from email communications with the state's Department of Revenue.

Allocations

Pennsylvania's corporate net income taxes are allocated **to the state's General Fund**, which we classify as a "State current expenditure."

B.4.4. Act 13 Impact Fee

Collections

Pennsylvania's Act 13 of 2012 established an Impact Fee (58 P.S. § 2302) on each unconventional natural gas well drilled in the state, which we classify as a severance tax for ease of comparison with other states. Pennsylvania imposes this fee annually on producers, and the amount varies based on the age of the well and the average annual price of natural gas (58 P.S. § 2302(b)). In the first year of a well's life, the fee ranges from $40,000 (if gas prices are $2.25 per MMBtu or below) to $60,000 (if prices exceed $5.99 per MMBtu), and it declines in subsequent years, tapering to $5,000–$10,000 by years 11 through 15 (58 P.S. § 2302(b)(1-6)). Vertical unconventional wells are subject to a reduced fee equal to 20 percent of the standard rate, and any vertical unconventional well that qualifies as a "stripper well" (a very low-producing well) is exempt from the fee; 58 P.S. § 2302 (b.1)(f) refers to vertical unconventional wells, and 58 P.S. § 2302 (b.1) refers to vertical unconventional stripper wells. The unconventional gas well fee is collected by the Pennsylvania Public Utility Commission (58 P.S. § 2307(a)).

We collected the data from the **Act 13 reporting website**, which tracks a number of important statistics on Impact Fee disbursements, the payments from specific producers, and state uses of the funds.

Allocations

We collected revenue allocation details from the **Act 13 reporting website**, which details allocations to local entities and state agencies, which we classify as "State current expenditure, "Counties," "Municipalities," "Other local" accordingly. Details of these allocations are straightforward, with two exceptions. First, allocations to the county conservation districts and the state Conservation Commission are reported jointly. According to state law (58 P.S. § 2314 (c)(5)), these revenues are split evenly between the two types of organizations. We therefore divide the total allocations in half and apportion the revenues between "Other local" and "State current expenditure."

Second, a large portion of revenues is directed toward the **Marcellus Legacy Fund**, which allocates revenue to local governments, higher education institutions, nonprofit entities, and other organizations for a variety of environmental (e.g., mitigation of acid mine drainage) and natural resource management (e.g., sewer system maintenance) purposes. Although a substantial share of these funds flows to local governments, the programs are statewide, and because the funds are allocated to a wide range of entities, we classify this revenue allocation as a "State current expenditure."

B.4.5. Royalties, Leases, and Sales from Federal Lands

Collections

Although very little of Pennsylvania's oil and gas production occurs on federal lands, we also account for these revenues. Under 30 US Code § 191, the federal government distributes roughly half of oil and gas revenues from production on federal lands back to the states where production occurred. These revenues include royalties on production, with a rate set by statute at 12.5 percent, as well as **bonus bids from lease sales and annual rental payments** for federal leases (30 US Code § 226(b)(1)(A)). The Inflation Reduction Act of 2022 had raised the royalty rate to 16.67 percent, but the One Big Beautiful Bill Act of 2025 rolled rates back to 12.5 percent.

Disbursement data from the US Department of Interior can be found through the online **Office of Natural Resources Revenue** portal.

Allocations

We did not identify any specific handling of federal mineral leasing revenues in Pennsylvania state code, so we assume these revenues are deposited into the state's General Fund, which we classify as "State current expenditures." 72 P.S. § 4615 details how revenues not specifically credited to any other fund flow to the General Fund.

B.4.6. Royalties, Rents, and Bonuses from Department of Conservation and Natural Resources Lands

Collections

Pennsylvania's state-owned lands, particularly its 2.2 million acres of state forests, are a significant source of oil and gas development. We classify royalties, rents, and bonuses collected from oil and gas production on these lands as state lands revenues. Pennsylvania law authorizes the Department of Conservation and Natural Resources to lease state-owned lands for oil and gas development and collect revenues from production (71 P.S. § 1340.302(a)(6)). Any such lease must reserve a royalty of at least 12.5 percent of all oil or gas produced, with no deductions below that level (58 P.S. § 33.3).

We obtain the data from the June 2023 and 2024 PA Department of Revenue's **Report of Revenue and Receipts** documents. Because the state's financial year ends on June 30, we use year-to-date cumulative revenues for royalty, rents, and bonuses transfers from the Department of Conservation and Natural Resources to the Oil and Gas Lease Fund line item. These sums are disclosed on pages 120 and 119 for years 2023 and 2024, respectively.

Allocations

Pursuant to 72 P.S. Chapter 1 Article XVI-E § 1601.2-E(b)(1), all rents and royalties from oil and gas leases collected by the state (except for leases on Game and Fish lands) are transferred to the Oil and Gas Lease Fund, which funds statewide environmental stewardship and hazardous site cleanup programs, both of which we classify as "State current expenditures."

B.4.7. Royalties and Rents from Game Commission

Collections

Pennsylvania code authorizes the Game Commission to lease state game lands for a term not exceeding 25 years for oil and gas development (34 P.S. § 726). We classify royalties, rents, and bonuses collected from oil and gas production on these lands as "State lands." The commission is required to set the royalty rate at least 12.5 percent (58 P.S. § 33.3), and we classify this revenue stream as "State lands."

We obtain the data from the June 2023 and 2024 PA Department of Revenue's **Report of Revenue and Receipts** documents. Because the state's financial year ends on June 30, we use year-to-date cumulative miscellaneous revenues for the Game Commission, which are tracked on pages 112 and 111 for years 2023 and 2024, respectively.

Allocations

All payments from these leases—including upfront bonuses, annual rentals, and production royalties—are required by statute to be paid into the State Game Fund (34 P.S. § 727), which supports the Game Commission. We classify the allocations as "State current expenditure."

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