



Planning & Development Department

Crude Oil Production Tax

Board of Supervisors

May 27, 2008

Summary:

At the May 13, 2008 BOS meeting we were asked for the following:

- **The merits of soliciting voter approval of a local oil severance tax**
- **Meet with several interested parties, as shown below**
- **Staff will continue to research additional information and present it as it becomes available**



Meetings with Stakeholders:

Since the May 13 BOS meeting staff has met with the following:

May 15 – Meeting with **Environmental Coalition**

May 16 – Meeting with **Santa Barbara County Taxpayers Association**

May 21 – Meeting with **SEIU 620 representative**

May 23 – **Meeting with Oil Producers**



Questions from the BOS:

1. How much does the County currently collect from oil producers?



Table 1: Inspection Fees Assessed

Producer	Producing Wells in 2006	Oil/Condensate Production in 2006	Tax Prorated per Barrel	Fees Prorated per Barrel	Total Tax & Fees per Barrel
1	45	69,663	0.53	0.21	0.74
2	103	577,017	1.20	0.05	1.25
3	0	0			
4	0	0			
5	109	298,696	1.06	0.18	1.23
7	4	3,249	0.98	0.59	1.57
8	23	49,262	0.50	0.07	0.57
9	225	510,247	0.49	0.26	0.75
10	0	0			
11	1	2,634	0.54	0.49	1.02
13	28	154,387	1.11	0.08	1.19
14	45	57,661	0.30	0.12	0.42
15	1	3,924	1.24	0.37	1.61
16	0	0			
17	27	18,558	0.03	0.35	0.38
18	0	0			
19	77	210,042	0.67	0.06	0.73
20	0	0			
21	1	876	1.14	1.67	2.81
22	23	1,110,911	0.36	0.00	0.37
Total	712	3,067,127			
Average			0.68	0.30	0.98

Average Cost
\$.98/per Barrel



Questions from the BOS:

2. Should the local tax be on the November 4, 2008 ballot?
3. What affect will the tax have on property owners who lease land to oil producers?
4. Comparisons of taxes, fees, etc to other agencies.
5. Current producers only?



Meeting with Oil Industry

Go/No Go

Determination of whether the Board wishes to pursue the revenue alternative or not.

Response: Delay until fully vetted with industry.

Threshold

Minimum oil price/barrel that will trigger the tax.

Response: Good idea; options suggested.

Tax Rate

Dollar amount to be applied to each barrel produced.

Response: \$1.20 too high; make similar to what cities assess.

Inflation Calculation

Amount if annual increase in per barrel tax to keep pace with inflation, e.g. Producers' Price Index, Consumer Price Index.

Response: Bad idea; prefer flat rate.



Meeting with Oil Industry (Cont'd)

Payment Times

How often will producer submit payments to the County? Monthly? Quarterly? Semi-Annually? Annually? With Property Tax? *Response: No consensus. One thought annually sufficient to reduced administrative burden.*

Audits

Should the County conduct random audits of payments to ensure proper payments?

Response: No response

Use of Funds

Should funds be designated for specific uses or maintained as a discretionary revenue (changes the voter approval requirement) *Response: Some thought in-lieu of fees.*

Election Date

When should the tax be placed on the general election ballot?

Response: don't rush; wait until fully vetted with industry.



Decision Tree

Go/No Go

Determination of whether the Board wishes to pursue the revenue alternative or not.

Threshold

Minimum oil price/barrel that will trigger the tax.

Tax Rate

Dollar amount to be applied to each barrel produced.

Inflation Calculation

Amount if annual increase in per barrel tax to keep pace with inflation, e.g. Producers' Price Index, Consumer Price Index.



Decision Tree (Cont'd)

Payment Times

How often will producer submit payments to the County? Monthly? Quarterly? Semi-Annually? Annually? With Property Tax?

Audits

Should the County conduct random audits of payments to ensure proper payments?

Use of Funds

Should funds be designated for specific uses or maintained as a discretionary revenue (changes the voter approval requirement)

Election Date

When should the tax be placed on the general election ballot?



Thank you!

