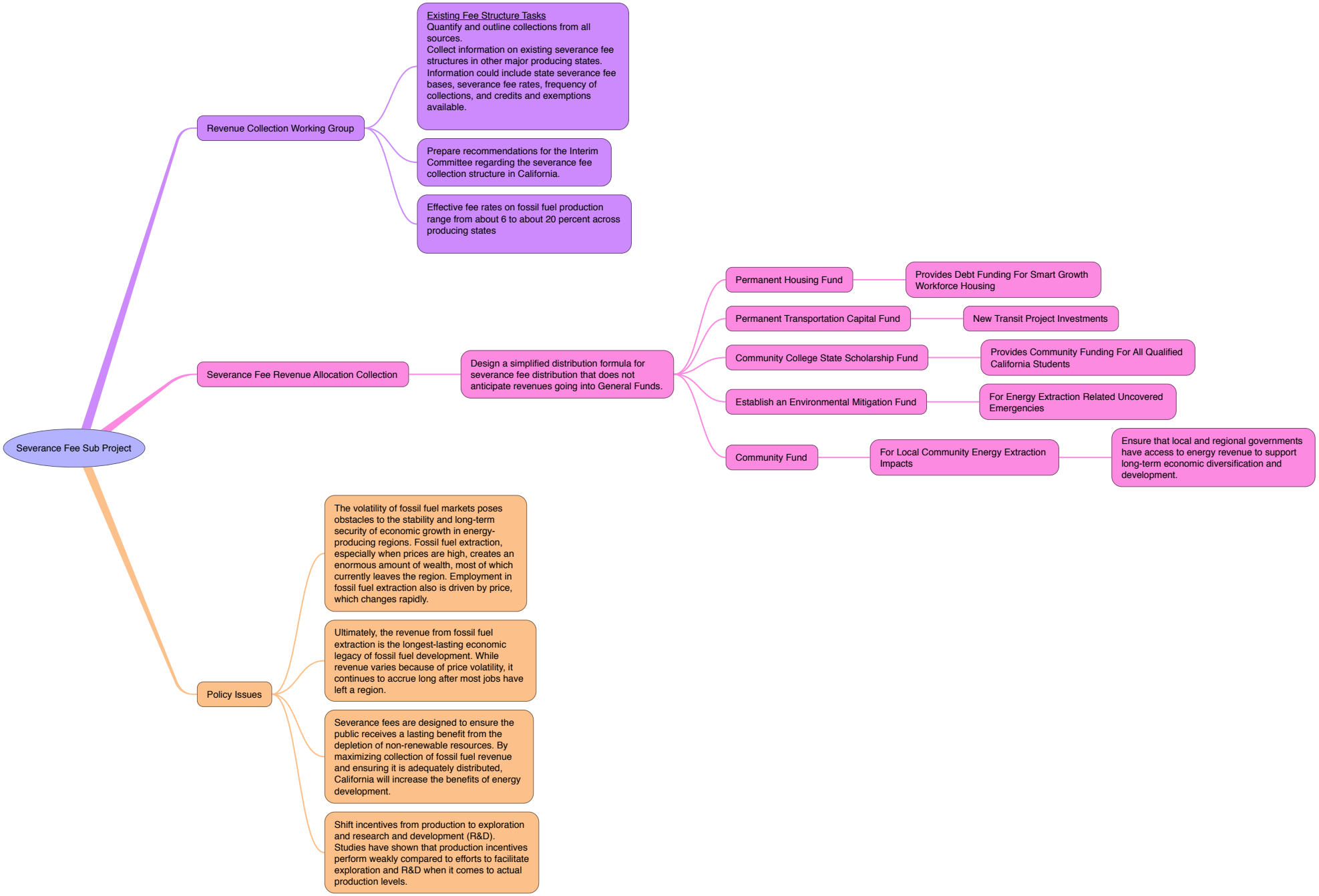
Severance Fee Sub Project
Revenue Collection Working Group
Existing Fee Structure Tasks
Quantify and outline collections from all sources.
Collect information on existing severance fee structures in other major producing states. Information could include state severance fee bases, severance fee rates, frequency of collections, and credits and exemptions available.
Prepare recommendations for the Interim Committee regarding the severance fee collection structure in California.
Effective fee rates on fossil fuel production range from about 6 to about 20 percent across producing states
Severance Fee Revenue Allocation Collection
Design a simplified distribution formula for severance fee distribution that does not anticipate revenues going into General Funds.
Permanent Housing Fund
Provides Debt Funding For Smart Growth Workforce Housing
Permanent Transportation Capital Fund
New Transit Project Investments
Community College State Scholarship Fund
Provides Community Funding For All Qualified California Students
Establish an Environmental Mitigation Fund
For Energy Extraction Related Uncovered Emergencies
Community Fund
For Local Community Energy Extraction Impacts
Ensure that local and regional governments have access to energy revenue to support long-term economic diversification and development.
Policy Issues
The volatility of fossil fuel markets poses obstacles to the stability and long-term security of economic growth in energy-producing regions. Fossil fuel extraction, especially when prices are high, creates an enormous amount of wealth, most of which currently leaves the region. Employment in fossil fuel extraction also is driven by price, which changes rapidly.
Ultimately, the revenue from fossil fuel extraction is the longest-lasting economic legacy of fossil fuel development. While revenue varies because of price volatility, it continues to accrue long after most jobs have left a region.
Severance fees are designed to ensure the public receives a lasting benefit from the depletion of non-renewable resources. By maximizing collection of fossil fuel revenue and ensuring it is adequately distributed, California will increase the benefits of energy development.
Shift incentives from production to exploration and research and development (R&D). Studies have shown that production incentives perform weakly compared to efforts to facilitate exploration and R&D when it comes to actual production levels.