

Fiscal Year 2018 Budget DeWitt County, Texas

Hon. Daryl Fowler, County Judge

Local Government Code

Section 111.002. COUNTY JUDGE AS BUDGET OFFICER.

“The county judge serves as the budget officer for the commissioners court of the county.”

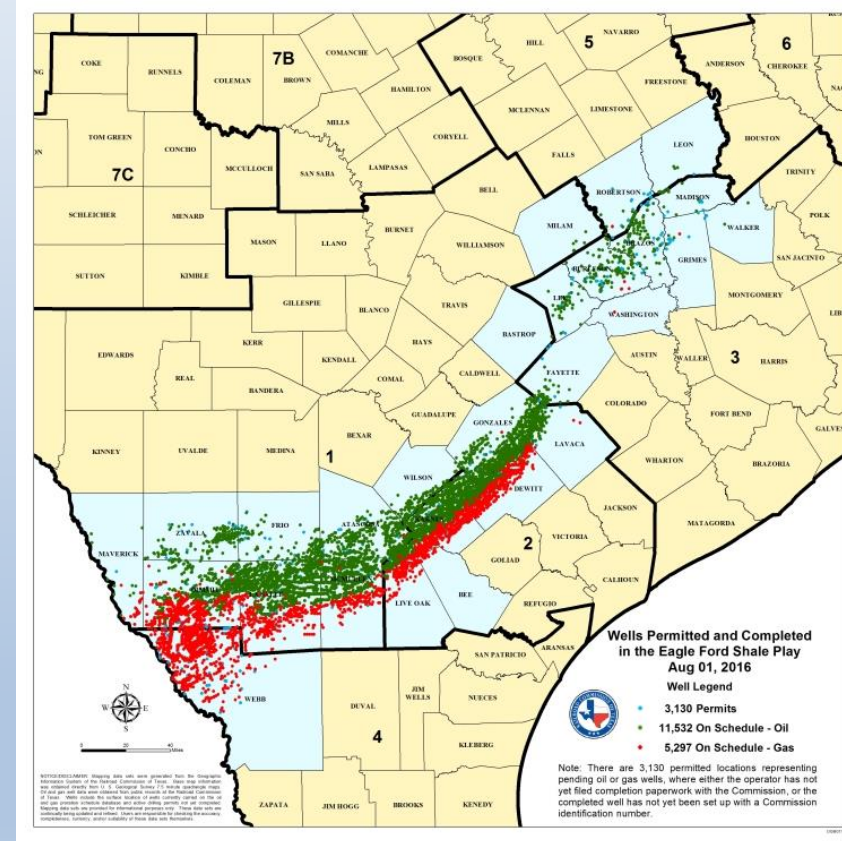
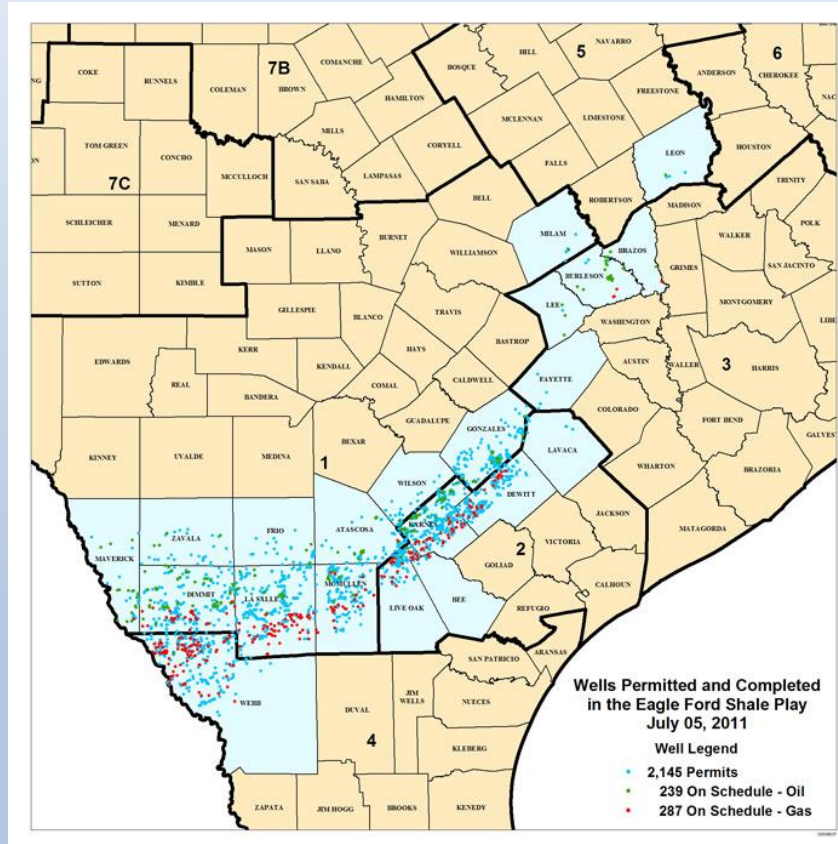
New W-1 Drilling Permits in DeWitt County

- 114 approved in 2010
- 345 approved in 2011
- 422 approved in 2012
- 495 approved in 2013
- 601 approved in 2014
- 355 approved in 2015
- 168 approved in 2016
- 232 approved in 2017

2726 new well permits issued since 2010

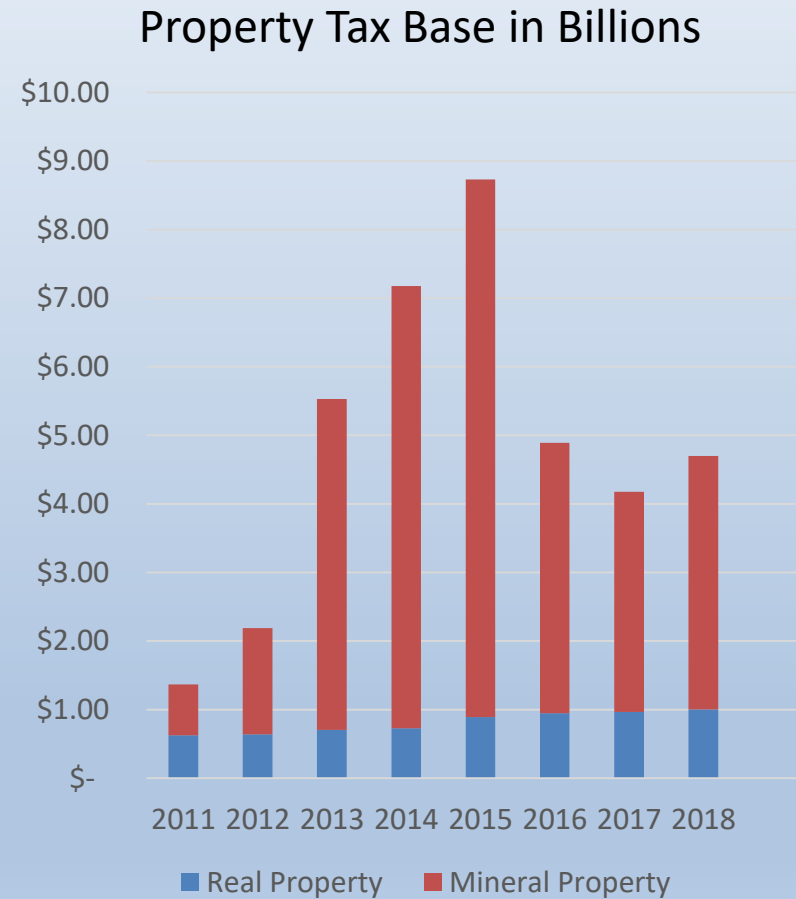
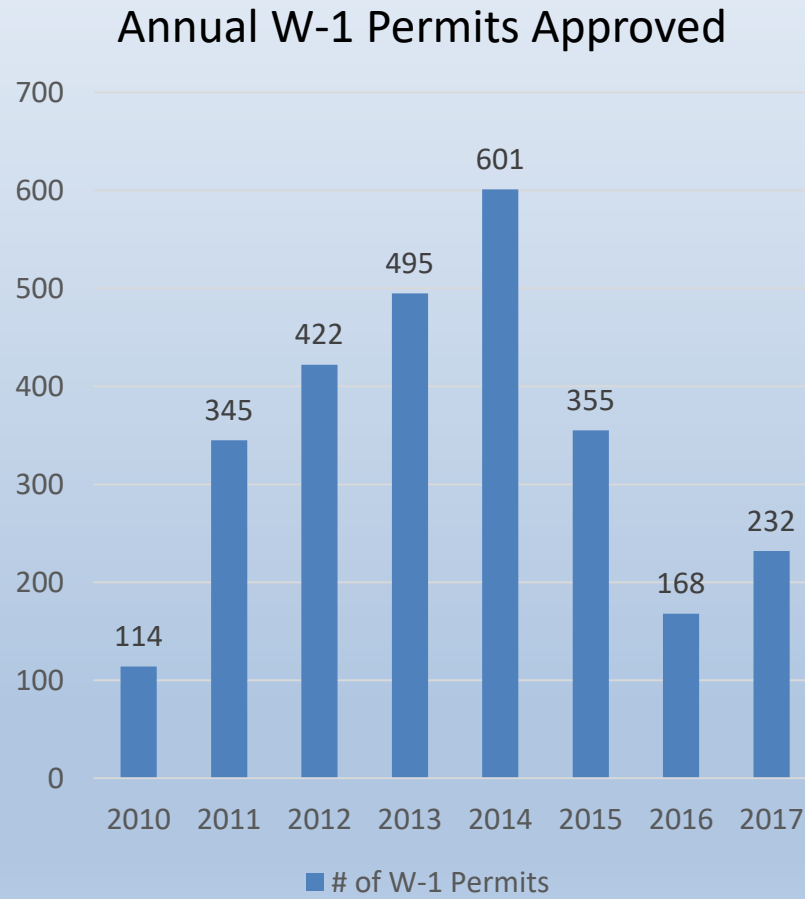


EFS Cumulative W-1 well permits



[Online Video Transition of Permit Maps](#)

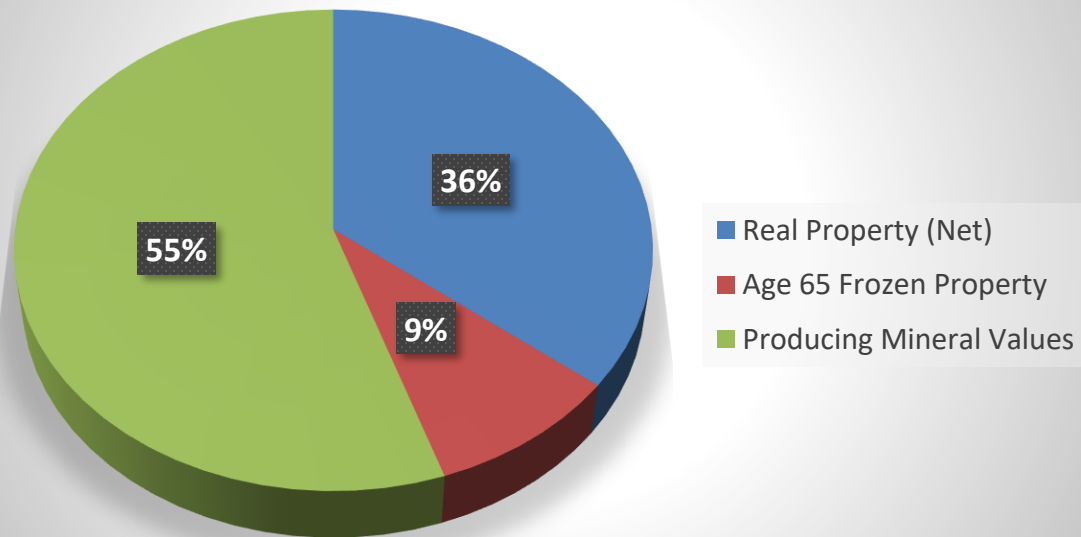
Drilling Activity Impact on Tax Base



Tax Base Comparison: Eagle Ford Shale Era

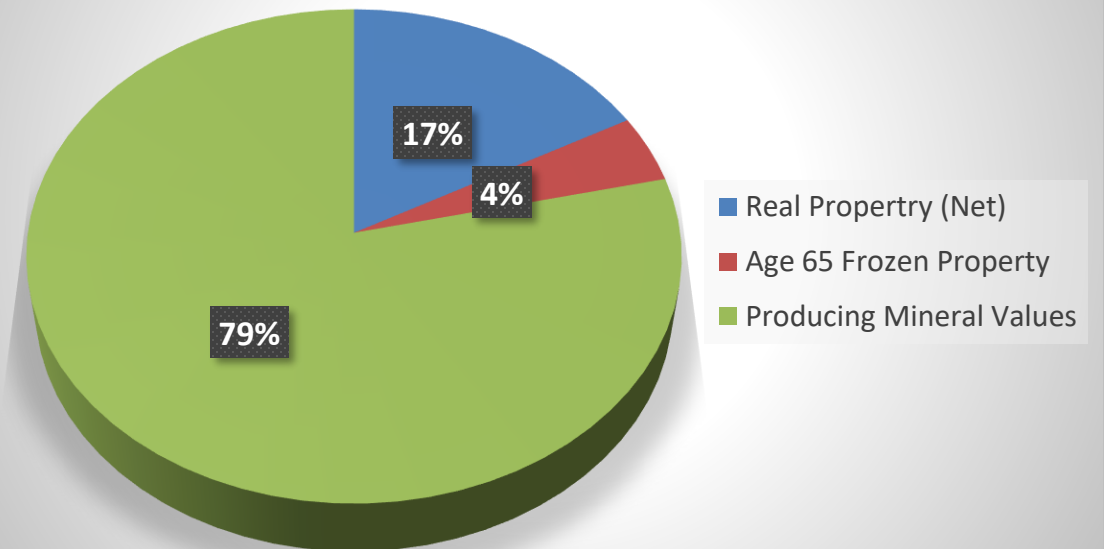
2011

Percentage of taxable property



2018

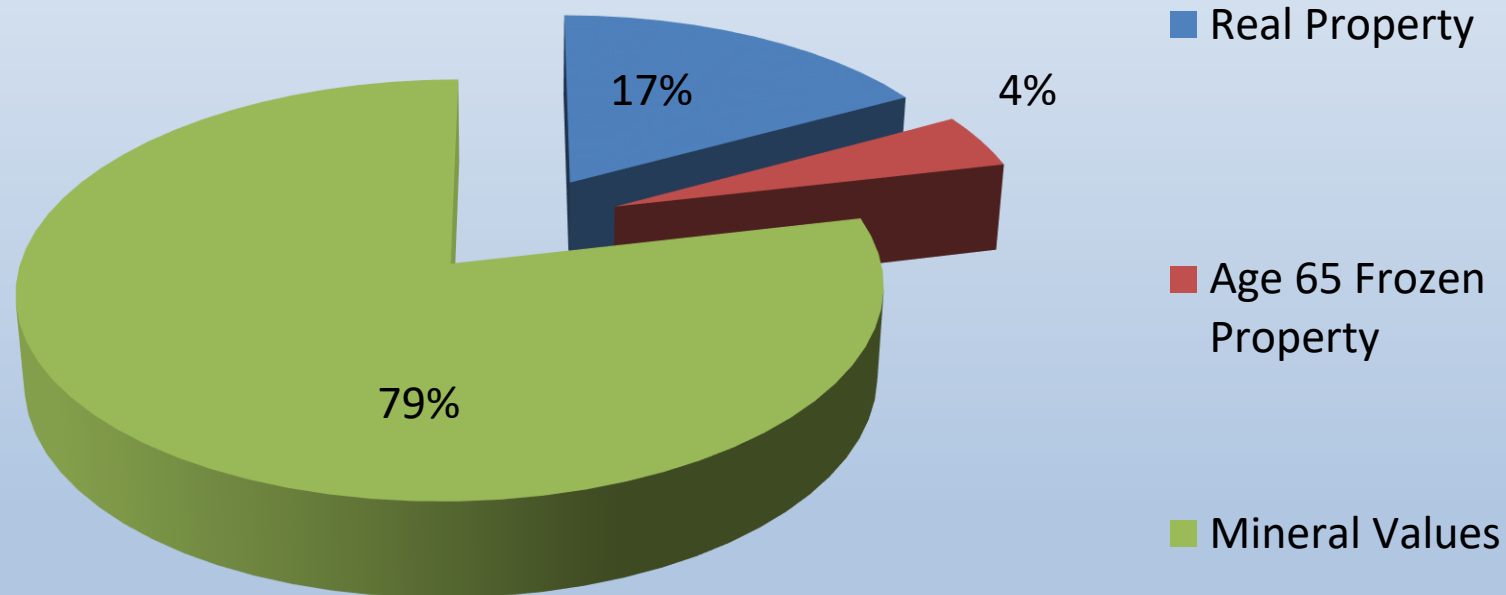
Percentage of taxable property



- \$79 of every \$100 will be collected from oil and gas interests (80:20 O&G Lease)
- \$ 4 of every \$100 will be collected from the Over 65 and Disabled homesteads
- \$17 of every \$100 will be collected from all other Real Property

2018 Tax Levy

- \$79 of every \$100 will be collected from oil and gas interests based on (80:20 O&G Lease)
- \$ 4 of every \$100 will be collected from the Over 65 and Disabled homesteads
- \$17 of every \$100 will be collected from all other Real Property

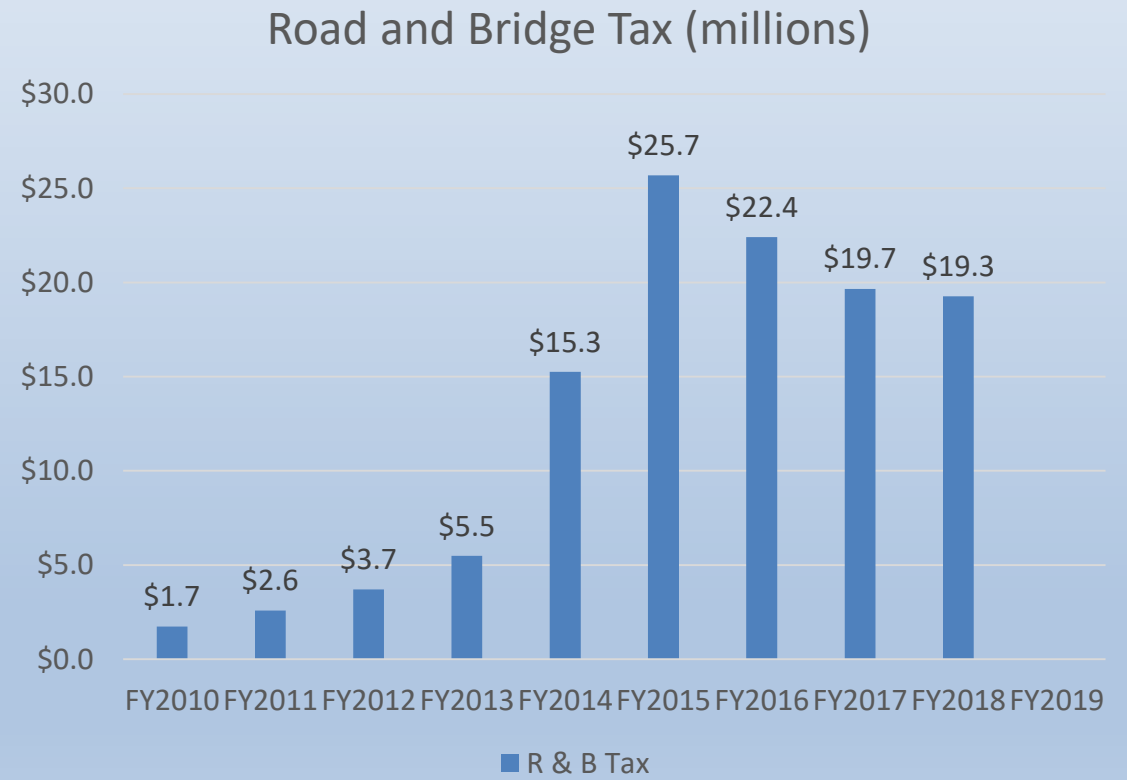
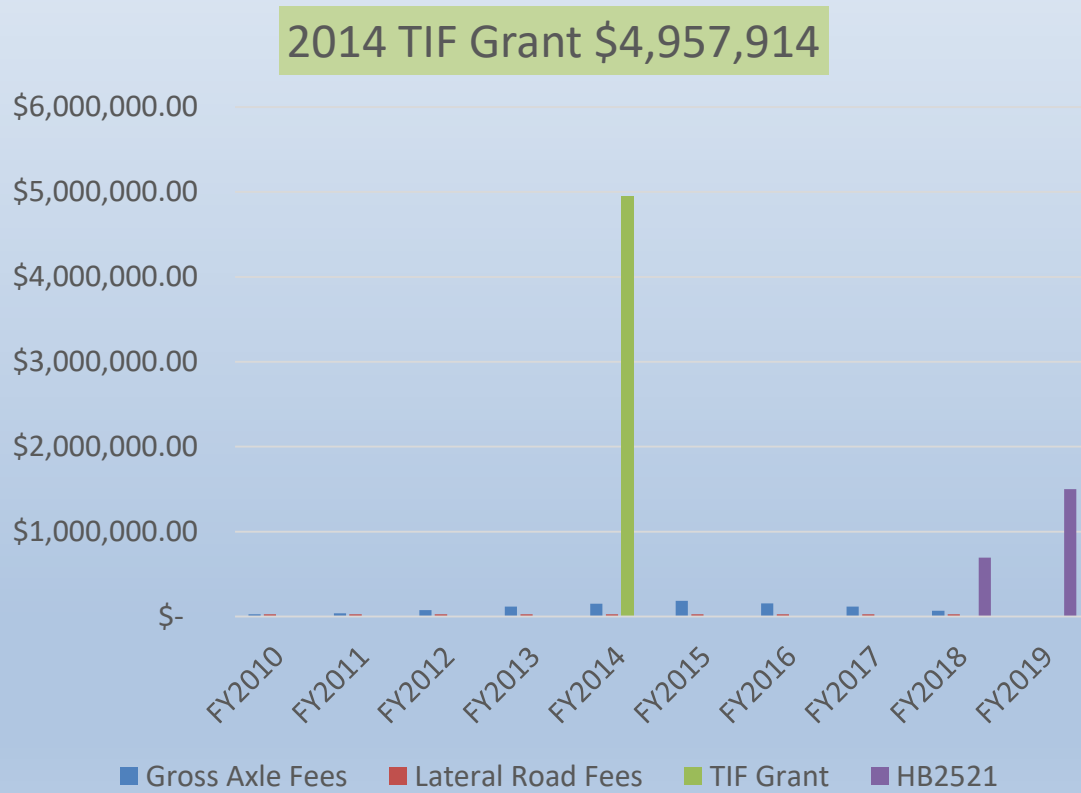


Frozen Values represent the designated homesteads of the Over 65 and Disabled. Taxes are frozen even if tax rates increase. Improvements to the property may increase the appraised value and the tax levied on the property. Reappraisals and changes in the property tax levy may apply to future improvements in the property.

State vs. Local Funding for Road Repair

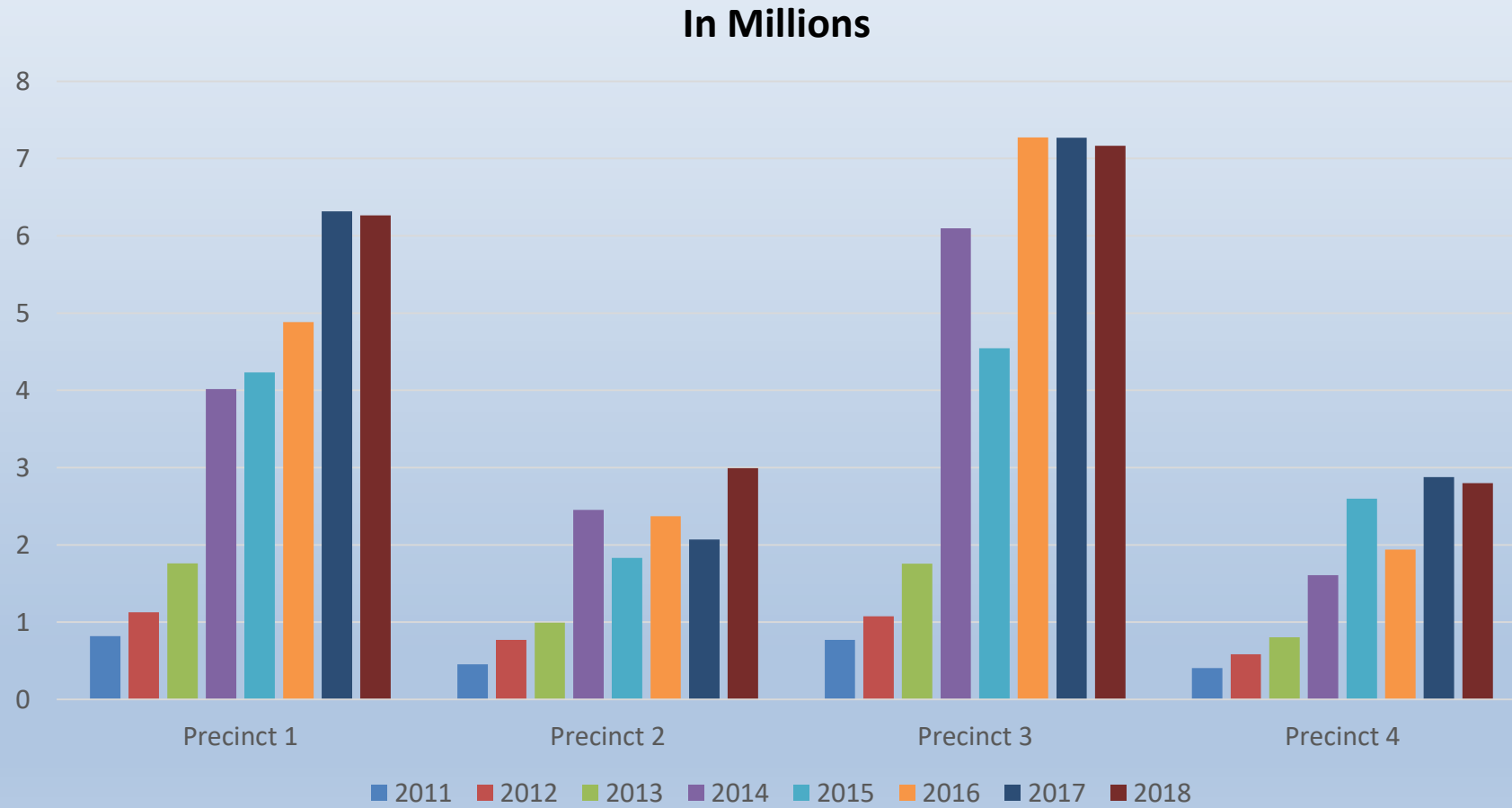
State Funds Total = \$6,132,787

Local Property Tax Total = \$120,237,233



Road and Bridge Budgets by Precinct

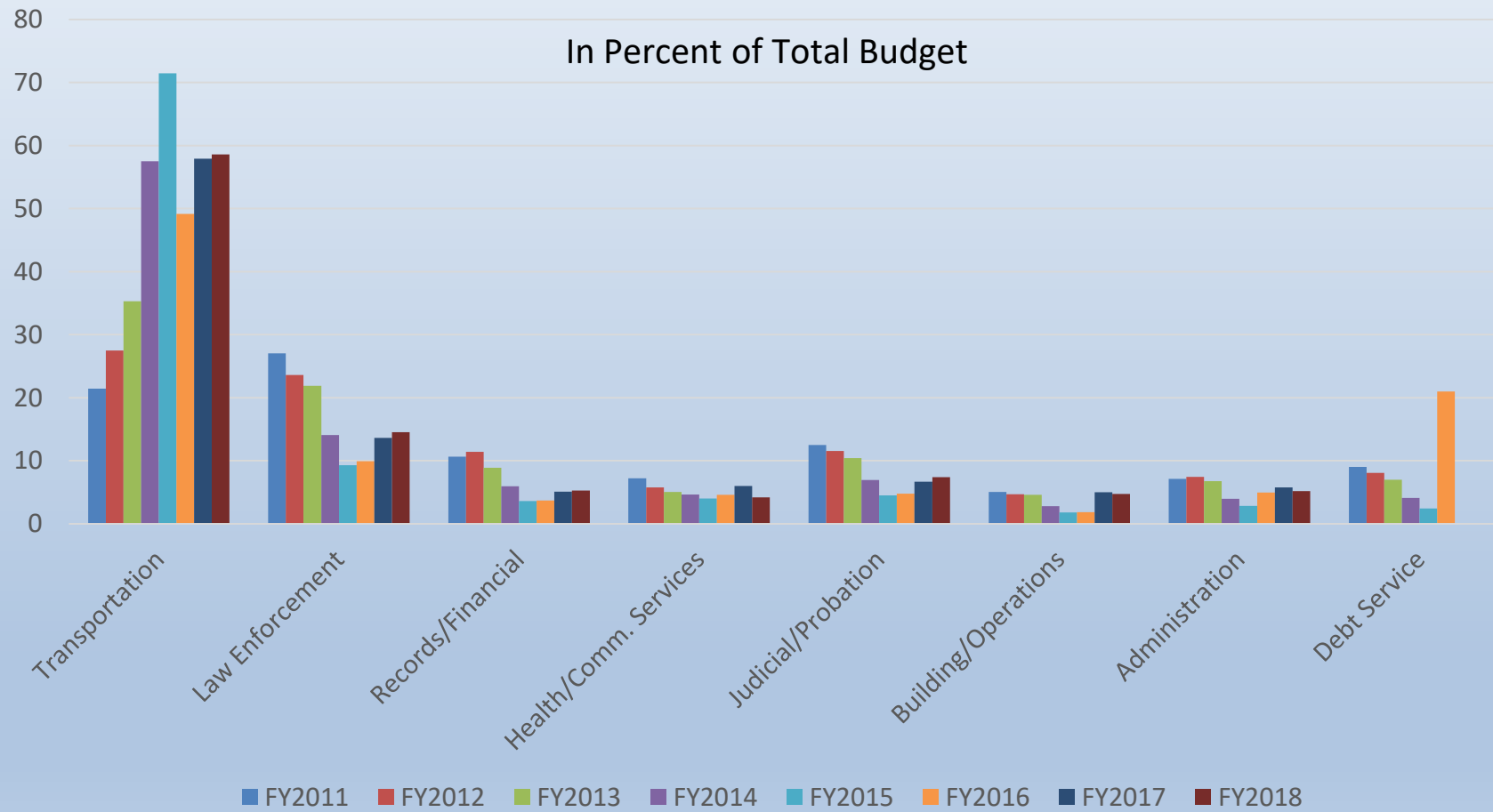
\$120,237,233 appropriated since FY2011



FY2018 Budget Policy

- Observe fiscal discipline
- Focus on long term stability of operations
- Utilize cash reserve balances (where needed) to maintain a consistent level of public service
- Maintain road and bridge efforts in all precincts (although \$2.75 million less)
- Maintain current level of employees
- Maintain current wage scale
- Continue 21st Century fiber optic upgrades in County facilities
- Conduct a Courthouse basement water mitigation project
- Conduct a County office space and utilization study
- Conserve cash reserve balances and prepare for a soft landing
- Avoid issuing additional debt

Budgeted Appropriations by Category during the Eagle Ford Shale Era



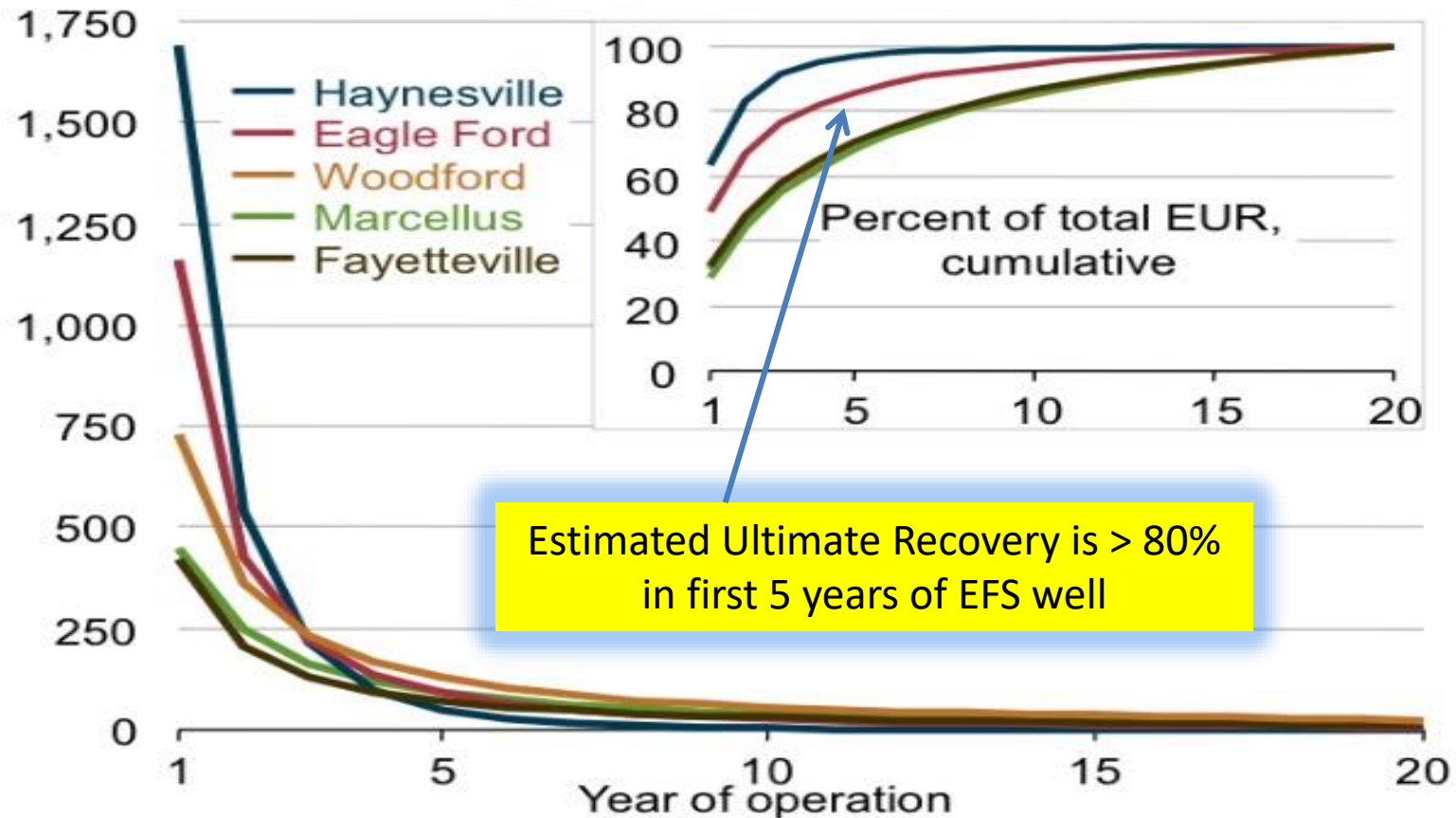
FY2018 Tax Policy

- Recognize that Mineral Value is volatile and is not a dependable source of revenue over the long term
- Recognize that state-sanctioned tax formulas in Chapter 26.04 of the Tax Code provide for a silent abatement of mineral values through Line 21 of the calculation worksheet
- Avoid unwarranted abatement of property taxes to the oil and gas industry
- 2011 Tax Revenue \$6,803,997
- Tax revenue \$19,525,331 in current budget vs. cumulative rollback tax revenue cap limit \$12,593,723

The Basis of Tax Policy:

Mineral property values are predictable: they decline rapidly

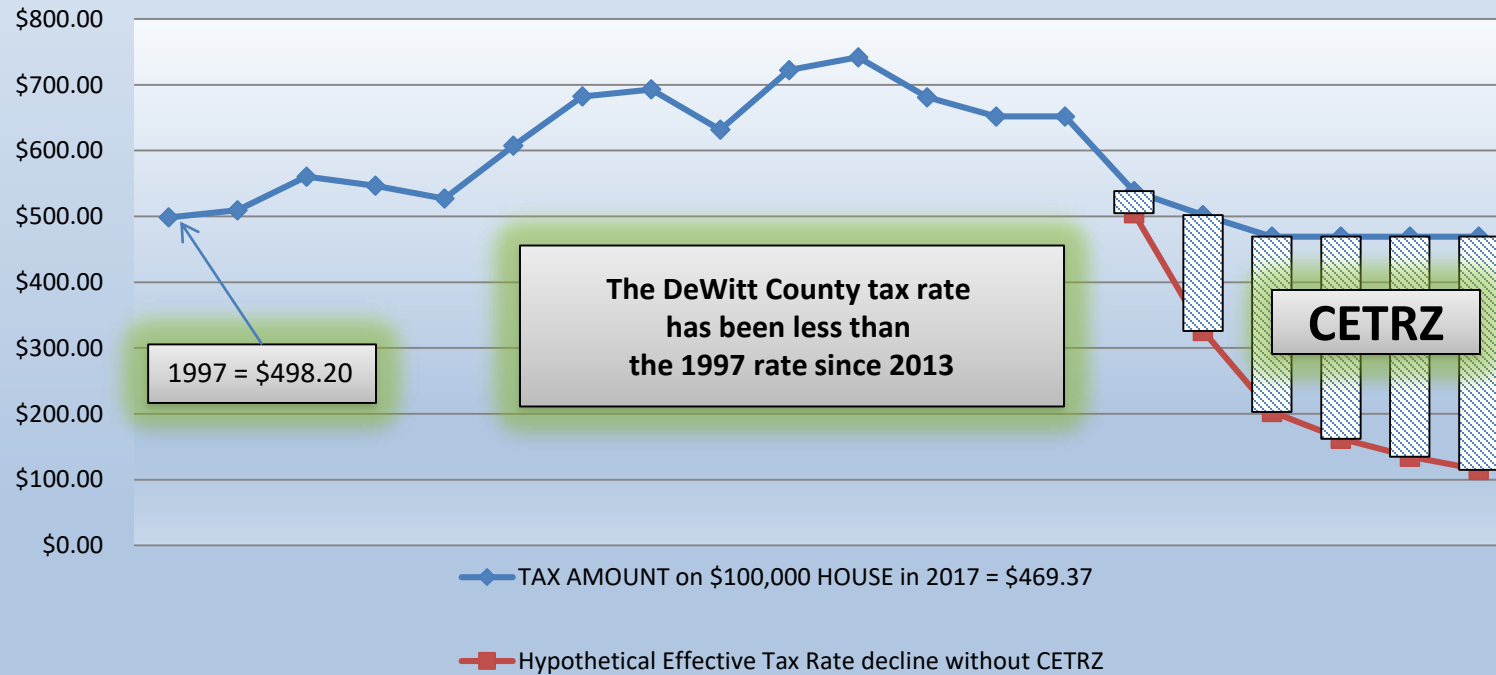
Figure 54. Average production profiles for shale gas wells in major U.S. shale plays by years of operation (million cubic feet per year)



CETRZ Captured Additional Tax Revenue for Road Projects

Alert: SB1305 repealed CETRZ in 2015

CETRZ established a baseline of property value. Added property value did not influence the decline of the Effective Tax Rate. Tax dollars were dedicated to a Tax Increment Account and were dedicated to road projects. In 2018 and beyond, new minerals added



Summary of Recent Budget History

- Current tax rate is lower than 1997 tax rate
- 28.7 percent tax rate reduction since 2011
- \$280.70 less tax on \$100,000 home since 2011
- \$9,563,391 in Outstanding Debt paid off in 2016
- \$1 million of debt payment redirected to Road and Bridge budget
- \$120,237,233 cumulative road and bridge appropriation since FY 2011
- Competitive wage scale implemented
- \$14.33 per hour minimum full-time wage
- New revenue sources for road projects, i.e. SB1747 and HB2521

Legislative Success



- Senate Bill 1747 (83-R)
- House Bill 2521 (84-R)

Interim Charges of the 85th Legislature

- Joint charge of the House Energy Resources and Transportation Committees: *“evaluate the impact energy exploration and production have on state and county roads and make recommendations on how to improve road quality in areas impacted by these activities.”*
- Representative Geanie Morrison is the current chairman of the House Transportation Committee. She will schedule a hearing on this interim charge in her district or in Austin.

Proposals for New Revenue

- **House Bill 4231** by Rep. James White would redirect two percent of the state production tax to a trust fund outside of the appropriation process and return it to the county of origin for road repair and maintenance. If this proposal was the law during 2013 to 2016, DeWitt County would have received about \$20 million over four years for road repair and maintenance.
- **House Bill 3614** by Rep. Geanie Morrison would eliminate a tax loophole provided to oil and gas companies by treating “new minerals” as being equal to “new improvements” in the calculation of the local property tax rate.