Department of Conservation (DOC)
Well Stimulation Treatment Permitting Phase Out
Summary and Response to Department of Finance (DOF) Comments on Standardized Regulatory Impact Assessment (SRIA)

1. DOF: While the SRIA includes a comprehensive discussion of the regulation's impact on Kern County property tax revenue, it must include a dollar estimate of the revenue impact. In this case, multiplying the quoted $197 million figure for the county's property taxes by the estimated 10 percent upper bound for the reduction in property value would produce an annual impact of about $20 million.

   DOC: CalGEM generally concurs with DOF's calculation. However, it is important to point out that this is a very conservative estimate of the dollar figure based on macroeconomic modeling. As noted, in the SRIA, property taxes in fiscal year 2018-19 from oil and gas facilities represented some $197 million, 7.4% of all Kern County tax revenue. Regulations pertaining to the valuation of oil and gas properties allow for taxable amounts to be reassessed over time in response to "changes in the expectation of future production capabilities." (See Cal. Code Regs., tit. 18, § 468.) Thus, Kern County's tax revenues are influenced by changes in both the valuation of existing oil and gas operations and the establishment and valuation of new operations in the future. Macroeconomic modeling suggests that existing production assets in Kern County are likely to lose less than 10% of their current value, with a property tax revenue decline of less than 1% of total county tax revenue annually. Ten percent represents the upper bound of possible property tax impacts associated with oil and gas operations. This proposed regulation impacts the limited number of oil operators who use this technology. The dollar figure produced using 10% of annual revenue of $19.7 million is therefore a high, conservative estimate, and the actual property tax impacts are likely to be substantially less.