FISCAL IMPACT STATEMENT BY COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR - MEASURE G-18

The fiscal impact of Measure G-18 to County revenue and expenditures is inherently difficult to predict due to its intersection with the variable oil market, changing technologies, and potential secondary effects of restricting oil production.

If approved, Measure G-18 prohibits new petroleum extraction and "well stimulation treatment;" existing operations would be allowed to continue as long as they are not expanded or intensified. As stated in Measure G-18, the impacts of petroleum extraction will decrease over time as production from existing wells declines. Additionally, the value of active oil businesses and mineral rights will likely decrease if Measure G is approved, which could impact tax revenue as described below.

Although there may be financial impacts to the County, it is impossible to predict with any certainty what they will be or the net amount. The following fiscal areas would likely be affected if oil extraction decreases:

- Property Tax: The assessment of property tax for mineral-producing properties is based on a calculation of oil reserves that the mineral rights holder can access as well as the market price of oil. Restricting the owner's ability to expand will decrease the value of the mineral rights and thereby decrease taxes.

- Unitary Tax: This is similar to property tax except the assessment is calculated by the State rather than the local Assessor. Unitary tax is applied to businesses whose assests cross county boundaries such as transmission lines or pipelines. A decrease in oil production may decrease unitary taxes.

- In Fiscal Year 2017/2018, the oil industry was assessed $2,304,232 in secured, unsecured and unitary taxes. This represents 0.43% of all assessed taxes for 2017/2018. The taxes were apportioned as follows:

	Amount	Percent of Total Funds
○ Schools -	$ 1,514,626	(0.283%)
○ County General Fund -	$ 603,596	(0.113%)
○ Special Districts -	$ 121,543	(0.023%)
○ Cities -	$ 20,211	(0.004%)
○ RDA Successor Agencies -	$ 44,255	(0.008%)

There are other potential financial impacts to the County General Fund which are impossible to estimate, including but not limited to:

- The cost of any environmental damage caused by the oil extraction process. The oil industry is regulated by multiple agencies including the Department of Oil, Gas, and Geothermal Regulation, Enviromental Protection Agency, Regional Water Quality Control Board, Air Pollution Control, and the County of San Luis Obispo Planning Department. Although infrequent, even with regulation, oil spills have occurred;

- Any impact to approximately 32 to 76 local oil-industry jobs (source EDD) and the cascading effect to the local economy, including the related consumer spending and associated sales tax;

FISCAL IMPACT STATEMENT BY COUNTY AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR - MEASURE G-18

- County costs for processing applications for exemptions to Measure G-18, including exemptions to avoid unconstitutional takings of property and where there are “vested rights” which may be offset by existing fees;

- Litigation costs defending or opposing exemption approvals or denials;

- Potential litigation costs regarding claims of unconstitutional “takings” of property and/or vested rights. Costs could include monetary awards for damages (the County is not insured against court judgments for “takings” damages).

James P Erb, CPA
Auditor-Controller-Treasurer-Tax Collector
County of San Luis Obispo