



Texas Oil & Gas Revenue Significantly Benefits Texans

For more than a century, revenue from Texas' vital oil and natural gas industry has flowed into state coffers and in turn, been used by the Legislature to fund key components of the state budget. By overseeing energy production, ensuring compliance with safety and environmental standards and facilitating responsible resource development, the Railroad Commission helps generate billions of dollars in tax revenue.

Did You Know?

For every dollar in state funds appropriated to the RRC, an estimated \$47 is collected by the state through production taxes.

The majority of taxes paid on the production of oil and gas are earmarked for three major components of the state budget that benefit all Texans: public education, the State Highway Fund and the Rainy Day Fund. The Rainy Day Fund can be considered the state's savings account, allowing lawmakers to appropriate funds as needed.

History of Oil & Natural Gas Production Taxes

The oil production tax is a 4.6% tax on the market value of oil produced in the state and the natural gas production tax is a 7.5% tax on gas that is produced.



The oil production tax was created in 1905.



The natural gas production tax was created in 1931.

Oil & Gas Production Tax Funding for Public Education

25% of production tax revenue is statutorily allocated to the Foundation School Account, which is used for public education.

Fiscal Years 1974 - 2024

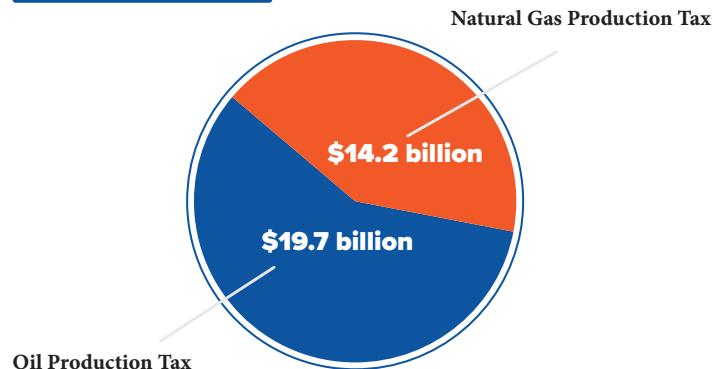


Source: Texas Comptroller's A History of State Taxes and Fees in Texas, 1972 to 2024

Oil & Gas Production Tax Revenue into the Rainy Day Fund

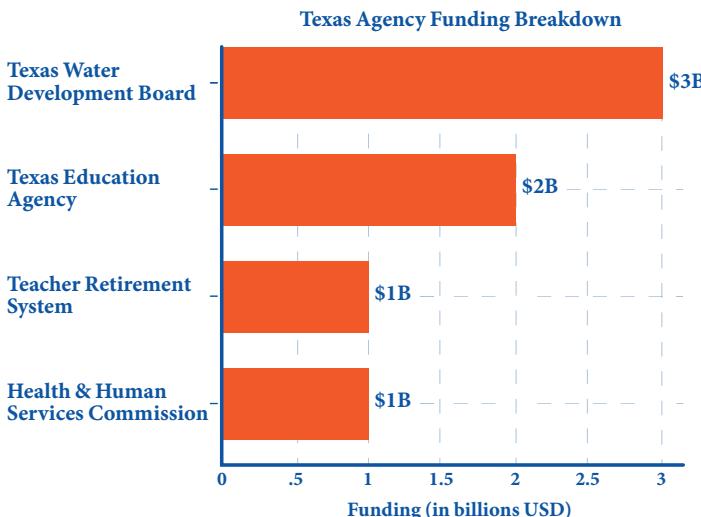
Texas voters approved a constitutional amendment in 1988 which created the Rainy Day Fund. The majority of revenue deposited in the Rainy Day Fund consists of oil and gas production tax revenue.

Since Fiscal Year 1990



Appropriations from the Rainy Day Fund

The Texas Constitution authorizes the Legislature to make appropriations from the Rainy Day Fund under certain circumstances. Over the course of its history, more than 30 agencies serving Texans have received funds. Four agencies have received \$1 billion or more:



Source: Legislative Budget Board



Did You Know?

In addition to the billions in revenue generated for the state, oil and gas production also directly contributes to county and local municipalities through property tax revenue supporting local school districts.

Oil & Gas Production Tax Revenue into the State Highway Fund

In 2014, a constitutional amendment allocated an annual share of oil and gas production tax revenue to the State Highway Fund to address transportation needs across Texas.

Since Fiscal Year 2015

Oil Production Tax Deposited in the State Highway Fund: **\$14 billion**

Natural Gas Production Tax Deposited in the State Highway Fund: **\$5.1 billion**



While the majority of production tax revenue is earmarked for specific parts of the budget funding (listed above), the remainder goes into the General Revenue Fund. General Revenue is used by the Legislature to fund all parts of the state budget from healthcare and other essential state services to higher education.

Sales Tax

Besides production taxes, oil and gas operators also pay a large amount of sales tax that is deposited in the state's General Revenue Fund for statewide budget needs. Sales tax is paid on operators' purchases including high-dollar equipment that is used for drilling and other oil and gas operations.

Fiscal Years 2004 - 2024

According to Texas Comptroller data, the Oil & Gas sector has paid approximately

\$22 billion
in sales tax



About the Railroad Commission

Our mission is to serve Texas by our stewardship of natural resources and the environment, our concern for personal and community safety, and our support of enhanced development and economic vitality for the benefit of Texans. The Commission has a long and proud history of service to both Texas and to the nation, including more than 100 years regulating the oil and gas industry. The Commission also has jurisdiction over alternative fuels safety, natural gas utilities, surface mining and intrastate pipelines. Established in 1891, the Railroad Commission of Texas is the oldest regulatory agency in the state. To learn more, please visit <https://www.rrc.texas.gov/about-us/>.