

Texas Sales Tax Revenue Down 4% in January

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DALLAS – With oil prices drifting stubbornly around \$30 per barrel, Texas saw a broad impact in January as sales tax revenue fell 4% compared to the first month of 2015, state Comptroller Glenn Hegar reported.

"We're in turbulent times for oil and gas, no question," Hegar said in a Feb. 4 meeting with Texas Oil and Gas Association President Todd Staples.

"Saudi Arabia is gambling that keeping prices at rock bottom will kill off the American shale revolution, and there's no doubt that we're feeling the effects," he said.

January oil and natural gas production taxes fell 45% to \$193.4 million, Hegar reported. Representing a broader segment of the economy, state sales tax revenue in January totaled \$2.47 billion, down 4% compared to January 2015. Although the revenue was counted in January and reported in February, the figures represent sales in the critical shopping month of December.

"Collections from industries mainly driven by consumer spending, including retail trade, restaurants and services, continued to grow, as did receipts from the construction sector," Hegar said.

Also notable was the fact that January 2015 sales tax figures represented a record for the month and represented a double-digit percentage increase over January 2014, Hegar pointed out. Sales tax revenue is the largest source of funding for the state budget, accounting for 56% of all tax collections. Motor fuel taxes, based on a flat rate per gallon, were up 1.4% to \$291.6 million. Most economists expect lower gas prices to bring increased driving.

"If the price point stays where it is, I think the end is not over yet in terms of contractions, mergers," Staples said in the recorded meeting with Hegar.

If there is any positive news for the oil industry, it may be from a Bloomberg News report that some Texas counties can still produce oil profitably, even at the current low prices. Producers in Dewitt County in the Eagle Ford Shale region of South Texas only require a breakeven price of \$23, according to the report. The study found the most efficient producers in the Eagle Ford and Permian Basin regions of Texas.