September 2010

To: County, City, Town and Village Chief Fiscal Officers
   School District Business Officials

From: Division of Local Government and School Accountability

Subject: Account Codes for Natural Gas and Wind Farm Revenues

Please provide copies of this bulletin to others who may need this information.

Purpose of Bulletin

Account codes have been established to record revenues received from natural gas lease and royalty payments and wind farm revenues received from host community fees and payments in lieu of taxes (PILOTs).

Background

The development of natural gas resources within the State is creating opportunities for certain municipalities and school districts to lease mineral rights to land under the control of their jurisdictions. Natural gas revenues may be generated from agreements that provide for annual leasehold payments and, in the event that gas is extracted, for additional royalty payments based on production. Leases may provide for a one-time revenue source or a stream of ongoing revenues over a period of years.

Besides the development of natural gas resources, wind power projects are also providing additional sources of revenue for some municipalities and school districts. These additional revenue sources include host community fees and PILOTs. Host community fees are payments negotiated between a local taxing jurisdiction and the project owner to compensate for the additional burden the project may place on local services.

New Revenue Codes Established

New account codes have been established to budget and account for natural gas and wind energy revenues. These new revenue codes should be used to record revenues generated from natural gas and wind farm activities as described below.
Account 1083 – Wind Power Payments in Lieu of Taxes (PILOTs) – This new revenue account should be used to record revenues received from wind power project PILOTs.

Account 2420 – Natural Gas Leases and Royalties – This new revenue account should be used to record revenues generated from contractual agreements related to natural gas drilling and extraction, including lease payments and production royalties.

Account 2460 – Wind Power Host Community Fees – This new revenue account should be used to record revenues generated from host community agreements.

Additional Information

If you have questions pertaining to the new revenue codes described in this bulletin, please contact the State Comptroller’s regional office that serves your local government. A listing of regional offices is enclosed.

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