



ENERGY: Finding New Estimators of Oil and Gas Production

For decades, rig counts have provided a good measure of domestic oil and gas production. However, new drilling and production technologies—especially horizontal drilling and hydraulic fracturing—have weakened this traditional relationship and generated the need for different ways to estimate production levels.

Recent growth in domestic oil and natural gas production has been driven mainly by greater drilling efficiency and new well productivity, not by rig count increases, according to reports from the Energy Information Administration (EIA).

Estimates of total U.S. oil production averaged 7.9 million barrels per day in fourth quarter 2013, up more than 17 percent over fourth quarter 2012, EIA data show. During that same period, the U.S. rig count fell almost 3 percent, according to Baker Hughes, a Houston-based oilfield services company.

Drilling efficiency—the number of wells drilled per rig—and well productivity can be combined with rig counts to better estimate production levels. The ratio of wells to rigs explains how production can increase when the number of rigs in use falls. Wells drilled per rig in the U.S. averaged 5.34 in fourth quarter 2013, up from 4.92 in fourth quarter 2012, Baker Hughes said.

—Amy Jordan



HEALTH INSURANCE: Texas Leads States in Medical Coverage Gap

A segment of the poor population in Texas is missing out on health insurance assistance provided for under terms of the Affordable Care Act (ACA). Texas is one of 25 states that chose not to expand Medicaid coverage in 2014 to everyone earning less than 138 percent of the federal poverty level (FPL), or \$31,809 for a family of four.

This decision creates a coverage gap for individuals who are in poverty but earn too much to qualify for Medicaid, the existing health program for the very poor. More Texans fall into this gap than residents of any other state—over 1 million adults out of 4.8 million nationwide, according to a Kaiser Family Foundation report. Texas' outsized share of the coverage gap is largely due to the state's use of one of the country's lowest Medicaid eligibility thresholds—19 percent of the FPL—and its above-average poverty rate.

Bridging the gap would require raising Medicaid recipient numbers from 4.6 million (in 2011) to 5.6 million, according to the Texas Health and Human Services Commission. Texas would pay 7 percent of the additional cost through 2022, with the federal government picking up the rest. State officials question the reliability of federal funding for a program they view as an intrusion into local governance. Without the expansion, 91 percent of Texas adults in poverty will remain uninsured—the highest rate in the U.S.

—Christina English



FEDERAL TAXES: Texans Lose Popular Deduction for Sales Taxes

Many Texans face a bigger federal tax bill now that Congress has failed to renew a temporary tax break that allowed the deduction of state and local sales taxes. Unless lawmakers act to retroactively restore the break, filing in 2015 could be more expensive for those who itemize deductions.

The law allowed taxpayers to deduct either state income taxes—which Texas and six other states don't impose—or sales taxes. Deductibility for income, real estate and personal property taxes remains.

Texas ranked third among the states in the proportion of tax filers claiming the sales tax deduction, at 20.2 percent in 2011, according to Pew Charitable Trusts. Washington at 28.8 percent was No. 1, followed by Nevada at 23 percent.

The deduction is especially useful for people making large purchases, and the prospect that it wouldn't be renewed prompted a spate of new car purchases in Texas at year-end. Congress originally abolished the deduction in 1986. It was brought back in 2004 and extended annually until 2013.

Deductions like the ones for sales taxes, homeownership and charitable giving are collectively known as “tax expenditures”—items reducing monies that the federal government would otherwise collect. They totaled \$1.1 trillion in fiscal 2013, according to Pew.

—Michael Weiss