

Recommendations Related to a Proposed Natural Gas Severance Tax

Background: Governor Tom Wolf, as well as several members of the Senate and House from both parties, has proposed Pennsylvania enact a severance tax on natural gas production in Pennsylvania.

Pennsylvania already has a drilling impact fee adopted in 2012 based on the number of wells drilled which yields about \$225 million annually with about \$102 million annually going for funding to local communities to deal with a variety of environmental, infrastructure and social issues resulting from increased drilling activities.

The remainder of the impact fee revenue-- about \$122 million-- provides funding for water and wastewater systems, abandoned mine drainage abatement, watershed restoration, water quality testing, greenways and recreation, oil and gas well plugging, flood mitigation as well as funding for county conservation districts, DEP oil and gas regulation and several other statewide programs.

Policy Considerations: Since it is almost certain there will be serious discussion of enacting a new severance tax this year, the CAC makes the following recommendations to Governor Wolf and members of the General Assembly:

1. Funding for local communities to deal with the environmental, infrastructure and social issues of shale drilling and for county conservation districts must be retained in any new tax proposal, but with further accountability of how that funding is spent. The CAC was disappointed to learn from the Public Utility Commission which collects the existing impact fee that half of the local governments receiving the fee did not file the required report on time detailing how the monies were spent.
2. A significant portion of the revenues from natural gas production should go first to environmental and restoration programs, since the tax is based on the mineral wealth of Pennsylvania's natural environment.

Pennsylvania has a once-in-a-generation opportunity to address critical, statewide environmental restoration issues with a severance tax. These issues include our 220,000 acres of unreclaimed abandoned mine lands, the 19,000 miles of rivers and streams that do not meet basic water quality standards and preservation of the more than 2,200 family farms that remain on the statewide list for preservation.

The current funding for environmental restoration and improvement programs under the existing impact fee is clearly inadequate based on the needs of the Commonwealth to restore and improve our green infrastructure.

3. The severance tax collected from shale wells now on State Forest lands should be invested in the restoration and management of State Forests and State Parks, not placed in the General

Fund or used to fund personnel and other administrative costs associated with the Department of Conservation and Natural Resources.

While there are many other issues and details to be discussed in the adoption of a severance tax and how it would relate to the existing impact fee, the CAC believes it is important to lay out these basic principles to help guide the discussions as they move forward.

The CAC would be happy to review any proposals for a severance tax as they move forward.