



## **Gas Drilling Impact Fee** ***An Opportunity to Invest in the Future*** ***And Insure a Legacy***

Pennsylvania sits atop one of the largest deposits of natural gas in the world – the Marcellus Shale formation. This valuable resource provides an immense opportunity to use cleaner, more environmentally sound energy as natural gas emits about 50 percent less carbon when burned.

But the extraction of this gas can impose heavy costs on our communities and environment – pipelines, drilling pads and wastewater storage pits alter our landscapes and fragment wildlife habitat, heavy rigs damage our roads, and drillers take billions of gallons of water from our streams to crack the shale. In some cases drilling errors have already contaminated our land and drinking water, such as the explosion in Dimock.

***Pennsylvania must enact a gas drilling impact fee to ensure that gas drillers - not the Pennsylvania taxpayers - shoulder the public costs that come with increased gas drilling.***

### Drillers pay an impact fee in other states they do business

Out of the top 15 natural gas producing states, Pennsylvania is the only one that doesn't have a fee to compensate for the loss of our natural resources and help fix the scars of extraction. An impact fee (also called a severance tax) identical to the one in place in West Virginia since 1987 would raise more than \$100 million a year initially, rising to more than \$630 million annually by 2014.

Pennsylvania is ideally situated close to large markets, and since the cost to transport natural gas constitutes at least 40 percent of the price, Pennsylvania gas is among the cheapest in the country. Even with an impact fee, Pennsylvania gas will still be a good value.

Most gas companies operating in Pennsylvania are limited liability companies (LLC), which means they pay only the 3.07 percent personal income tax, not the 9.99 percent corporate income tax that other companies pay.

### Environmental funding is running out

Pennsylvania has already made significant investments in ensuring that our magnificent natural heritage will be passed on to our children. But that funding will soon end. Greener II bond money is nearly depleted and it will all be gone by 2012. Nearly half of the Environmental Stewardship Fund money is being diverted this year to pay off debt for Growing Greener II bonds, and that amount could grow to \$60 million over the next several years. And the Oil and

Gas Lease Fund, created in 1955 to reinvest in Pennsylvania's green infrastructure, has been raided to help close the General Fund budget gap.

We must protect and restore our natural resources

For generations, Pennsylvania's waterways and public lands have been the backbone of our billion-dollar outdoor recreation and tourism industries. We must protect our economy and environment from natural gas drilling.

A portion of an impact fee should be dedicated to:

- The Environmental Stewardship Fund, the Fish and Boat Commission, and the Game Commission to be invested in projects and programs that protect, restore and conserve our natural resources for generations to come.
- Reclaim thousands of acres of abandoned mine lands and cap thousands of abandoned oil and gas wells, restoring these lands for full use by communities.
- Safeguard drinking water supplies and restore hundreds of miles of streams and fish habitat.
- Enhance health and quality of life through investments in community park infrastructure such as trails, ball fields, pools, picnic pavilions and more.
- Protect green spaces that are special to communities.
- Improve Pennsylvania's state parks and forests so that Pennsylvanians and tourists can fully enjoy these treasures again.
- Make critical investments in water and sewer infrastructure via PennVEST.

We must levy an impact fee now.

Multi-national corporations, such as ExxonMobil, are rushing to Pennsylvania to take advantage of the tremendous resource under our land. This represents a great opportunity to make the transition to cleaner fuel. But without an impact fee, we bear all the risks while the companies make all the profit. Pennsylvania cannot afford to ignore the lessons of the past, with coal mining leaving billion dollar damage to our water and land. We must pass an impact fee now.

***You can make a difference.***

***Visit our online Take Action Center at [www.pennfuture.org](http://www.pennfuture.org) to send an email to your legislators and to urge their support for a natural gas impact fee.***



## Save our Forests

### Protect Penn's Woods with a freeze on new gas leases

About 1.5 million acres of Pennsylvania state forests sit atop the Marcellus Shale, a mile-deep formation rich in natural gas. Energy companies are flocking here to tap into this highly prized and profitable resource, and paying property owners for the rights to drill on their land. These companies are now pushing the state to open up more of its state parks and forests to allow further gas exploration and extraction, putting our historic Penn's Woods at risk.

Already one-third of state forest lands, 700,000 acres, are available to the drilling industry, with almost 139,000 acres opened for Marcellus drilling in just the past 16 months. At least 100 wells are slated for drilling in state forests just this year, and another 1,500 well pads containing 5,000 to 6,000 wells could be drilled in the next 10 years on forest land.

**Enough is enough.** We need a freeze on new gas leases in state forests to protect them now and into the future. Our public natural resources should not be used as a cash cow to close budget gaps. We must pass the Save our Forests legislation (HB 2235) right now.

#### *New drilling leases harm our precious natural resources.*

Drilling involves clear-cutting swaths of forest land to install well pads, as well as building access roads, pipelines and other infrastructure. In many cases, added new infrastructure will mean significant disruption to our otherwise well-maintained and managed forests.

Many of Pennsylvania's best and most pristine waterways are located on state land. Natural gas drilling uses a process called "fracking" in which millions of gallons of water mixed with chemicals is forced down into the shale in order to extract the gas. These fluids, as well as potential leaks from gas wells and pipes, pose an immense threat to our waterways.

New drilling leases will fragment out forests, making them more susceptible to disease; damage endangered species habitat; and allow weeds and insect pests to enter the state's forest ecosystems.

#### *New drilling leases threaten Pennsylvania industry and jobs.*

Pennsylvania's \$1 billion outdoor tourism industry relies heavily on our state parks and forests, which offer more than 2,500 miles of trails and opportunities for hunting, fishing, hiking, cross-country skiing, mountain biking, horseback riding, snowmobiling and ATV riding.

Additionally, the timber industry, which employs about 70,000 people, relies on Pennsylvania's state forests, one of the nation's largest sustainable systems certified by the Forest Stewardship Council. This certification increases the value of our timber by giving our lumber industry access to lucrative foreign markets. Last year, state forests generated nearly \$20 million from timber sales. Fragmenting our state forests during the drilling process would threaten that certification and revenue.

*New drilling leases could destroy Pennsylvania's legacy.*

Pennsylvania is no stranger to environmental destruction at the hands of a booming industry. Landscapes are still scarred from our coal industry. We must not sacrifice the long-term health and well being of our state for short-term gain, as we have in the past.

This isn't just a problem for those living near our parks and forests. Residents of Pennsylvania's urban areas rely on the state parks and forest systems to escape the cities' concrete and asphalt and connect with outdoors education and recreational opportunities not easily found in urban areas.

**What you can do:**

Contact your state legislators and urge them to support the Save our Forests legislation (HB 2235). This bill puts a three-year freeze on leasing additional state forest land for natural gas drilling. The bill also gives the Department of Conservation and Natural Resources discretion to decide if state forests can withstand additional drilling and requires the agency to compile a yearly report on the impact of drilling in state forests.

Visit at [www.pennfuture.org](http://www.pennfuture.org) and click *Take Action*. Also visit our *Responsible Drilling Campaign* pages for more information.

**Citizens for Pennsylvania's Future (PennFuture)**

610 N. Third Street  
Harrisburg, PA 17101-1113

1518 Walnut Street, Suite 1100  
Philadelphia, PA 19102-3406

Regional Enterprise Tower  
425 Sixth Avenue, Suite 2770  
Pittsburgh, PA 15219-1853

Center for Energy, Enterprise and the Environment  
212 West Gay Street  
West Chester, PA 19380-2942

15 Public Square, Suite 101  
Wilkes-Barre, PA 18701-1702



## **Anglers and Boaters Asked to Contact State Representatives and Senators Now With**

### **Three Key Messages**

#### **About the Marcellus Shale Severance Tax**

The Pennsylvania House of Representatives, Pennsylvania Senate, and Governor Rendell have pledged to enact a Marcellus shale severance tax by October 1, 2010. The details of how severance tax funds will be allocated are currently being ironed out.

Anglers and boaters have a limited window of time and an historic opportunity to voice support for the severance tax and the dedication of funding to aquatic resource conservation.

In a call to action to conservationists across the Commonwealth, Pennsylvania Fish and Boat Commission Executive Director John Arway said, "We understand the realities of today's natural gas rush and recognize the importance of Marcellus gas to fueling our national energy needs; however, this cannot be at the expense of our natural resources, since we have lived the story and have seen what happened to our waters when Pennsylvania coal was extracted from our mountains almost a century ago. The funding generated by the severance tax has the potential to help us prevent that from happening again, but only if anglers and boaters act now."

Anglers, boaters, and anyone else who cares about Pennsylvania's great outdoor heritage and the legacy we will leave future generations should contact their State Representative and State Senator as soon as possible before October 1 with the following three messages.

- **Fulfill the commitment to enact the severance tax.**
- **Allocate a portion of severance tax proceeds to conservation.**
- **Dedicate funding to the Pennsylvania Fish and Boat Commission to **make sure that natural gas is developed with as little impact as possible to aquatic resources, fishing, and boating.****

Do not focus on specific pieces of legislation or specific percentage allocations to conservation priorities. Just stick to the three main points.

To find your Representative's and Senator's telephone numbers, consult your local telephone book or visit [www.legis.state.pa.us](http://www.legis.state.pa.us).

A link to Mr. Arway's testimony to the House of Representatives Finance Committee explaining the Commission's role with Marcellus shale and the need for dedicated severance tax revenues may be found on the front page of the Commission's website at [www.fishandboat.com](http://www.fishandboat.com).

# Conserve aquatic resources with severance tax

BY JOHN A. ARWAY, EXECUTIVE DIRECTOR

If I were still in school and had to write a "How I Spent My Summer Vacation" essay, the story would begin and end with the Marcellus shale severance tax.

Since the General Assembly and Governor expressed their intent to enact a severance tax with a portion to be allocated to "environmental initiatives" as part of the FY 2009-10 budget deal, I have been traveling the Commonwealth explaining the Pennsylvania Fish and Boat Commission's (PFBC) role with Marcellus. This message includes the need to dedicate a portion of severance tax proceeds to the Commission to help us ensure that this incredible resource is developed with as little impact as possible on the Commonwealth's aquatic resources and fishing and boating recreation. Everywhere I go - whether it is with newspaper editorial boards or an evening meeting of a local fishing club - I explain that the Commission is about a lot more than just stocking trout.

In 1909, the General Assembly passed a law forbidding the emptying of any waste deleterious to fish into any waters of the Commonwealth and assigned the responsibility to enforce that law to the PFBC. Commission staff work daily with Department of Environmental Protection (DEP) staff to try to insure that fish and aquatic life uses of streams are protected before DEP issues drilling permits for Marcellus wells.

Most people do not realize that the Fish and Boat Commission relies almost entirely on fishing licenses, boat registrations, and federal funding tied to fishing and boating to pay for everything we do. This includes trying to keep pace and stay ahead of the curve on the current and projected impacts of Marcellus shale development to fishing, boating, and the resources we are entrusted to protect.

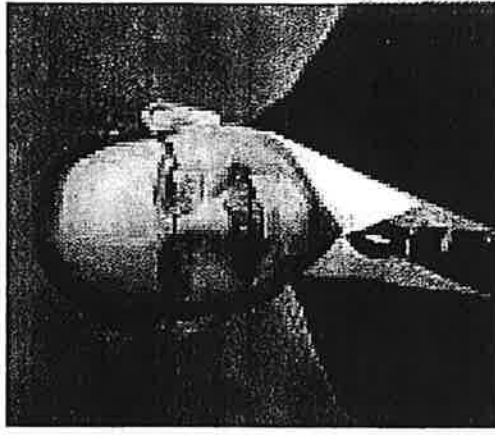
We want to help the industry protect our waters and habitats and comply with the environmental laws that the General Assembly promulgates. Industry representatives have told us that they would welcome the chance to work more proactively with us in areas such as avoiding sensitive rattlesnake habitats, insuring water quality protection for sensitive aquatic life uses, and avoiding Exceptional Value wetlands. Unfortunately, we simply do not have the resources (staff and funding) to adequately and proactively assist the industry, DEP, and the River Basin Commissions with controlling the impacts of Marcellus development.

Good fishing requires healthy functioning ecosystems comprised of a wide diversity of aquatic organisms, and our staff review thousands of permit applications to prevent and minimize the impacts to species that comprise those communities. We just do not have enough people or enough hours in a day to adequately keep up with the volume of

Marcellus gas well development projects and, perhaps even more importantly, to get into the field to help companies design and implement their projects in ways that have the least impact on our Commonwealth's natural resources.

We are glad that DEP has added staff to deal with the challenges of Marcellus development, and we support any efforts to get them and other agencies the funding and staff they need to do their jobs. Without a legislative change, the Commission does not have the authority to charge fees to support the work we do to assist gas companies and other developers in reviewing and implementing their projects in ways that protect, conserve, and enhance our natural resources.

If we received a portion of a severance tax, we could take a collaborative approach with both the industry and the other agencies that are reviewing and advising on projects. Ultimately, we would like to have Commission staff in position to spend the necessary time reviewing and commenting on projects, working in the field with developers and other agencies, and enforcing the water pollution laws of the Commonwealth to make sure our resources are protected. I truly believe that the public expect that service from us, and the resources under our jurisdiction depend upon it to survive.



John Arway

To that end, we ask the General Assembly and the Governor to live up to the promise they made at the beginning of their summer vacation to enact a severance tax by October 1, allocate a portion of severance tax proceeds to conservation, and dedicate funding to the Pennsylvania Fish and Boat Commission to make sure that natural gas is developed with as little impact as possible to aquatic resources, fishing, and boating. **CW**

*John A. Arway is Executive Director of the Pennsylvania Fish and Boat Commission.*