
**Legislative Review – Marcellus Shale
Republican and Democrat
Impact Fee/Shale Tax Proposals
June 2011**



Republican Proposed Severance Taxes

House Bill 1406 (Rep. Harper): This bill would impose a 1.5% tax on the gross value of the gas production for the first 60 months and 5% of the gross value for the remainder of the well's life. That revenue would be distributed in the following ways:

- 32% to the Local Government Services Account (w/in General Fund)
 - o 30% to counties with wells.
 - o 45% to municipalities with wells in counties with wells.
 - o 15% to municipalities without wells in counties with wells.
 - o 10% to PEMA for fire grants in counties with wells.
- 32% to the Education Supplemental Account (w/in General Fund)
 - o 66.6% to Basic Education
 - o 33.3% to community colleges and higher education
- 29.6% to the Environmental Stewardship Fund
- 1.6% to the Hazardous Sites Cleanup Fund
- 1.3% to the Conservation District Fund
- 1.4% to the Fish and Boat Commission
- 1.3% to LIHEAP/Weatherization programs
- 0.8% to DEP for dam projects

House Bill 1671 (Rep. Miccarelli): This bill would impose a 3% tax on the gross value of the gas production for the first 24 months and 5% of the gross value for the remainder of the well's life. The money would be used to fund a reduction in the PIT from 3.07% to 2.99%.

House Bill 1705 (Rep. Godshall): This bill would impose a 1.5% tax on the gross value of the gas production for the first 60 months and 5% of the gross value for the remainder of the well's life. The money would be used to fund a property tax relief for low-income senior citizens.

Senate Bill 1176 (Sen. Pileggi): This bill would impose a 3% tax on the gross value of gas production. All of the funds would go towards senior citizen property tax relief.

HB1870 (Rep. Boback): This bill creates the Marcellus Revenue Sharing Act and imposes an operational fee on natural gas wells assessed at a rate of 1.5% of the gross value of units severed at the wellhead for the first 60 months of production and at 5% thereafter. The fee is collected by the Department of Revenue and would be distributed as follows:

- 35% to the Property Tax Relief Fund
- 25% to Local Government Impact Account
- 24% to the Environmental Stewardship Fund

- 10% to the Motor License Fund
- 2% to the Conservation District Fund
- 2% to the Department of Education
- 1% to the Hazardous Sites Cleanup Fund
- 1% to the Fish and Boat Commission

Democrat Proposed Severance Taxes

House Bill 33 (Rep. Vitali): This bill would impose a 5% tax on the value of each 1,000 cubic feet of natural gas severed, plus 4.6 cents per 1,000 cubic feet. The revenue would be distributed in the following ways:

- 32% to General Fund
- 29.6% to Environmental Stewardship Fund
- 32% to Local Government Services Account
 - o 30% to counties with wells
 - o 45% to municipalities with wells
 - o 15% to municipalities without wells in counties with wells
 - o 10% to PEMA for fire/EMS grants to counties with wells
- 1.6% to Hazardous Sites and Cleanup Fund
- 1.4% to Fish and Boat Commission
- 1.3% to Conservation District Fund
- 1.3% to LIHEAP
- 0.8% to DEP for dam work

House Bill 833 and House Bill 1800 (Rep. George): This bill would impose a tax of \$.30 per 1,000 cubic feet of gas severed with an adjustment mechanism if gas prices change more than 5 percent annually. The revenue would be distributed in the following ways:

- 35% to Local Government Services Account
 - o 30% to counties with wells
 - o 40% to municipalities with wells
 - o 20% to municipalities without wells in counties with wells
 - o 10% to PEMA for fire/EMS grants to counties with wells
- 20% to the PENNVEST (for Wastewater Treatment)
- 15% to Environmental Stewardship fund
- 10% to PennDOT for roads/bridges impacted
- 6% to Liquid Fuels Tax Fund (for impacted roads/bridges)
- 3% to Conservation District Fund
- 3% to Fish and Boat Commission
- 2% to Pennsylvania Game Commission
- 2% to LIHEAP
- 2% to Hazardous Sites Cleanup Fund
- 2% to Oil & Gas Environmental Disaster Recovery Account

This bill also includes a Marcellus Shale Job Creation Tax Credit of \$2,500 per job created and can be applied to the CNI and CSFT. Maximum of \$25 million.

Senate Bill 352 (Sen. Dinniman): This bill would impose a 5% tax on the value of each 1,000 cubic feet of natural gas severed, plus 4.6 cents per 1,000 cubic feet. The revenue would be distributed in the following ways:

- 50% to General Fund
- 21.5% to the Environmental Stewardship Fund
- 21.5% to the Commonwealth Financing Agency to give grants
- 3% to Pennsylvania Game Commission
- 3% to Fish and Boat Commission
- 1% to LIHEAP

Senate Bill 680 (Sen. Ferlo): This bill would impose a tax of \$.24 per 1,000 cubic feet of gas severed with an adjustment mechanism based on gas prices. The revenue would be distributed in the following ways:

- 30% to Local Government Services Account
 - o 50% distributed as follows:
 - 35% to counties with wells
 - 50% to municipalities with wells
 - 15% to municipalities without wells in counties with wells
 - o 50% to Commonwealth Financing Agency for impact projects
- 30% to Environmental Services Stewardship Fund
- 30% to Hazardous Sites Cleanup Fund
- 10% to Oil and Gas Emergency Response Account

HB1804 (Rep. Pashinski): This bill imposes a severance tax at the rate of 5% of the value of each 1,000 cubic feet , plus 4.6 cents per 1,000 cubic feet and be placed into an interest bearing restricted account. No distribution formula is provided.

Republican Proposed Impact Fees

House Bill 1650 (Rep. Marshall): This bill would impose an impact fee with a \$10,000 base fee that would increase based on a volume adjustment factor and a price adjustment factor. Each year \$7.5 million would be allocated to the Conservation District Fund. The remaining funds would be distributed in the following ways:

- 60% to local governments
 - o 36% to counties with wells
 - o 37% to municipalities with wells, per proportion of statewide wells in municipality
 - o 27% to municipalities without wells, per proportion of statewide wells in county
- 40% for statewide environmental projects
 - o 80% to the Commonwealth Financing Agency for environmental projects
 - o 10% to the Motor Licensing Fund
 - o 10% to the Hazardous Sites Cleanup Fund

House Bill 1700 (Rep. Quinn): This bill would impose an impact fee with the following annual amounts:

Years 1-2:	\$50,000	Years 3-4:	\$45,000	Years 5-6:	\$40,000
Years 7-8:	\$35,000	Years 9-10:	\$30,000	Years 11-12:	\$25,000
Years 13-14:	\$20,000	Years 15-20:	\$15,000	Years 21+:	\$10,000

The funds would be distributed in the following ways:

- 50% to the Local Government Shale Impact Mitigation Fund
 - o 36% to counties with producing unconventional wells
 - o 37% to municipalities with producing unconventional wells
 - o 27% to municipalities in counties with producing unconventional wells
 - 50% goes to municipality based on population formula
 - 50% goes to municipality based on mileage formula.
- 50% to the Environmental Shale Impact Mitigation Fund
 - o 40% to the Road and Bridge Shale Impact Account (within Motor License Fund)
 - o 30% to the Environmental Stewardship Fund
 - o 20% to the Hazardous Sites Cleanup Fund
 - o 8% to the Conservation District Fund
 - o 2% to the Fish and Boat Commission

House Bill 1715 (Rep. Ellis): This bill would allow counties with unconventional wells to impose an impact fee of \$25,000 per year for the first two years of production and \$10,000 per year for the next eight years. The funds would remain entirely within the county and would be distributed in the following ways:

- 30% to the county for watershed protection and flood management
- 30% to municipalities with wells for infrastructure projects
- 20% to municipalities without wells for infrastructure projects
- 15% to school districts with wells
- 5% to the county's conservation district

Producers would be prohibited from passing the fee back to the individual who leased the property. Municipal governments would have to show a direct link between gas development and the infrastructure projects. If the amount received by a municipality is greater than 2x the municipal budget, then the surplus would have to be used for tax relief. The PUC would be required to develop a model ordinance.

A04340 (Rep. Gillen): This amendment imposes an impact fee on each unconventional well. It begins in year one with a fee of \$40,000, year two is \$30,000, year three is \$20,000 and year four through ten is \$10,000. All funds collected would go towards property tax relief statewide.

A04173 (Rep. Reed): This amendment imposes an impact fee on each unconventional well and is imposed by the county, should a county decide to do so. It begins in year one with a fee of \$40,000, year two is \$30,000, year three is \$20,000 and year four through ten is \$10,000. The funds would be distributed locally in the following ways:

- 37.5 % to host counties
- 10% to host counties dedicated to EMS and first responders.
- 25% to host municipalities on a per well basis.
- 17.5% to all municipalities within a host county.
- 10% to Conservation Districts.

Dedicates a portion of the Oil and Gas Lease Fund to environmental programs and a catastrophic fund. The funds would be distributed as follows:

Upon Enactment

- 25% of the available yearly ending balance to the Environmental Stewardship Fund.
- 7.5% of the available yearly ending balance up to \$7.5 million to payment in lieu of taxes (communities w/ State Forest land).
- 1% of the available yearly ending balance up to \$3 million to a Catastrophic Fund associated with unconventional wells.

July 1, 2014 and Each Fiscal Year Thereafter

- 25% of the available ending balance to the Environmental Stewardship Fund.
- 7.5% up to \$7.5 million to payment in lieu of taxes (communities w/ State Forest land).
- 1% up to \$3 million to the new Catastrophic Fund associated with unconventional wells.
- \$40 million to the Hazardous Site Clean Up Fund. This transfer will be updated annually based on the CPI (inflation rate).
 - o The HSCF currently receives \$40 Million annually from the Capital Stock and Franchise Tax. The tax is set to expire January 2014.

HB 1950 (Rep. Ellis): This bill imposes an impact fee on each unconventional well and *may* be imposed by the county. The fee begins in year one with a fee of *up to* \$40,000, year two is *up to* \$30,000, year three is *up to* \$20,000 and year four through ten is *up to* \$10,000.

The funds would be distributed in the following ways:

- Local Distribution
 - o 75% to host counties and their municipalities.
 - 36% to host county.
 - 37% to host municipalities.
 - 27% to all municipalities within a host county.
 - 50% based on population formula.
 - 50% based on highway mileage.
- State Distribtuion
 - o 25% to restricted account in the General Fund.
 - 70% to the Department of Transportation.
 - 10.5%, not to exceed \$10 million annually, to the Department of Environmental Protection.
 - 7.5%, not to exceed \$2 million annually, to the Public Utility Commission.
 - 4.5% , not to exceed \$2 million annually, to the Pennsylvania Emergency Management Agency.
 - 3.75%, not to exceed \$2 million annually, to the Department of Health.
 - 3.75%, not to exceed \$2 million annually, to the Office of State Fire Commissioner.

- Any money remaining in the restricted account after the distribution of the fees shall be distributed to the Department of Transportation.

Dedicates a portion of the Oil and Gas Lease Fund to environmental programs. The funds would be distributed as follows:

- **July 1, 2013 and Each Fiscal Year Thereafter**
 - o \$15 million to conservation districts.
 - o 25% of total received funds of the prior fiscal year to the Environmental Stewardship Fund.
 - o 5% up to \$5 million for payment in lieu of taxes (communities w/ State Forest land).
- **July 1, 2014 and Each Fiscal Year Thereafter**
 - o \$40 million to the Hazardous Site Clean Up Fund. This transfer will be updated annually based on the CPI (inflation rate).
 - The HSCF currently receives \$40 Million annually from the Capital Stock and Franchise Tax. The tax is set to expire January 2014.

This bill provides full preemption for all local ordinances. Unconventional vertical wells are assessed a fee of no more than 25% of the fee established by the county.

SB 1100 (Sen. Scarnati): This bill would impose an impact fee on each unconventional well via the State Department of Revenue of \$40,000 the first year, \$30,000 the second year, \$20,000 the third year, and \$10,000 years four through ten. The funds would be distributed in the following ways:

- \$7.5 million to Conservation District Fund
- \$1 million for fire grants in counties with wells.
- Remaining Amount:
 - o 60% to local government
 - 36% to counties with wells
 - 37% to municipalities with wells (# of wells in municipalities divided by the # of wells in PA)
 - 27% to municipalities with wells (# of wells in county divided by the # of wells in PA)
 - o 40% to statewide environmental projects
 - 60% to Commonwealth Financing Agency for related projects
 - 20% to Motor Licensing Fund
 - 20% to Hazardous Sites Cleanup Fund

This bill also includes a model ordinance and an affordable housing credit of up to 30% of the fee.

HB1865 (Rep. Schroder): This bill imposes an impact fee calculated by DEP based upon the total eligible environmental costs from the prior calendar year and the total eligible transportation costs from the prior calendar year. This bill also includes remediation costs associated with pipeline impacts. The costs from all three are then added and divided among all drilling companies to become the impact fee.

Democrat Proposed Impact Fees

House Bill 1748 (Rep. White): This bill would impose a base fee through the Public Utilities Commission of \$20,000 plus volume and price adjustment factors and an annual operational fee of \$2,000 for the life of the well. The funds would be distributed as follows:

- \$7.5 million to the Conservation Districts
- Of the remaining amount:
 - 60% to local government
 - 36% to school districts in counties with wells
 - 37% to counties with wells
 - 27% to municipalities in counties with wells
 - 40% to statewide environmental projects
 - 80% to Commonwealth Financing Authority
 - 10% to Growing Greener Bond Fund
 - 10% to Hazardous Sites Cleanup Fund

No money goes to municipalities who ban drilling.

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