

Pennsylvania's Shale Tax: The Impact Fee

What is Act 13 of 2012?

- First comprehensive re-write of PA Oil and Gas Act in nearly 30 years
- Three major components:
 - Enhanced environmental standards
 - Setbacks, permitting standards, bonding, chemical disclosure, water protection, public notice, penalties
 - Uniformity of local ordinances
 - Imposition and distribution of Impact Fee

PA Impact Fee

- 💧 Created by Act 13 of 2012
- 💧 Imposed by counties; collected & disbursed by PA PUC
 - April 1st – fee due to PA PUC
 - July 1st – distributed to counties, municipalities and state agencies
- 💧 Paid by unconventional gas producers
 - Fee imposed per well, for 15+ years
 - 5 different fee schedules, based upon natural price index (not PA prices)
- 💧 Distributed by formula
 - Counties & municipalities where drilling activity occurs (40+ counties)
 - Statewide Environmental & Conservation Programs
 - Growing Greener, H2O, Pennvest, Marcellus Legacy Fund
 - All counties - bridge repair & recreation/conservation
- 💧 **\$2.26 Billion to date**

Impact Fee Schedule

Natural Gas Price Average

Year of Well Life

Year (Well)	\$0-2.25	\$2.26-2.99	\$3.00-4.99	\$5-5.99	\$6 or higher
1	\$43,200	\$48,700	\$54,000	\$59,400	\$64,900
2	\$32,400	\$37,800	\$43,200	\$48,700	\$59,400
3	\$27,100	\$32,400	\$32,400	\$43,200	\$54,000
4	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
5	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
6	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
7	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
8	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
9	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
10	\$10,900	\$16,200	\$21,600	\$21,600	\$21,600
11	\$5,300	\$5,300	\$10,900	\$10,900	\$10,900
12	\$5,300	\$5,300	\$10,900	\$10,900	\$10,900
13	\$5,300	\$5,300	\$10,900	\$10,900	\$10,900
14	\$5,300	\$5,300	\$10,900	\$10,900	\$10,900
15	\$5,300	\$5,300	\$10,900	\$10,900	\$10,900

Benefiting PA Communities

Impact Fee Revenues to Date

Year Distributed	Amount
2012	\$204.2 M
2013	\$202.5 M
2014	\$225.8 M
2015	\$223.5 M
2016	\$187.7 M
2017	\$173.3 M
2018	\$209.6 M
2019	\$251.8 M
2020	\$200.3 M
2021	\$146.3 M
2022	\$234.4 M
TOTAL:	\$2.26 Billion

Other Taxes & Fees Imposed on Industry

- 💧 All other PA business taxes, including:
 - Corporate Net or Personal Income Taxes
 - Sales & Use Tax
 - Liquid Fuels Tax
- 💧 Over \$4 billion since 2007 (not including Impact Fee)
- 💧 \$12,500 per drilling permit
- 💧 Other fees:
 - \$200/permit for orphan well plugging
 - \$50/permit for abandoned well plugging
 - \$50/well to PA PUC for administration

Benefiting PA Communities

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Where does the \$\$ go?

💧 “OFF THE TOP” to State Oversight Agencies

- \$7.750 Million – County Conservation Districts
- \$6 Million – PA DEP
- \$1 Million – Fish & Boat Commission
- \$1 Million – PA Public Utility Commission
- \$1 Million – PENNDOT Rail Freight Assistance
- \$750,000 – PA Emergency Management Agency
- \$750,000 – PA State Fire Commissioner

THEN...

Benefiting PA Communities

Where does the \$\$ go?

~ continued ~

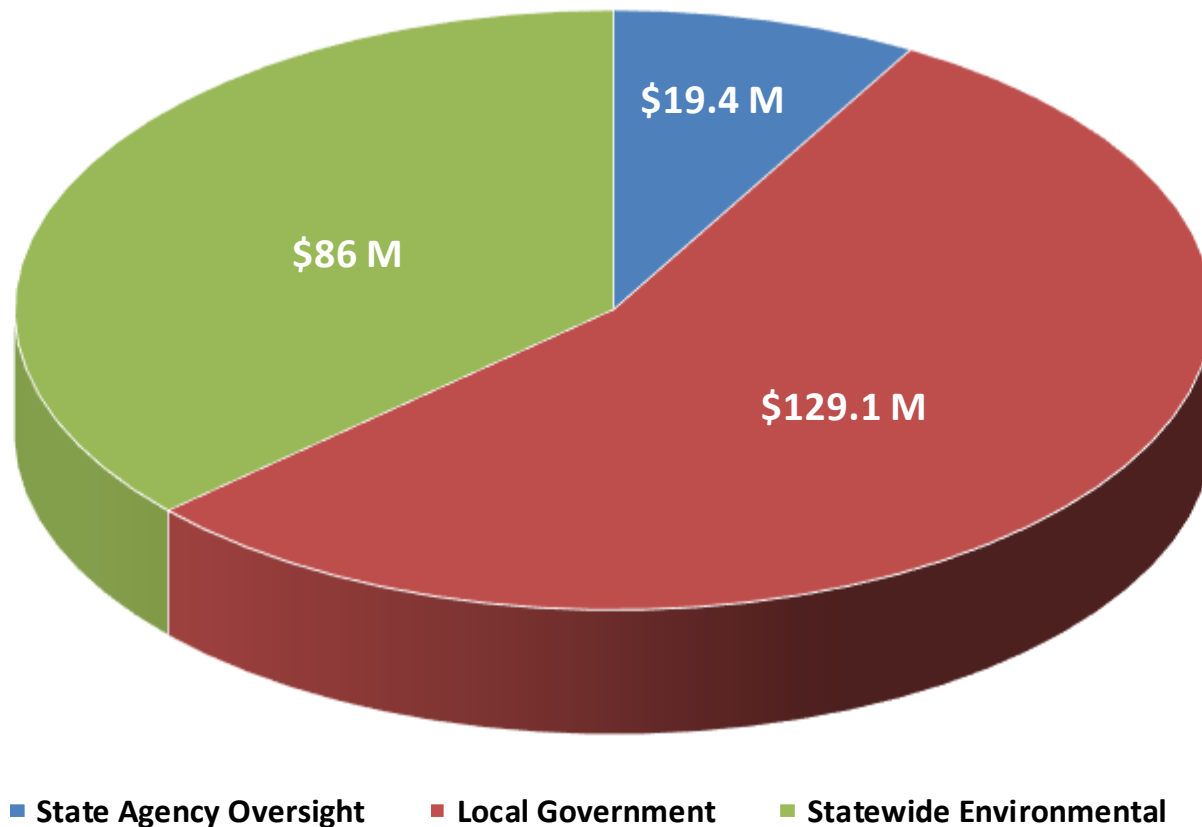
💧 60% - Host counties & municipalities

- Based upon drilling activity as determined by PA DEP
 - 36% to counties w/ producing wells
 - 37% to municipalities w/ producing wells
 - 27% to contiguous municipalities w/in counties w/ producing wells

💧 40% - Statewide programs (Marcellus Legacy Fund)

- 25% to all 67 counties for at-risk bridges
- 25% water & sewer projects (H2O & Pennvest)
- 20% Commonwealth Financing Authority (CFA) for competitive grants
- 15% to all 67 counties for recreation & greenways
- 10% to Environmental Stewardship Fund (Growing Greener) for competitive grants
- 5% to Hazardous Sites Cleanup Fund

Impact Fee Distributions - 2022



Pennsylvania's Impact Fee: *Supporting PA's Infrastructure & Environment* 2012 - 2022



Does not include formula-driven funds distributed directly to county & municipal host governments

Bringing the Impact Fee Home

Bringing the Impact Fee Home

- Program:** **Marcellus Legacy Fund**
- Agency:** Commonwealth Financing Authority
- Website:** www.dced.pa.gov (choose 'Programs & Funding', 'CFA' and 'Act 13')
- Applicants:** County, municipality, council of government, watershed organization, institution of higher education, business or non-profit
- Uses:** Abandoned mine drainage, baseline water quality, flood mitigation, greenways, trails and recreation, abandoned well plugging, sewage facility planning (Act 537), watershed restoration & protection.
- Funding/Yr:** \$15 Million from Impact Fee
\$20 Million from Oil & Gas Lease Fund

Bringing the Impact Fee Home

- Program:** **Growing Greener** (formally Environmental Stewardship Fund)
- Agency:** PA DEP, PA DCNR, PA Dept. of Agriculture
- Website:** www.dcnr.pa.gov (choose 'Grants')
www.dep.pa.gov (choose 'Citizens', 'Grants, Loans & Rebates', & 'Growing Greener')
www.agriculture.pa.gov (choose 'Plants, Land & Water' & 'Farmland Preservation')
- Applicants:** County, municipality, council of government, watershed organization, institution of higher education & non-profit
- Uses:** Abandoned mine drainage, public parks, flood mitigation, greenways, trails and recreation, open space conservation, well plugging, watershed restoration & protection, farmland preservation (PA Dept. of Agriculture).
- Funding/Yr:** \$7.7 Million from Impact Fee
\$35 Million from Landfill Fee

Bringing the Impact Fee Home

Program:	PennVEST
Agency:	PA Infrastructure Investment Authority
Website:	www.pennvest.pa.gov (choose 'Programs & Funding', 'CFA' and 'Act 13')
Applicants:	Counties, municipalities, municipal authorities & public utilities
Uses:	Public drinking water, wastewater treatment infrastructure, non-point source drinking water protection, on-lot sewage disposal
Funding/Yr:	\$9.6 Million from Impact Fee \$115 Million from federal and other state funds

Bringing the Impact Fee Home

Program:	H2O PA
Agency:	Commonwealth Financing Authority
Website:	www.dced.pa.gov (choose 'Programs & Funding', 'CFA' and 'H2O PA')
Applicants:	Counties, municipalities & municipal authorities
Uses:	Public drinking water, wastewater treatment infrastructure, flood control & high-hazard dams
Funding/Yr:	\$9.6 Million from Impact Fee

MSC Fact Sheet

Overview of Act 13 Impact Fee

www.marcelluscoalition.org

Choose “Resources” & “Fact Sheets”

PA Public Utility Commission

www.puc.state.pa.us

Choose “Natural Gas” & “Act 13
(Impact Fee)”



Pennsylvania's Impact Fee

Benefiting Communities All Across the Commonwealth



What is the Impact Fee?

In 2012, the Pennsylvania General Assembly enacted [Act 13](#), which included comprehensive and significant enhancements to Pennsylvania's environmental laws overseeing shale gas development. The Act also provided local uniformity across Pennsylvania and authorized county governments to impose an Impact Fee paid annually by unconventional natural gas producers for each well they spud, or start to drill, each calendar year.

Why is Pennsylvania's Impact Fee Unique?

Pennsylvania is the only state in the nation that levies an Impact Fee on unconventional natural gas operators.



The Pennsylvania legislature chose a unique path in assessing their version of a severance tax that allocates revenue to every county in the Commonwealth, particularly to counties and municipalities where unconventional natural gas development is occurring.

Communities are able to use Impact Fee revenues for any of the 13 [approved uses](#) outlined in Act 13. Examples include: public infrastructure improvements, emergency preparedness and response, environmental protection, social services, records management and tax reduction.



How Much Revenue Has the Impact Fee Generated for Pennsylvania Communities?

Since 2012, the Impact Fee has generated nearly \$2.3 billion in new revenue, above and beyond the \$4 billion in other tax revenues generated by oil and gas-related activities over the past decade.

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