June 13, 2023

The Honorable Matt Bradford Majority Leader PA House of Representatives 110 Main Capitol Building Harrisburg, PA 17120	The Honorable Bryan Cutler Republican Leader PA House of Representatives 423 Main Capitol Building Harrisburg, PA 17120

Dear Leader Bradford and Leader Cutler:

On behalf of the Marcellus Shale Coalition (MSC), its member companies, and the tens of thousands of employees these companies represent statewide, I write to urge your opposition to House Resolution 131. This resolution directs the Legislative Budget and Finance Committee to undertake a study on the amount of severance tax revenue the Commonwealth may have collected since passage of Act 13 of 2012.

The MSC represents the operators that drill, produce, process and transport unconventional (shale) natural gas within Pennsylvania, along with the supply chain, environmental consultants, contractors and professional service firms that work with the industry. Our producer member companies are the companies that pay Pennsylvania's version of a severance tax, the Impact Fee. To date, Pennsylvania's unconventional natural gas producers have paid over **$2.5 Billion** in new revenue from the Impact Fee. This revenue is above and beyond the billions of dollars in revenue paid by producers under every other tax imposed by the Commonwealth, including the personal income, corporate net income, capital stock and franchise (prior to phase-out), sales and use and other applicable state taxes.

Next week, many of you will be issuing press releases touting the release of the 2023 natural gas impact fee collections. We encourage this and believe it is important that Pennsylvanians understand how their communities are benefiting from the natural gas industry, beyond the positive jobs impacted by activity, significantly better air quality than a decade ago, and lower energy costs for consumers.

The Independent Fiscal Office has estimated that this year's Impact Fee amount will be approximately $270 Million, the most to date. And while amounts fluctuate annually based on market conditions, including natural gas prices, Pennsylvania's unique approach to a severance tax has provided a level of stability and predictability for the local governments, state agencies and environmental grant programs that have come to rely upon this revenue.

The very premise of HR 131, however, is to suggest that the natural gas industry – and by extension, those it employs – have not paid their "fair share," whatever that overused term has come to mean. To be clear: we believe that paying over $2.5 Billion in a new, unique tax on an industry, in addition to billions of dollars in revenue generated by paying every other tax that

Pennsylvania levies on businesses, is more than fair compared to every other business interest operating in the Commonwealth.

Indeed, our members are proud of the Impact Fee's contributions to the Commonwealth. The current Impact Fee provides funding for communities in all 67 counties, while also funding popular programs like Growing Greener, the Marcellus Legacy Fund, PennVEST and the H2O water and sewer infrastructure programs.

HR 131, however, infers that Pennsylvanians have missed out on these benefits because the Commonwealth chose a unique way of taxing the natural gas industry. In making this inference, HR 131 also misstates several key facts: the number of wells drilled annually in Pennsylvania; how the current impact fee is calculated; and how severance taxes in other states are designed.

More fundamental to our opposition, though, is the inference in HR 131 that Pennsylvania's elected officials simply look to job-creating industries as proverbial ATM machines, to be primed for as much tax revenue as possible without consideration of the competitive nature of capital, not to mention the other benefits industry activity has brought and continues to bring to the Commonwealth.

To that end, nowhere in HR 131 does it consider the other economic benefits of this industry, additional taxes paid beyond the impact fee, or the negative economic ramifications of imposing even higher taxes. Simply comparing potential revenues that may have been collected under one tax, while excluding all other static and dynamic operating costs (e.g. taxes, regulatory costs, permitting requirements, access and availability to markets, etc.) is a clear attempt to drive a misinformed and tired narrative.

We urge the House of Representatives to turn its focus to more pressing legislative priorities and avoid expending precious taxpayer dollars on a study which suggests that a key contributor to this state's tax base should be paying more. We urge you to oppose HR 131.

Sincerely,

Dave Callahan
President