



A Turn for the Worse

Sen. Mary Jo White amends Sen. Scarnati Marcellus Shale Fee Plan (SB 1100)

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This week, the Pennsylvania Senate is likely to take action on a drilling fee plan proposed by Senate President Pro Tempore Joseph Scarnati (R-Jefferson) and amended by the Senate Environmental Resources and Energy Committee on June 14. If enacted in its current form, SB 1100 would fall far short of the public's desire for a tax that makes drillers pay their fair share, protects the environment, and helps restore cuts to health care, education and children's services.

SB 1100, as amended, would assess a fee on wells for the first 10 years of production. No revenue would be generated for fully three-quarters of a well's productive life. This approach differs significantly from all other Marcellus proposals, including Senator Scarnati's original bill.

The effective tax rate (ETR) under this plan is only 1%, far less than Senator Scarnati's original proposal, which had an ETR of 3.1%, or legislation sponsored by Representative Marguerite Quinn (R-Bucks), HB 1700, with an ETR of 4.4%.

This 10-year fee structure may create an incentive for communities to accept more new wells in order to ensure a continuous revenue stream.

Like the original bill, no share of the fee proceeds would be used for shared statewide priorities such as education, health care, and human services.

Sixty percent of the revenue from the bill would go to local governments: 36% to counties with active wells, 37% to municipalities with active wells, and 27% to municipalities in drilling counties with no active wells. Municipalities with no drilling, and no drilling impacts, would still receive an annual check.

A municipality must agree to adopt a state "model" zoning ordinance as a condition for receiving drilling fee funds.

Forty percent of funds in SB 1100 would go to "statewide impacts". Of that, 60% is allocated to the Commonwealth Finance Agency for grants for water and sewer projects, plugging abandoned wells, acid mine drainage, and other environmental initiatives. Twenty percent would go to the Motor License Fund and 20% to the Hazardous Sites Cleanup fund, which is due to run out of funds in 2014.

No funds are available to support Growing Greener, parks, greenways, farmland or forest preservation.

In a recent Quinnipiac poll, 69% of Pennsylvanians supported a tax on gas drilling. The same poll showed the public opposed to Governor Corbett's planned cuts and his handling of the state budget.

A drilling tax should protect the environment, help local governments pay for drilling-related costs and, like other tax streams, support health, education and human services statewide. SB 1100 falls far from accomplishing those objectives.