

COMMONWEALTH OF PENNSYLVANIA

HOUSE OF REPRESENTATIVES

FINANCE COMMITTEE

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PUBLIC HEARING IN RE: HOUSE BILL 2443

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BEFORE: DAVID LEVDANSKY, Chairman
Mario Scavello, Jenny Stratton, Michael Peifer, Bob
Kassoway,
Members

John Siptroth, also present

HEARING: Thursday, May 13, 2010
Commencing at 2:00 p.m.

LOCATION: Shawnee Inn
One River Road
Shawnee on the Delaware, PA 18301

WITNESSES: Craig Todd, Susan Beecher, Mark Smith, Theresa
Merli, James Decker, David Masur, Drew Gilchrist, Ellie Hyde,
Mike Grossman,

Reporter: Kenneth D. O'Hearn

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P R O C E E D I N G S

CHAIRMAN:

Good afternoon. I don't think I need this, John. If you can't hear me, tell me. My name is David Levdansky. I'm the state representative from the 39th legislative district. That's a far piece from here; it's about 364 miles from my legislative district to here, believe it or not. I'm from Allegheny and Washington Counties, but I'm also Chairman of the House Finance Committee.

And to that extent, I've been conducting hearings with the Committee across Pennsylvania this week to gather input, public input and testimony in response to House Bill 2443 which I have introduced. This legislation would put in place an excise tax, a severance tax on the extraction of the Marcellus Gas from Pennsylvania. Not only does my legislation call for the imposition of a tax of about 25 cents per MCF, but as importantly, and I think to a lot of people maybe even more importantly, it provides for distribution of those funds.

This Marcellus play as they call it in the industry, this is projected to be the second largest natural gas field in the world. In the world. It will be used over the next three decades. This gas will power industry and commerce and business, not just in Pennsylvania, but the

1 entire Northeast Corridor of the United States will be powered
2 by our gas over the next three decades. That is very
3 substantial.

4 But I want to make sure that the
5 extraction of this resource benefits all Pennsylvanians
6 because, as I mentioned, it's a large play that will be used
7 to power the needs of the entire Northeast Corridor. The
8 drilling is being conducted by large companies, large
9 multinational oil and gas interests. So I want to make sure
10 that as the gas flows out of Pennsylvania and the profit flows
11 into the corporate coffers of these large companies, I want to
12 make sure that Pennsylvanians and our communities share in the
13 wealth that's being created by the development and extraction
14 of this natural gas resource that we have here bountifully
15 placed in Pennsylvania.

16 So House Bill 2443 lays out both the
17 revenue collection side of it and as importantly, the
18 distribution of the tax proceeds as well. So we're here to
19 gain public comment and your input on that legislation. So
20 before we get started with the testimony today, let me --- I
21 don't need to introduce him, he's your State Representative
22 John Siptroth for some remarks. John?

23 REPRESENTATIVE SIPTROTH:

24 First of all, I'd like to thank
25 everyone for being here today, and thank those that are going

1 to testify regarding the bill that Representative Levdansky
2 has just given you a slight overview. I want to thank Charlie
3 Kirkwood and the staff of Shawnee, Rob Howell and the entire
4 staff for putting this together with very short notice. And I
5 think it's a topic, as the Chairman has just described, that
6 is of most importance to each and every one of us, and
7 especially the distribution of dollars that will be
8 forthcoming if in fact legislation is enacted on the
9 extraction tax so that all of the respondent organizations,
10 such as your counties and the municipalities, the conservation
11 districts, can be funded to an extent through this extraction
12 tax. So I want to thank Chairman Levdansky and also the
13 members and the staff of the capital group for being here
14 today as well. And in saying that, I'll turn it back over to
15 Mr. Chairman, and you may conduct the meeting. Thank you.

16 CHAIRMAN:

17 Thank you, John. And also, two other
18 members of the House Finance Committee, and while we're not in
19 your district, we're close by.

20 REPRESENTATIVE SCAVELLO:

21 You can throw a stone there.

22 CHAIRMAN:

23 Representative Mario Scavello and
24 Representative Mike Peifer, you would both have a few remarks
25 as well. Mario?

1 REPRESENTATIVE SCAVELLO:

2 Thank you, Mr. Chairman. And it's a
3 pleasure to be here. I looked over the introductions here,
4 the folks that are on the agenda, and I would have loved to
5 have seen someone from one of the gas companies here because
6 although this is on extraction, it shouldn't be just on the
7 severance tax. Because my concern is also these employees
8 that are out there living in hotels should be paying the \$52
9 local tax, that the municipalities don't lose out on that
10 revenue as well. And the other thing is to see exactly what
11 state taxes they are paying. Are they paying the PIT or what
12 other taxes? So I think at some point, Mr. Chairman, we
13 should get them on board and see what taxes are being paid by
14 these folks working in our counties and our townships and
15 making sure that our townships are being --- those taxes are
16 collected properly. Thank you.

17 CHAIRMAN:

18 Mike?

19 REPRESENTATIVE PEIFER:

20 Thank you, Mr. Chairman. First of
21 all, I'd just like to say my name is Mike Peifer, I represent
22 the 139th District, which is Wayne, Pike and Monroe Counties,
23 three counties. I'd like to thank the Chairman for being
24 here. Anytime someone from Allegheny County with clout and
25 seniority from Harrisburg comes to our district here in

1 beautiful Poconos, we feel very fortunate. And he's a good
2 person and we're very fortunate that he came here to make this
3 trip.

4 I will tell you that my district is very
5 interesting. It comes all the way down to Praise Township,
6 which many of you are aware of, the southern tip. But the
7 northern tip goes all the way up to Damascus Township along
8 this river. And I probably could've made better time this
9 morning coming down the river than traveling the roads. So I
10 welcome Mr. Levdansky, and I'm interested to hear what
11 everyone has to say. Thank you.

12 CHAIRMAN:

13 Well Mike, if I stay another day
14 maybe you and I could get a raft, we could fish the river.

15 REPRESENTATIVE PEIFER:

16 It's a good time to get lost.

17 REPRESENTATIVE SCAVELLO:

18 Why didn't you take the state
19 helicopter like the Chairman did?

20 CHAIRMAN:

21 No. Before I call the first panel to
22 testify, Representative Scavello, let me just respond to your
23 one request. I have invited the industry to testify at these
24 hearings. I invited them on Tuesday in Indiana and a
25 representative from EQT, that's a gas company based out of

1 Pittsburgh, they testified on Tuesday in Indiana. We couldn't
2 find anybody from the industry to testify yesterday in
3 Williamsport, we couldn't find anybody from the industry that
4 wanted to testify today. Next week I'm going to be in
5 Washington County. I had my staff already make calls to them,
6 and I don't know, they're all busy doing something else next
7 week, too. I'm wondering whether or not they want to testify
8 or not. I've done everything I can. I can't subpoena them to
9 come testify, but they have an open invitation to do that.
10 Because like yourself, I would be interested to get their
11 input.

12 But just real quickly let me address the
13 issue relative to business taxes and what these companies pay.
14 Last year two thirds of the approximately 700 or so wells that
15 were drilled in Pennsylvania into the Marcellus Shale, over
16 two thirds of those wells were drilled by companies that do
17 not pay the corporate net income tax. And they don't because
18 they're registered as LLCs, limited liability corporations.
19 And any company that's registered as an LLC or PC or a
20 Subchapter S, they don't pay corporate net income taxes. They
21 pay the personal income tax just like we all do of 3.07. So
22 that's just reality. I mean that's the way our tax code is.
23 So most of these --- as a matter of fact, a company like EQT
24 we found out at the testimony on Tuesday, they do pay the
25 corporate net income tax. And yet, they're supportive of a

1 severance tax. But don't forget that most of this drilling
2 that's being done are by companies that are not paying the
3 corporate net income tax in Pennsylvania.

4 But anyhow, with that let's get started
5 with the agenda. I'd first like to call to testify Mr. Craig
6 Todd, the manager of the Monroe County Conservation District,
7 and Susan Beecher, the executive director of the Pike County
8 Conservation District. If the two of you could come forward?
9 I think probably the best place would be to sit over there, I
10 presume. And also just for the information of the audience,
11 we have some handouts, copies of the bill, the bill analysis
12 and some other pieces of information. Feel free to help
13 yourself.

14 MR. TODD:

15 Thank you. I'll read my testimony,
16 and obviously, I'll be happy to answer any questions that you
17 might have. Funding for districts is a rather complicated
18 discussion, and I've tried to cover it, but again, I'm happy
19 to answer any question. And I'll answer questions also for
20 Susan. I'm kidding.

21 My name is Craig Todd and I'm the district
22 manager of the Monroe County Conservation District. I've been
23 an employee of the district for 28 years. I'd like to thank
24 the Budget and Finance Committee for traveling to Monroe
25 County so that we can discuss the need for a severance tax on

1 natural gas extraction as well as a percentage allocation of
2 the tax to county conservation districts.

3 While the development of the Marcellus
4 Shale gas resource presents tremendous economic opportunities
5 to our region, there's a corresponding potential of equal
6 magnitude for short and long term degradation of our high
7 value natural resources. These resources have and must
8 continue to function and maintain our quality of life and our
9 economies.

10 The rapid emergence of leasing and
11 drilling activities has found us ill prepared to deal with its
12 associated regulatory, social and environmental impacts.
13 State regulations enacted in the 1980s are woefully inadequate
14 to deal with more recent technologies that have allowed
15 exploration in the Marcellus Shale to occur. We are playing
16 catch up for many of the associated activities including
17 drilling and fracking, water consumption, waste storage and
18 treatment, air quality, groundwater contamination and
19 hazardous materials handling, not to mention impacts to our
20 landscapes, roads and communities. Many of the recent
21 problems are the direct result of an inadequate federal, state
22 and local regulatory framework. It will take an enormous
23 commitment of time and money to position ourselves so that we
24 can responsibly benefit in a sustainable way from the
25 development of Marcellus Shale. I'd be happy to discuss how

1 conservation districts could be involved in that after my
2 testimony if you'd be interested.

3 County conservation districts are an
4 important part of our communities' and regions' conservation
5 infrastructure. Conservation districts are subdivisions of
6 state government created by the Soil Conservation District Act
7 of 1945. Because the state's 66 conservation districts are
8 governed by local boards and staffed by local professionals,
9 we can craft our programs to address local conservation issues
10 and needs. Monroe County has an abundance of the state's most
11 valuable wetland resources; a part of the county has been
12 designated by The Nature Conservancy as one of the last 40
13 great places on the planet in need of protection. We have the
14 last free flowing river in the east, and it forms our eastern
15 border. Our water resources are special protection and we
16 have consistently been one of the fastest growing counties in
17 the state.

18 In response to this, the Monroe County
19 Conservation District's 17 employees include two wetland
20 biologists, an agricultural conservation technician, a
21 watershed specialist, a PA licensed professional engineer,
22 three erosion control technicians and five environmental
23 educators. Our programs include Level III state delegated
24 erosion control and NPDES permitting programs, general
25 permitting under Chapter 105, the Dam Safety and Encroachments

1 Act, Act 167 stormwater management planning, floodplain
2 monitoring through contracts with DCED, conservation planning
3 on our agricultural lands, we administer the dirt and gravel
4 road program and participate with the Monroe County Planning
5 Commission in the countywide water quality monitoring program.
6 We also have an environmental education center that sees
7 25,000 students a year.

8 Programs developed in response to local
9 and regional resource needs are typical of county conservation
10 districts statewide. We are not just a good idea because we
11 can't tax. Our programs are the hub of any community's
12 conservation efforts, achieved through an interagency
13 coordination, outreach, consensus, science and collaboration.
14 The necessary integrated approach to conservation cannot be
15 accomplished without strong local conservation district
16 programs.

17 Districts have become very adept at
18 funding their programs. Contracts, fees, grants, County
19 Commissioner support, cost sharing, agreements and
20 historically tenuous state funding provide revenues. We have
21 gotten good at marching on an empty stomach. As programs and
22 reliance on those programs has exponentially increased, state
23 support has decreased. State funding originates from the
24 budgets of the Pennsylvania Department of Agriculture and the
25 Department of Environmental Protection. Conservation

1 districts have never had a dedicated source of funding.
2 Allocations to conservation districts in 1999 were not
3 adequate and did not meet the 50 percent cost share commitment
4 for specific positions and core programs. Proposed funding
5 for conservation district programs for fiscal year 2010 and
6 2011 are at 1999 levels. Monroe County Conservation District
7 50 percent core program costs for fiscal year 2009/2010 are
8 \$126,000, and they're met with a state allocation of \$47,340.
9 We receive no allocation for our Chapter 105 delegation or our
10 engineering delegation for NPDES stormwater discharges from
11 construction sites. And I might add that we recently entered
12 into that delegation agreement at a cost of over \$100,000 a
13 year, and that is purely an effort on the part of the Monroe
14 County Conservation District with an assist by the County
15 Commissioners to expedite the NPDES permit for stormwater
16 discharges. Those costs associated with these delegations are
17 not included in the \$126,000 figure. And just for reference,
18 the district's current budget for this fiscal year is \$1.3
19 million.

20 At this point, House Bill 2443 is the only
21 bill that dedicates three percent of the revenues to the
22 conservation district fund, which is administered by the State
23 Conservation Commission. As stated, I believe that all
24 districts should benefit from this dedicated funding. On a
25 personal level, I would be embarrassed to receive the same

1 funding from this source as the Bradford County Conservation
2 District or the Susquehanna County Conservation District, and
3 they are Marcellus County. And I talk to those managers quite
4 frequently and I understand what they're going through.
5 Allocations would be determined by the State Conservation
6 Commission. Without knowing what form a final bill will take,
7 we strongly urge that a minimum dedicated three percent be
8 retained and that the revenues from this tax not be deposited
9 into the general fund.

10 We are extremely grateful to you for
11 including dedicated funding to conservation districts in this
12 proposal. Having been a district manager for 25 years, this
13 has been an issue and need that has repeatedly been discussed.
14 I know that district programs are being cut, layoffs are being
15 considered and the conservation infrastructure, for which both
16 the public and private sectors rely on, now more than ever, is
17 at a critical juncture. An unprecedented opportunity exists
18 to ensure that conservation district programs endure and
19 strengthen in response to the challenges presented by not only
20 natural gas exploration and extraction, but future land
21 development and the consumptive use of our state's natural
22 resources.

23 MS. BEECHER:

24 My name is Susan Beecher. I'm the
25 executive director of the Pike County Conservation District

1 and I've been employed with the district for over 21 years.
2 The district thanks the House Finance Committee for holding
3 this hearing in our region. This is really unprecedented for
4 Craig and I not to have to travel some distance to get to
5 these hearings, and I really appreciate your bringing the
6 Committee here to hear us today. We also appreciated the
7 opportunity to comment on House Bill 2443. And I'd like to
8 thank Pike County State Representatives, particularly John
9 Siptroth and Mike Peifer, for their interest in gas drilling
10 issues in general. We really appreciate that.

11 First I'd like to give you a brief summary
12 of what we do in Pike County. Some of this will be repetitive
13 to what Craig just said, but I just wanted to give you an idea
14 of the breadth of conservation district programs. For some
15 time Pike has held the distinction of being the most rapidly
16 developing county in the Commonwealth, and it's also been
17 listed among the top 100 most rapidly developing counties in
18 the nation. This development is taking place almost entirely
19 within watersheds that are classified by the Commonwealth as
20 high quality or exceptional value special protection waters.

21 While the growth pressures present
22 significant challenges to maintaining Pike County's water
23 resources, our conservation district, our county and municipal
24 government and our residents recognize the importance of clean
25 and plentiful water to our quality of life, the regional

1 economy, healthy, functioning ecosystems and human health.
2 The conservation district is firmly committed to maintaining
3 the quality and quantity of Pike County's water resources, and
4 this commitment is reflected in many of the state programs
5 that we administer locally. I've listed a few of them there.
6 Many of them are similar to what Craig discussed.

7 We administer the Chapter 102 regulations,
8 the erosion sediment control program, NPDES stormwater permits
9 for land development projects, and we are also a stormwater
10 --- post-construction stormwater delegated district. We've
11 hired an engineer to help administer that program and are
12 pretty much doing all of the NPDES permit work for projects in
13 our county. We administer the water waste management
14 permitting program, Act 167 stormwater management planning and
15 the dirt and gravel road maintenance grants to municipalities.

16 We also have locally supported countywide
17 surface water quality monitoring and groundwater monitoring
18 programs and a very active conservation education program. We
19 work closely with our County Commissioners and our county
20 planning office on various land and water conservation efforts
21 and municipal planning initiatives focusing on natural
22 resource conservation. We accomplish all of this with a
23 combination of funding from state, the conservation district
24 fund allocation program, county government funding, service
25 fees and grants. And as many of you know, conservation

1 districts statewide are inadequately reimbursed for the costs
2 of administering state programs.

3 The 2005 Legislative Budget and Finance
4 Committee report on the operation and structure of county
5 conservation districts found that state funding is not meeting
6 the established goal of providing 50 percent cost share of
7 salary and related costs for key staff. In 2010, the
8 percentage of the Pike County costs for qualifying positions
9 covered by the Conservation District Fund Allocation Program
10 was 22 percent versus the 50 percent goal. The professional
11 engineer position, as I mentioned, was created this past year
12 to administer DEP's NPDES stormwater program, this receives no
13 state dollars and is funded entirely by the county.

14 In addition, Pike County Conservation
15 District is among a dwindling number of districts statewide
16 administering the Chapter 105 water waste management program,
17 which would otherwise fall under the jurisdiction of an
18 increasingly understaffed DEP regional office. The district
19 receives no state funding for this program, but considers it
20 to be an important service that we provide to residents of
21 Pike County.

22 Believe it or not, I'm not here to
23 complain about the lack of state funding for the state
24 environmental programs that we administer, although I do admit
25 that I've been known to do that on occasion. But I'm trying

1 to impress upon the Committee how important conservation
2 districts can be in effectively and efficiently delivering
3 environmental programs and services at the local level with
4 significant benefits to both the Commonwealth and the counties
5 in which we work.

6 Pike County Conservation District has been
7 tracking with great interest the growth of the natural gas
8 industry in Pennsylvania, and in particular, the industry's
9 drilling activities in the Marcellus Shale. Although there
10 are currently no active well drilling sites in Pike County,
11 there are a number of properties under lease. There's also a
12 significant lease activity in neighboring Wayne County which
13 because we share watersheds, has a potential to impact Pike
14 County's water resources. Traffic and road impacts and
15 infrastructure impacts will also be likely to be shared across
16 county boundaries. As just one example of this, our
17 conservation district is currently reviewing plans for two
18 major expansions of Tennessee gas pipeline which are being
19 done directly to support the increased demand from Marcellus
20 Shale drilling.

21 In addition, approximately one third of
22 the land area in Pike County is in state or federal
23 jurisdiction, so we're very concerned with the prospect of
24 additional gas leasing on state lands. We've supported House
25 Bill 2235, which would impose a moratorium on the leasing of

1 state forest land for gas drilling while the environmental
2 implications are studied. And we appreciate the support of
3 our local state representatives for this legislation.

4 Pike County Conservation District supports
5 the adoption of a natural gas severance tax in Pennsylvania.
6 We recognize the economic and energy development opportunities
7 afforded by the Marcellus Shale, but we also urge our state
8 government to acknowledge the risks to land, water and
9 wildlife resources that are so important to Pennsylvania and
10 to protect Pennsylvania taxpayers from shouldering the public
11 costs that come with drilling. The severance tax is a well
12 tested mechanism in many other natural gas producing states
13 where the revenues are used for a number of different
14 purposes, including environmental monitoring, public education
15 and reinvestment for future environmental needs.

16 The conservation district believes a
17 similar approach should be taken in Pennsylvania, and we
18 support the revenue distribution concept presented in House
19 Bill 2443 including a percentage to the conservation district
20 fund for distribution to county conservation districts
21 pursuant to guidelines established by the State Conservation
22 Commission. I would be remiss if I didn't suggest that sum a
23 higher percentage. We are suggesting five percent to better
24 address the growing financial challenges being faced by
25 conservation districts statewide.

1 In addition to dedicated funding for the
2 conservation district fund, we also endorse the allocations of
3 the severance tax revenues for other important and
4 historically undefended environmental programs such as the
5 Environmental Stewardship Fund, PA Fish and Boat Commission
6 and the PA Game Commission. We support the local government
7 services fund to assist county and municipal governments not
8 only in those counties where gas drilling is occurring, but
9 also in adjacent counties and municipalities which will
10 experience indirect impacts related to traffic and road use,
11 shared emergency services, construction of distribution lines
12 and other gas drilling related infrastructure, water
13 withdrawals, wastewater disposal and spills or groundwater
14 contamination.

15 There is an additional opportunity
16 presented by this legislation that Pike County Conservation
17 District would like the Committee to consider. As many of you
18 know, the conservation districts and DEP have a long history
19 of cooperation and partnership in meeting shared missions of
20 environmental protection. For many years DEP has looked to
21 conservation districts to assume additional responsibilities
22 for delivering state programs at the local level, and
23 districts have consistently risen to that challenge.

24 In 2009, DEP transferred all Chapter 102
25 and Chapter 105 responsibilities related to oil and gas

1 activities from conservation districts to DEP regional oil and
2 gas program offices. Prior to this action, conservation
3 districts provided detailed reviews of erosion sediment
4 control plans, administered erosion control permits, provided
5 assistance with waterways permitting, responded to citizen
6 complaints and conducted inspections of earth disturbance
7 activities related to gas drilling. Removing this
8 responsibility from the district left a void in environmental
9 reviews and resource protection that still exists today.

10 The move was widely criticized by
11 conservation districts, County Commissioners and conservation
12 organizations statewide. Even with additional DEP staff that
13 have been hired and discussions of a northeast regional oil
14 and gas office, we cannot expect and are not getting delivery
15 of the same level of service and natural resource protection
16 that trained, experienced and locally knowledgeable
17 conservation district staff provide.

18 We ask that you consider adding a
19 provision in this legislation to reinstate Chapter 102 and 105
20 responsibilities for oil and gas activities for those
21 conservation districts that have the staff and resources to
22 perform these duties and we would be happy to work with you to
23 make this happen. Thank you again for holding this hearing
24 and for considering Pike County Conservation District's
25 testimony on this important legislation.

1 CHAIRMAN:

2 Thank you both for your testimony.

3 Do we have any questions from members?

4 REPRESENTATIVE SIPTROTH:

5 Just in regards, Susan, to the
6 request for additional support, five percent, would you
7 suggest where we might cut that other two percent from?

8 MS. BEECHER:

9 I knew you were going to ask that
10 question.

11 REPRESENTATIVE SIPTROTH:

12 Of the request of the additional two
13 percent in --- Representative Levdanksy's bill has a three
14 percent allocation going to county conservation districts'
15 pool of money, would you suggest that we take an additional
16 two percent out of what particular line item?

17 MS. BEECHER:

18 I would suggest, number one, 45
19 percent to the general fund.

20 REPRESENTATIVE SIPTROTH:

21 Thank you very much for your
22 testimony.

23 CHAIRMAN:

24 Representative Siptroth? I'm sorry.

25 REPRESENTATIVE SCAVELLO:

1 It concerns me what you had asked
2 for, in the legislation to have 102 and 105 added into this
3 legislation. Unfortunately, we can't do it. The bills, they
4 don't have anything to do with each other, it would have to be
5 a separate bill. But I would not have a problem supporting
6 it. I think it's something you guys do a tremendous job of
7 locally. You're there on the spot when something happens
8 rather waiting for somebody to come from another county to
9 make sure that they're there, and I just don't understand what
10 the secretary was thinking about when he took that
11 responsibility away from the conservations districts. And
12 hopefully we can get some legislators on board to support that
13 because I think it's something that needs to be done.

14 I did a little quick math. It's about
15 \$4.5 million, that three percent, that's what we'd generate.
16 And I guess it would get divided up by 66 counties. I don't
17 have a problem not giving anything to Philadelphia, so we can
18 take them out. But anything that we can do that can be done,
19 we'll definitely try to help out.

20 MR. PEIFER:

21 One of the greatest challenges that
22 we have is the distribution of monies is Harrisburg. And that
23 is such a great challenge for the four of us here, especially
24 the three of us from the Pocono region. You can take the
25 three counties that I represent, and you've got six state

1 representatives, it just happens to be three republicans and
2 three democrats. So it's really not that political issue, but
3 right across the aisle from 30 votes from Philadelphia.

4 So it all comes down to this distribution,
5 and Chairman has worked pretty hard at a distribution formula
6 that's pretty fair to us. And when we talked to him and he
7 asked us questions on what we could support, I can tell you
8 that I've always said I'm in play here, but we've got to work
9 on this distribution formula because some of it's got to stay
10 locally. And that's where the big factors that come into
11 these votes. Not so much the tax, it's how much you're going
12 to keep here locally for those roads in Damascus and the
13 infrastructure in Damascus, for those counties that are really
14 going to incur some of those costs. So we're going to hear
15 from the Bradford County Commissioner next, and I'm kind of
16 interested to hear what he has to say. But really the
17 challenge we have in Harrisburg is the distribution of funding
18 formulas.

19 CHAIRMAN:

20 Thank you. Just I have one question.
21 Can you hear me? I hate using a microphone. First off, let
22 me say this, I have been a legislator for 25 years, but I come
23 from Allegheny County and we don't have --- we have a
24 conservation district, but to be honest with you, it's not as
25 visible. I've become educated this week and today amongst

1 each of the three days and the testimony that you've given
2 relative to enlightening me and the public as to the important
3 work the conservation districts actually do across the state.
4 And when I began working on this legislation about a year or
5 so ago, I didn't have any funding in it for conservation
6 districts, but I heard from a number of members that expressed
7 an interest in it and so it's largely because of their
8 interest. But I can tell you now that it's a personal
9 interest for me now as well.

10 I really am impressed with the breadth of
11 conservation work that the conservation districts do. And I
12 also recognize and I think it's important that you have local
13 people involved in conservation because, frankly, I don't
14 always trust the Department of Environmental Protection. I
15 don't. I think it's better to have your own people on the
16 ground to take enforcement action because you know the land
17 and the water and the groundwater and the aquifers and the
18 streams and the creeks. And you know that all better than
19 anybody else. So I really am impressed.

20 Now I just want to follow up on point
21 though. What you're both suggesting in terms of the funding
22 is that we take this percentage, whether it's three or four or
23 five, and that we allocate to the State Conservation
24 Commission and then let it make the decision as to how much of
25 that funds ought to be allocated to each of the county

1 conservation districts across the state; correct?

2 MS. BEECHER:

3 Yes.

4 MR. TODD:

5 Correct.

6 CHAIRMAN:

7 Now understand that if we do that,
8 that gives the discretion to the State Conservation Commission
9 to decide well, you know, this county over here doesn't have
10 any drilling going on, but there's some particularly unique
11 things that are happening, or some conservation challenges,
12 and they don't have the funding to do it and they might want
13 to give them some. Would that be okay?

14 MR. TODD:

15 Absolutely.

16 MS. BEECHER:

17 Yes. Just there's a pretty good
18 process in place right now on the part of the State
19 Conservation Commission for deciding how funds get allocated.
20 There's a district managers advisory committee that meets
21 quarterly to talk about those kinds of issues, and I think the
22 State conservation Commission has historically been very good
23 about getting input from districts on how to allocate funds.
24 So I have every --- I'm confident in the State Conservation
25 Commission's ability to do that with input from districts.

1 MR. TODD:

2 Yeah, I agree with that. And I'd
3 just like to add that another benefit of having conservation
4 districts more intimately involved in this is that they can
5 also react to industry requests for technical assistance also.
6 One of the best ways to avoid noncompliance/degradation is by
7 having someone local who you can contact and say can you get
8 out here or we have a problem or we're thinking about doing
9 something this way. And part of the program has been
10 functionally eliminated by this transfer of responsibilities
11 from districts to the Department.

12 The other point I want to make is that the
13 dollars that we receive are leveraged tremendously. The
14 Department and the state get a tremendous value out of
15 conservation districts. As I said, we can't tax. It was
16 supposed to be a joke in my testimony. That's why a lot of
17 people like us. But we're very good at stretching a dollar
18 and finding ways to accomplish things even when funding's been
19 reduced.

20 CHAIRMAN:

21 I asked that question because there
22 are some that feel as though that any money that's derived
23 from a severance tax ought to be allocated to conservation
24 districts. Some are making the argument that it should only
25 go to those conservation districts where Marcellus drilling is

1 occurring. That none of it should be allocated anywhere else.
2 You're saying let that decision as to how and where to
3 allocate, let that up to the State Conservation Commission.

4 MR. TODD:

5 Right.

6 CHAIRMAN:

7 Okay. I just wanted to get that on
8 the record. One final thing, you know the Chapter 102 and the
9 Chapter 105 responsibilities that were taken away from the
10 County Conservation Commissions and placed under the Oil and
11 Gas Bureau within DEP, while the secretary isn't here,
12 Secretary Hanger isn't here. If he was I'd like to ask him,
13 but I don't think that just happened for no good reason at
14 all. There was a reason for that. I think it was deliberate.
15 I think it was very well knowing that we're going to take
16 control of this program away from local conservation staff and
17 put it somewhere else where they don't have the experience or
18 they haven't had the track record. And frankly, I think it
19 was made because the industry's looking for simplicity. Well
20 we have to get a permit from DEP to drill this hole; we just
21 want to deal with one agency for everything. Their mentality
22 is it's just better to deal with that one agency for all the
23 permit agencies. So that's why that was changed. I don't
24 disagree with your position though.

25 And as Representative Scavello mentioned,

1 we can't --- it's not germane, such an amendment would not be
2 germane to this bill. But when this issue was raised
3 yesterday, it prompted me to start thinking that maybe we need
4 to change this administrative directive, because this
5 jurisdictional change didn't occur because of a regulatory
6 change or because of a legislative change. It happened
7 through an administrative change. And so I'd like to follow
8 up maybe with your delegation here to see maybe what we need
9 to do legislatively, what part of what law we would have to
10 change to make it clear that the responsibility of these two
11 programs should stay with county conservation districts.

12 MS. BEECHER:

13 And we would love to work with you on
14 that.

15 MR. TODD:

16 Yes. And I think all they would need
17 to do is rescind the transfer. It was done by a memo out of
18 the blue and it could be done by a memo on a Friday afternoon.
19 We'd be happy to work with you on it.

20 CHAIRMAN:

21 I think I found a good reason to come
22 back up here and learn more about what's going on in the
23 conversation.

24 REPRESENTATIVE SCAVELLO:

25 How about drafting a letter to the

1 secretary with all the signatures on it, and if he doesn't do
2 that then we come and we can legislate it.

3 CHAIRMAN:

4 We should certainly follow up on it.
5 And I look forward to working in a bipartisan fashion to do
6 that.

7 MR. TODD:

8 Thank you.

9 MS. BEECHER:

10 Thank you.

11 CHAIRMAN:

12 Anyhow, thank you so much for your
13 testimony and your insight.

14 MS. BEECHER:

15 Thank you.

16 MR. TODD:

17 Thank you.

18 CHAIRMAN:

19 Next we're going to have a panel of
20 local government people. Mark Smith is the chairman of the
21 Bradford County Board of Commissioners. Theresa Merli is
22 Commissioner from Monroe County. And James Decker is a
23 township supervisor from Monroe County here as well. If the
24 three of you would come up front, please? And make sure you
25 use the microphone and identify yourselves.

1 MR. SMITH:

2 Well good afternoon. My name's Mark
3 Smith, I'm the chairman of the Bradford County Commissioners,
4 as he said, and I appreciate you guys having this opportunity
5 for us and I'm glad to be here on behalf of the County
6 Commissioners Association.

7 Just to give you a little background
8 on Bradford County, we're located northwest of here and it's
9 home to about 63,000 people. And of course, as you all know,
10 natural gas is a huge deal for us up there. In 2009 we had
11 over 10,000 gas and oil leases filed in our registrar and
12 recorder's office. According to DEP, the number of drilling
13 permits issued in the county for 2008 was 63, and 23 of those
14 were drilled. There were 430 permits issued and 113 of those
15 were drilled in 2009. And in 2010 there have been 264
16 permitted. In total there are over 700 outstanding drilling
17 permits waiting to be drilled in Bradford County and every day
18 we receive more notifications coming across our desk.

19 The factors of acreage, open space,
20 pipeline, proximity to local market places make our county an
21 attractive place for natural gas extraction. Multibillion
22 dollar multinational companies are having a significant impact
23 on several counties, including ours. Our response as County
24 Commissioners has been to educate ourselves and our residents
25 about what this development means for us across the

1 Commonwealth. Local government officials have formed task
2 forces to aid in assessing and meeting the challenges the
3 industry is bringing to our counties. Some, including myself,
4 have traveled to places like Texas where gas extraction has
5 occurred to gain a better understanding of what is happening.

6 CCAP formed a natural gas task force for
7 commissioners to work on the issue, and our board has been
8 working closely with PSATS to obtain a local share of any tax
9 that is implemented.

10 The impact on counties, common sense
11 dictates that increased economic development, population and
12 growth will come with increased impacts on social, economic,
13 environmental and transportation infrastructures. It is well
14 realized that economic development is taking place in many
15 sectors of our county's economy. Business and job growth is
16 occurring in relation to this industry. Certain companies
17 have moved into our county bringing jobs and a boost to local
18 hotels, motels and restaurants.

19 However, the changing economy and influx
20 of money is not funding local governments. As you know,
21 counties and townships across the state are held to budgets
22 based on property taxes. More people, more equipment, heavy
23 truck traffic, 24 hour a day operations are stretching the
24 viability of local and state government entities, especially
25 in our county. There are many facets of local government that

1 the natural gas industry affects, and I'd like to share a few
2 of those with you today.

3 In human services, especially right now in
4 our county, homelessness is becoming a serious issue. The
5 rents have tripled as it is more profitable to rent to gas
6 company workers. There are many instances in which local
7 renters are forced out because they cannot afford higher
8 rents. This leaves people in dire situations, so dire in fact
9 some parents have even voluntarily given up their children to
10 our children and youth services because they could not put a
11 roof over their heads. We don't find these situations
12 acceptable. Resources are needed to deal with it.

13 Counties have received state cuts and
14 other important programs such as drug and alcohol and mental
15 health services that will be affected by more growth. Current
16 social services budget cuts from the state to counties make it
17 difficult to comprehend how local taxpayers can afford to
18 absorb any more added burden beyond our already stressed
19 situation.

20 Emergency services in our county have
21 become a pressing issue, especially with increase in traffic
22 accidents and accidents on drilling sites. Our 911
23 communications center is experiencing a substantial increase
24 in calls and having to adapt to situations they have never
25 dealt with. For example, since 2007 we have seen our 911

1 emergency calls rise by the thousands. In 2010, on our
2 current course, we are projecting a call volume increase by
3 another 33 percent, nearing 150,000 calls to our 911 center.
4 And that's in a very rural county.

5 Economic development in a time when our
6 local economy is changing and growing, our economic
7 development authorities have not received more monies. They
8 have been cut in Bradford County by 62 percent. Our Northern
9 Tier Regional Planning and Development Commission has also
10 received a 60 percent cut in funding from state resulting in
11 employee layoffs. And this is in a time of fast paced growth
12 and opportunity. We believe this is counterproductive to
13 local businesses, residents and the industry itself.

14 Infrastructure. Our beautiful county
15 courthouse was built in 1896. It is home to many offices, but
16 in regards to this, the registrar and recorder's office, the
17 treasurer's office and the assessment office and
18 prothonotary's office are all essential to the gas industry.
19 Searching every deed for every property is a requirement for
20 leasing, and that's both for drilling and pipeline leasing.
21 Our courthouse has seen numbers of people coming through the
22 doors rise over the last few years. In many cases, hundreds
23 upon hundreds of people pass through the courthouse in a day,
24 and for our small county to have 500 people come through the
25 courthouse on a Monday morning before noon, that's a lot of

1 people for us.

2 An increase in people has prompted
3 increased costs for our county in the simplest of ways, even
4 just hiring more janitorial staff to keep things clean.
5 Counties, although generally not responsible for the
6 maintenance of roads, are responsible for many bridges.
7 Increased impacts on our bridges will present increased cost
8 to both the county and the state. This is affecting many
9 aspects of our county related business, including our court
10 system, correctional facility, planning departments, local
11 emergency responders, conservation districts, local police,
12 state police, all aspects of social services, and especially
13 PennDOT right now.

14 The current severance tax proposals that
15 are out there, we understand the impact of the industry is
16 here, it is being felt and it is already being paid for by
17 local property taxpayers. CCAP has not taken a position for
18 or against enactment of a severance tax as an association, but
19 our members strongly believe that when and if a severance tax
20 is adopted, a local share must be included. To that end, CCAP
21 and PSATS have worked collaboratively on a proposal for a
22 local share of the severance. Together the associations
23 support dedicating 25 percent of a severance tax to local
24 government funds to be distributed to host municipalities,
25 host counties, non-host municipalities and conservation

1 districts.

2 Counties are also generally supported by
3 shared funding for environmental purposes such as
4 Environmental Stewardship Fund or the Growing Greener III
5 initiative. As an association, we oppose the burdensome
6 administrative requirements and limitations on use of funds
7 contained in other House Bills 1489, 2435 and 2438.
8 Commissioners are elected officials responsible for the
9 control of the budget. People elect them to make decisions at
10 the county level, they administer the county taxpayer dollars
11 and they are accountable to the voters who propose the bills,
12 set forth committees, present just one more layer of an
13 unnecessary bureaucratic government that slows officials down
14 when action is needed.

15 And in conclusion, I would like to state
16 the importance of economic growth in our county, especially as
17 we all face difficult economic times. The development of the
18 Marcellus Shale and the many issues local governments are
19 facing in regards to it are substantial, and action taken at
20 the state level for a local share of gas taxation could not
21 come soon enough. Thank you.

22 MS. MERLI:

23 My name is Theresa Merli, I'm vice
24 chairman of the Monroe County Board of Commissioners, and I'm
25 almost speechless after having listened to Mr. Smith's

1 testimony. On behalf of the Monroe County Board of
2 Commissioners, basically I was sent here to resoundingly
3 reiterate the comments of Mr. Craig Todd of the Monroe County
4 Conservation District. Short of rereading his testimony, I
5 will only add a few comments.

6 But we believe that this --- although
7 Monroe County is not likely to be impacted the way Bradford
8 County is obviously being impacted, that does not mean that we
9 are not conscious of what they are experiencing in terms of
10 this type of growth. We have been experiencing growth over
11 the past 20 years, not as dramatic and certainly much more
12 incremental than what you have. But we fully understand what
13 it does to our budgets and to the need to deliver more
14 services to more people.

15 We believe that this resource, the
16 Marcellus Shale, should be viewed as a common wealth of all
17 people and that a natural gas severance tax fund and the local
18 government services tax fund should be established. The
19 unintended consequences to our natural environment, the
20 potential is huge. The impacts to local, municipal
21 infrastructure, not just roads but even just janitorial
22 services as Mr. Smith just talked about are dramatic and the
23 dependence on property tax is not going to be able to handle
24 that. We know that Monroe County, if something should happen,
25 a disaster should happen in another county, all counties will

1 have to shoulder the cost for repair.

2 We would like to thank the Finance
3 Committee for bringing this hearing. And again, we'd just
4 like to reiterate the comments of Mr. Craig Todd, and thank
5 you again for this opportunity.

6 MR. DECKER:

7 Mr. Chairman, members of the
8 Committee, good afternoon. My name is James Decker, and I'm
9 the supervisor for Stroud Township here in Monroe County, and
10 with me today is Mr. Elam Herr, he's the assistant executive
11 director for the Pennsylvania State Association of Township
12 Supervisors. Thank you for the opportunity to appear before
13 you today on behalf of the 1,455 townships in Pennsylvania
14 represented by our association. We appreciate the opportunity
15 to participate today on an issue that is so important to all
16 of our members.

17 Townships comprise 95 percent of the
18 Commonwealth's land area and is home to more than 5.4 million
19 Pennsylvanians, nearly 42 percent of the state's population.
20 These townships are very diverse, ranging from rural
21 communities with fewer than 200 residents to more populated
22 communities with populations approaching 70,000.

23 The Marcellus Shale formation covers two
24 thirds of the Commonwealth from Greene County in the southwest
25 to Wayne County in the northeast and is estimated to hold

1 hundreds of trillions of cubic feet of natural gas. In fact,
2 estimated evaluations of the value of Pennsylvania's resources
3 have increased from \$10 to \$20 billion several years ago to
4 closer to \$1 trillion today. While the natural resource in
5 this area has the potential to economically benefit many
6 communities, drilling is not without an impact on townships
7 and their residents.

8 The association supports a severance tax
9 on natural gas provided that at least 25 percent of this tax
10 comes back to local governments that are affected by the
11 activity. While we believe House Bill 2443 is a step in the
12 right direction with its inclusion of a local government share
13 of 20 percent, we believe that some improvements need to be
14 made to the bill before it should move forward, particularly
15 concerning how the municipal share is distributed.

16 Townships are excellent fiscal stewards
17 and are generally among the last to advocate increasing taxes.
18 We've done more with less for a very long time and pride
19 ourselves in finding efficiencies and economies of scale to
20 benefit our taxpayers. We believe that a natural gas
21 severance tax is not a tax on Pennsylvanians, but rather a tax
22 for Pennsylvanians that will result in property tax relief.
23 In fact, such a tax would not increase the cost of gas to
24 consumers in Pennsylvania because we already pay such taxes on
25 gas imported from other states. Instead, a severance tax

1 would make sure that out-of-state customers are paying the tax
2 to benefit the communities in Pennsylvania where the
3 extraction is taking place. Otherwise, these communities
4 would need to raise property taxes to cover the costs
5 associated with this industry impact.

6 Over the past several years, we've heard
7 numerous concerns from our members about gas well drilling.
8 It is clearly impacting our communities across the Marcellus
9 Shale region, both with economic opportunity and with the
10 many, many negative impacts associated with it. Our
11 association is supportive of economic development and
12 opportunities, providing that drilling activities are
13 conducted in an environmentally responsible manner and that
14 the impacts on the community and the environment are mitigated
15 to every extent possible. Keep in mind that once a healthy
16 environment is damaged, it can take decades, if not centuries,
17 to recover.

18 In support of the local share, it is local
19 communities and particularly the host municipalities that bear
20 the brunt of the burden from the industry through destruction
21 of roads and potential environmental disasters. While many of
22 these companies are working well with the local communities,
23 the affected municipalities receive little in terms of local
24 tax revenue from these companies. Other than local services
25 tax for employees primarily employed in a particular

1 municipality, the property taxes on physical facilities, the
2 industry pays next to nothing to host communities. In fact,
3 many industrial employees are out-of-state residents and are
4 not subject to local earned income tax.

5 And in addition, while other natural
6 resources in Pennsylvania are assessed as real estate and
7 subject to property tax, including coal deposits, natural gas
8 and coal bed methane reserves, have been exempt since 2002
9 when the Pennsylvania Supreme Court ruled in Independent Oil
10 and Gas Association of Pennsylvania versus the Board of
11 Assessment Appeals of Fayette County that assessing and
12 levying property taxes on gas and oil wells was not explicitly
13 authorized under the law.

14 Keep in mind that Pennsylvania is only one
15 of three natural gas producing states including New York and
16 Iowa that does not levy a severance or similar impact tax on
17 the industry. New York, which has a moratorium on natural gas
18 drilling permits due to the concerns with the potential
19 negative environmental consequences of the industry has plans
20 to levy a severance tax, as well as to impose stringent
21 environmental regulations once the moratorium is lifted. Many
22 natural gas drilling companies currently working in northern
23 Pennsylvania have plans to move into New York once the
24 moratorium is lifted.

25 House Bill 2443 would impose a severance

1 tax of 25 cents per thousand cubic feet on producing gas
2 wells, which would be placed into a separate fund in the state
3 treasury and, after administrative expenses are deducted, 45
4 percent would be deposited into the state's general fund, 20
5 percent would be placed into a local government services fund
6 and the balance would be deposited into a number of special
7 state accounts.

8 While we're not experts on severance tax
9 rates, we must ask whether 25 cents per thousand cubic feet of
10 natural gas is sufficient. We understand that this particular
11 model is based on Louisiana. However, West Virginia may be a
12 better model based on similarities in climate, topography and
13 geology. It is worth noting that New York is considering a
14 three percent extraction tax when the moratorium on drilling
15 permits is lifted and that Texas imposes a 7.5 percent on the
16 market value of oil and gas that has amounted to billions of
17 dollars in the last several years.

18 Of the monies deposited into the local
19 government services fund, 30 percent would be allocated to
20 counties with severed wells, this is six percent of the total
21 tax, 60 percent to municipalities in counties with severed
22 wells, 12 percent of the total tax, and ten percent to the
23 Pennsylvania Emergency Management Agency for distribution to
24 volunteer fire and ambulance services in counties where
25 natural gas is severed, which is two percent of the tax.

1 While the bill appropriately allocates funding for emergency
2 first responders in the affected counties, we contend that
3 this funding should come out of the state's share of the tax
4 and administered accordingly.

5 Our primary concern with the bill is the
6 manner in which the municipal share would be divided.
7 Specifically, each municipality in each county where at least
8 one well is severed would receive one credit. Each host
9 municipality will receive two credits per severed well.

10 Under this formula, host municipalities
11 would receive a greatly reduced proportional share of the pie
12 because of the need to share with all of the municipalities in
13 the county. Take for instance a county with only one severed
14 well. The host municipality would receive two credits while
15 every other municipality in the county would receive one
16 credit, regardless of their location or impact. If a county
17 has 40 municipalities, then the host municipality would
18 receive two credits worth of funds while the remaining
19 municipalities would receive one credit each. Therefore the
20 non-host municipalities would receive as a group 19.5 times
21 more funds than the host municipality that's bearing most of
22 the impacts associated with the well. We believe this formula
23 needs to be revisited to make sure that the affected
24 municipalities are receiving a share of the funding that is
25 proportional to their impact.

1 In addition, each non-host municipality
2 receives one credit regardless of whether one or 300 wells are
3 severed in that county. This is going to greatly inflate the
4 funds received by municipalities in the county with only one
5 well, but will decrease what municipalities receive in a
6 county with 300 wells. Instead, we contend that this
7 allocation should be made on a county, not a statewide basis.

8 Because the severance tax is such a major
9 issue for our members, we've actively worked with the County
10 Commissioners Association of Pennsylvania to draft a severance
11 tax proposal. We offer our distribution formula as an
12 alternative to House Bill 2443.

13 Our proposal would distribute nine percent
14 of the total tax to host municipalities proportionately based
15 on the number of severed wells statewide. In addition, five
16 percent of the total tax would be allocated to municipalities
17 that are located in a county in which at least one well has
18 been severed. This pot would first be divided proportionately
19 by county based on the number of wells severed statewide and
20 then distributed to all of the municipalities in each
21 respective county through the liquid fuels formula, which is
22 50 percent based on population and 50 percent based on road
23 mileage. In addition, eight percent would be allocated to
24 counties on a pro rata basis determined by the number of wells
25 severed and three percent of the total tax would be

1 distributed to the county conservation districts for a total
2 local share of 25 percent of the total tax. While the local
3 share in House Bill 2443 is close to our proposal, our
4 municipal distribution formula is very different from the
5 bill.

6 Finally, in addition to levying a
7 severance tax with a 25 percent local share, we believe that
8 the General Assembly should take several actions to help
9 communities better manage their infrastructure and face the
10 influx of oil and gas well drilling in the Marcellus Shale
11 region. These changes would cost the Commonwealth little, if
12 anything, but would create a major benefit for all townships
13 across the state and would include requiring PennDOT to
14 increase the maximum road bonding amounts from the current
15 \$6,000 per mile for unpaved roads and \$12,500 per mile for
16 paved roads and enacting legislation to increase the required
17 advertising and bidding amounts from \$10,000 to \$25,000 with
18 an annual cost of living increase.

19 In closing, our Association supports a
20 severance tax as a means of easing future property tax burdens
21 caused by the impacts of this industry and believe that this
22 proposal is a step in the right direction. However, changes
23 need to be considered to provide a fair means of distributing
24 these funds to the affected municipalities. Again, thank you
25 for the opportunity to comment today on this issue. This is

1 very important to the townships across the state. Thank you
2 very much.

3 CHAIRMAN:

4 Thank you. Any questions from the
5 members? Representative Scavello?

6 REPRESENTATIVE SCAVELLO:

7 Thank all three of you for your
8 testimony. You mentioned something that we haven't
9 experienced here, and I am really concerned because I know
10 that they did some testing at the 611 quarter about a year and
11 a half ago. We haven't had any results from those testings.
12 But who knows, Theresa, if there is anything here. And
13 they've got enough to work with at the top, but I bet you
14 eventually they might filter down there, so we really need to
15 be protected. In the municipalities where all the drilling is
16 going on, have they adopted the \$52 head tax for each
17 employee? Do you know?

18 MR. SMITH:

19 I think the issue is keeping track of
20 these people that come in and out. A lot of these people are
21 coming from Oklahoma, Texas, Alaska, Louisiana. You just
22 don't know who's there at what time.

23 REPRESENTATIVE SCAVELLO:

24 That could be a way of trying to get
25 some dollars back outside of the severance tax. I'm saying

1 immediate.

2 MR. SMITH:

3 And that'd be more up to the ---.

4 REPRESENTATIVE SCAVELLO:

5 I don't think you have any rights
6 yet. But also the earned income tax as well for those
7 municipalities if they have the EIT. It's something they
8 should look at, they should go to those sites, whose working
9 and take a look at those payrolls because, you know, to lose
10 out on those dollars, those are big dollars that those folks
11 are making that could affect those municipalities. I would
12 strongly recommend that you talk to those local municipalities
13 and have them take a look at that.

14 MR. SMITH:

15 I think the issue is going to be with
16 some of that is the question of who's going to do it. A lot
17 of these township supervisors are full time, they work full
18 time, they do this as something they have a passion for. And
19 we have a few boroughs that have full-time secretaries, but a
20 lot of them are strapped with time right now.

21 REPRESENTATIVE SCAVELLO:

22 I don't know if they have Birkheim
23 (phonetic) or whoever their taxing agent is, but I would ---.

24 MR. SMITH:

25 We're just starting the Act 32

1 process right now. So they're still going through all that.

2 REPRESENTATIVE SCAVELLO:

3 Well I appreciate all your three
4 testimonies, and I can tell you we're going to look at trying
5 to make this right and trying to take care of everyone and
6 hopefully we can move forward with this bill.

7 MR. DECKER:

8 I might add that although the State
9 Association attached two priors and the Boroughs Association
10 has met, we've not yet met with the Boroughs Association and
11 we plan to meet with them next week to ---. They have a
12 little different formula and we're going to try to work with
13 them to come to a neutral ground.

14 REPRESENTATIVE SCAVELLO:

15 You are aware that the last paragraph
16 here, we can't make --- some of your requests can't be part of
17 this legislation.

18 MR. DECKER:

19 I understand that.

20 REPRESENTATIVE SCAVELLO:

21 It would have to be separate
22 legislation.

23 MR. DECKER:

24 Right. And the primary reason is
25 road projects, especially up in that northern tier. For them

1 to have to spend the time and the resources to advertise for a
2 \$12,000 project when we could raise that minimum level so they
3 could just go out and do the work, get the three proposals and
4 get the best price, I mean, that just makes sense.

5 REPRESENTATIVE SCAVELLO:

6 I agree. Thank you.

7 CHAIRMAN:

8 Thank you. I have a few points that
9 I want to make. I've had the benefit of hearing the County
10 Commissioners and the Township Supervisor Association's
11 testimony; this is my third day that I've heard it. And it's
12 important, don't get me wrong. What I'm about to say is
13 because I've had the benefit of hearing it and thinking about
14 it for 72 hours. Just for a second, I'd just like to play the
15 devil's advocate with you.

16 MR. DECKER:

17 Thanks for waiting until Monroe
18 County to play devil's advocate.

19 CHAIRMAN:

20 From the industry's perspective, if I
21 were a spokesperson for the industry I would say well, you're
22 right, I guess there's some impact to your words, but you
23 know, we fix them up. Most of the time we fix them up a lot
24 better than we found them. Other impacts, so we do understand
25 that we do tear up your roads. But by in large we fix them up

1 better than they were when we came here. And other impacts on
2 human services and emergency services, whatever else, we're
3 already paying taxes. And heck, we've got that Penn State
4 study that we paid for to document that you collect all these
5 taxes from us. We're all paying all these taxes, capital
6 stock and franchise, and some of us are paying CNI and we're
7 all at least paying 3.07 on our PIP.

8 And heck, you've got all these suppliers
9 working all over the place. They're paying their taxes, too.
10 So we're already being taxed. You're already getting all this
11 money for this and lord only knows in some of these counties
12 this development's taking off so fast, property values are
13 increasing so quickly. All you people got to do is just
14 reassess it a little more regularly. You'll get a lot more
15 property tax revenue from it if you did very efficient
16 assessments.

17 And if this isn't enough, then we'll raise
18 the bonding requirements in the legislature. We'll pass a
19 bill to raise the bonding requirements to pick up the roads.
20 And we'll pass House Bill 10 to put oil and gas back into the
21 assessment base that it was severed from with the passage of
22 the Fayette County case. So we could fix all the departments
23 that way and then I can pay that 20 percent that I have
24 allocated in House Bill 2443 and I can give it to conservation
25 districts and a whole bunch of other people that are fighting

1 hard passing bills. Think about that.

2 MR. SMITH:

3 Do you want me to answer each one of
4 them?

5 CHAIRMAN:

6 No. Here's the point that I --- you
7 can. It seems like you're asking one more than the other,
8 townships less than the counties. You're asking the
9 legislature to fight the battle past the severance tax to
10 stand up to the industry, to do the right thing. Work hard
11 guys and pass it. And make sure we get big pieces of the pie.
12 But don't ask me to help. I'm not rolling up my sleeves
13 taking on them big powerful out-of-state multinational
14 corporations that can write checks with four and five zeros
15 before the decimal point to fund the legislators' opposition
16 campaigns. You want us to take all the political risk and do
17 all the political work and you sit back and complain about how
18 the pie's being divvied up. Yeah, I want to hear your
19 response to that. And don't take this personal. Again, my
20 advantage is I've heard this for 72 hours. What do you say
21 about that?

22 MR. SMITH:

23 I would say first that we're not
24 sitting back, we're sitting here. Second, the situation with
25 the roads, it's not a matter of ---.

1 CHAIRMAN:

2 Can I just interject one second?

3 Your testimony I want to quote. CCAP has not taken a position
4 for or against enacting of the severance tax. CCAP has not
5 taken an opportunity for or against. I appreciate your being
6 here.

7 MR. SMITH:

8 That's not completely my decision, so
9 I'll stick to answer the four questions that you raised
10 because I think they're important to point out, actually. And
11 that is first, number one, roads. When you talk about fixing
12 the roads, well, they can fix the roads. But when are they
13 going to fix them?

14 In Bradford County this spring we've
15 probably had, I'd venture to say, hundreds of miles of road
16 that were completely destroyed. Some of those roads' blacktop
17 were actually turned completely into dust. And I'm not
18 exaggerating; I'm saying a blacktop road that used to have
19 yellow and white lines on it is absolutely gone for miles as
20 far as you can see. So in terms of fixing the roads, they
21 have road agreements in place but it's not a matter of just
22 saying we're going to fix the roads, it's who's going to
23 monitor that? PennDOT? PennDOT doesn't have the people to do
24 it. We have one guy that covers the whole district for
25 PennDOT road inspections, and he's supposed to keep up with

1 all these industry people? Where are they getting the money
2 to do that? You know where they're getting that? From the
3 county. From the County Fund. That's where our local PennDOT
4 district is taken at. Out of the liquid fuels. So it's a
5 major issue.

6 And who's keeping an eye on all those?
7 And you're talking about roads where school buses can't
8 transverse, you're talking about people not getting their
9 mail, talking about major car damage, major accidents being
10 caused by road damage.

11 In terms of taxation, corporate net income
12 tax, I've heard all the arguments about that. The issue is
13 the taxes don't go to the right spot. You can pay all the
14 taxes you want for a corporate income tax, but none of it's
15 coming back to the townships or the counties or the school
16 districts to fund any of these things. They're all funded by
17 the property taxes. So in Bradford County we have 30,000-some
18 odd taxable parcels, so you've got tens of thousands of people
19 paying the bill for everything that's going on in our county.
20 And in terms of posting and bonding, if the limits aren't
21 raised, there's no protection for townships. I mean \$6,000,
22 what do you get out of that? What are you going to get?

23 So in terms of standing up to the industry
24 and all that, I think the townships have done a great job and
25 we got a great guy, Marvin Meter, that is our president of

1 our Supervisors Association. No offense to you guys, but
2 that's what we elect you guys to do at the state level to
3 enact these laws and to fight those battles. So we will lobby
4 everything we can, but when it comes right down to it, we're
5 asking you guys to do that.

6 CHAIRMAN:

7 And my response to that would be look
8 again, there's money here for counties and municipalities in
9 my bill for a reason. I mean I'm giving you the rebuttal that
10 we will hear. Not at these hearings because the industry
11 isn't showing up, but trust me, legislators will know the
12 arguments from the industry. And it'll take a lot of the
13 perspective that I just offered. But I guess all I'm saying
14 is this. Yes, we get elected to make tough decisions and I
15 don't have any problem doing that. But it's really difficult
16 if people that are going to benefit from it, to have ideas on
17 how to spend money, that's the easy part.

18 Frankly, we don't need too much help if
19 you're going to allocate money. We need help passing the
20 legislation to put the revenue in place to begin with. That's
21 the heavy lift. So that's the message I want you to take back
22 to your associations. I appreciate your perspective and I
23 don't disagree. But we need your help. And your help means
24 you've got to take a more forceful position for or against
25 this. But to basically say well, we don't have a position on

1 the facts, but we got ideas on how to spend it if you do it,
2 that's not helpful to making this pass. And we need to make
3 it pass.

4 I also want to point out two other quick
5 things. This House Bill 2443 allocates twice as much for
6 local government as any other bill that's been introduced.
7 Now if PSATS wants to say it's not 25 percent, it's 23, well,
8 I understand that. But then tell me I've met 92 percent of
9 what you want rather than saying it's not quite right yet.
10 Being a legislator, sometimes you got to make compromises, and
11 it's what the art of possible is. And I can't possibly make
12 everybody happy in a distribution formula. But darn it, when
13 I'm 92 percent of what you're asking for, you ought to note
14 that.

15 And one final thing. Emergency services,
16 the idea that we have set aside out of a local share a small
17 set aside for emergency services. The suggestion is we ought
18 to pay that out of the state. Well my opinion on that is
19 this. The state has already put money up for emergency
20 services. We've dedicated a portion of the slots revenue in
21 the state. The first \$10 million that's collected from slots
22 in this state goes into the funds to be distributed to the
23 volunteer fire and EMS across the state, so that's \$10 million
24 there. Plus the \$4 million on fire insurance that this state
25 levies. It gets passed down to the municipalities that then

1 allocate it to the volunteer fire companies in their
2 communities.

3 Those are two state taxes. That's \$25
4 million on the slot taxes. I'm sorry, \$25 million, not \$10
5 million. It results in about \$10,000 per volunteer fire
6 company across the state. So the state's already putting
7 money in for volunteers, for volunteer fire companies and
8 EMSs. And frankly, that's mostly a local service. All too
9 often they got to raise volunteer dollars, and that's rather
10 tough. So that's why I think it's appropriate to take a
11 little piece of it out of the share that would go towards
12 local government to help make that happen.

13 And anyhow again, do not take my
14 criticisms personally at all because I don't mean it. It's
15 just meant to reflect my real concern that if you believe that
16 this is the right thing to do, we need your help passing the
17 revenue collection side of it as well as your thoughts on how
18 to distribute the revenue as well. But unless we pass the
19 revenue collection mechanism, there won't be anything to
20 distribute.

21 MS. MERLI:

22 Mr. Chairman, your point is very well
23 taken; I agree with you that CCAP needs to take a position.
24 At the last conference there was still a debate going on and
25 I'd be happy to --- I know that Mr. Smith was representing his

1 county specifically, not CCAP. But I absolutely agree with
2 you and I'd be happy to get to help on that.

3 CHAIRMAN:

4 Thanks for being my message carrier.

5 MR. DECKER:

6 And I can say that on behalf of the
7 State Association of Township Supervisors that our membership
8 passed overwhelmingly a resolution supporting the idea of a
9 severance tax. And with our grassroots lobbying, we contact
10 our legislators almost daily, John and Mary both know they
11 hear from all of us on a daily basis. You give us a piece of
12 legislation that works and we can help you get it passed. We
13 can make those calls across the state. But you are impressed
14 with the information you got from the local conservation
15 districts. Do yourself a favor and impress yourself by
16 traveling 144, State Route 144. It's not local roads, this is
17 a PennDOT road. From Snow Shoe up to Coudersport, it's a one
18 hour drive that took me two and a half hours because there are
19 two sections that are closed to one lane, five miles. Five
20 miles one lane in both directions on a state road because it's
21 totally destroyed.

22 CHAIRMAN:

23 Is that between Renovo and Snow Shoe?

24 MR. DECKER:

25 Yes.

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CHAIRMAN:

Overlooking Fish Dam Wild Area?

MR. DECKER:

Exactly correct.

CHAIRMAN:

I know it.

MR. DECKER:

And these are the impacts. You may be patching our roads, but you're not fixing our roads. And if you didn't come into the area in the first place, there'd be nothing wrong with our roads. So that's our point. And it's the cost of doing business. And these guys know it; they've got in their budgets coming into the Commonwealth a percentage that they know is going to cost them over and above what they think the project's going to cost them. They're just waiting for us to enact this. So let's get it off the table. We'll do it collectively. Let Elam and our staff know, we'll get it passed for you.

CHAIRMAN:

Look forward to having all of us working together to make this happen.

MR. DECKER:

Absolutely. And we appreciate having the opportunity to comment. Coming to the Poconos, enjoy your stay.

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CHAIRMAN:

Representative Scavello?

REPRESENTATIVE SCAVELLO:

I just want to make one final comment. You know, when you talk about taxes that the state collects, a lot of those taxes do come back into the county. They fund a lot of programs. It might not be as much as we'd like and unfortunately right now it's because of our situation with the state revenue. And even like this 45 percent that goes to the general fund, most of that probably will come back to help the counties as well. Right now our situation at the state level is our revenues are dry, actually they're way behind. They're \$1.1 million behind in our estimated revenues as of May 1st. So we're looking at this also to be a buffer to try to fill that gap so we don't have to make severe cuts. That's another reason why this is being looked at right now.

MR. DECKER:

And one final note, if you'd like to visit and have hearings on the Foreign Fires Act, it hasn't been increased since it was implemented, I'd be happy to talk to you about that.

CHAIRMAN:

Now we have a panel from David Masur, the director of PennEnvironment; Mr. Drew Gilchrist, the director of the Center for Conservation Land Owners, Natural

1 Lands Trust; and Ellie Hyde, chair of the South Branch
2 Tunkhannock Creek Watershed Coalition. Did I say that right?

3 MR. MASUR:

4 Thank you. Good afternoon. My name
5 is David Masur and I'm the director for PennEnvironment.
6 PennEnvironment is a non-profit, citizen-based environmental
7 advocacy organization working for clean air, clean water and
8 open space protection. I'd like to start out by thanking
9 Chairman Levdansky and the members of the House Finance
10 Committee for inviting me to testify today on the important
11 issue of implementing a natural gas severance tax in
12 Pennsylvania and dedicating a portion of this severance tax to
13 the Commonwealth's conservation programs.

14 PennEnvironment applauds Chairman
15 Levdansky for introducing House Bill 2443. PennEnvironment
16 has been a long-time supporter of implementing a natural gas
17 severance tax in Pennsylvania and dedicating a significant
18 portion of this revenue stream to the Commonwealth's
19 cornerstone conservation programs. I believe the logic is
20 simple: when we take from our natural resources, we need to
21 reinvest in those natural resources. Drilling takes; it can
22 give back through the severance tax.

23 I'll spend less time in my testimony today
24 talking about the need for a natural gas severance tax, since
25 I believe that there is overwhelming evidence that such a tax

1 is both viable and smart policy. Instead, I would like to
2 focus on the incredible funding shortfall that's facing
3 Pennsylvania's conservation programs, especially Growing
4 Greener, and therefore why a significant portion of the
5 revenue from a gas severance tax should be dedicated to
6 funding this critical program. I hope if you garner nothing
7 else from my testimony today, please take away this important
8 message. The Growing Greener program is successful, it is
9 essential and it is sadly running out of money.

10 The need for dedicating funding for
11 Pennsylvania's conservation efforts has never been more clear.
12 That's because the state's cornerstone conservation program
13 known as Growing Greener will essentially run out of money by
14 this time next year. Just this past March, a new study by the
15 Legislative Budget and Finance Committee showed the dire
16 straits facing the Growing Greener program.

17 The recent LBFC report showed that the
18 Growing Greener programs are running out of money with Growing
19 Greener II set to expire in 2011. LBFC's study stated that
20 virtually all of the remaining funds in the Growing Greener II
21 program are already committed, and state departments can
22 undertake few new projects. To make matters worse, funds from
23 the Growing Green I program, also known as the Environmental
24 Stewardship Fund, are being diverted to pay off the debt
25 service on the Growing Greener bond to the tune of up to \$60

1 million a year, instead of supporting vital local conservation
2 projects.

3 This means that funding for Growing
4 Greener programs will have dropped from \$200 million in the
5 2007-2008 cycle to \$15 million as soon as 2012. If this
6 doesn't show the need for passing House Bill 2443 and
7 directing part of the money towards renewing Growing Greener,
8 I don't know what does.

9 In case you're not familiar with Growing
10 Greener and the program and its history, the program began in
11 1999 when Governor Tom Ridge and legislative leaders committed
12 \$650 million over five years for investments in farmland
13 preservation, conservation of open spaces, restoring and
14 protecting Pennsylvania's streams and rivers, improving and
15 expanding state and local parks and developing new trails and
16 greenways.

17 The General Assembly and Governor Mark
18 Schweiker created the Environmental Stewardship Fund in 2002
19 to help fulfill the original Growing Greener commitment and
20 establish a permanent funding mechanism to carry Growing
21 Greener's success into the future. Dedicated revenue for the
22 Environmental Stewardship Fund was provided by increasing the
23 fee charged for dumping trash in Pennsylvania. This was
24 followed in 2005 by Governor Ed Rendell and the General
25 Assembly recognizing the need to accelerate Growing Greener

1 efforts and 60 percent of voters in Pennsylvania approved a
2 \$650 million bond to establish Growing Greener II. Clearly
3 the program has very deep bipartisan support and broad support
4 from the state's voters.

5 Still, the need for Growing Greener has
6 never been more apparent as the Commonwealth faces a variety
7 of pressing problems that threaten our rich natural heritage,
8 our quality of life, our health and our prosperity. Consider
9 that in Pennsylvania we are losing three times as many acres
10 of forest, wildlife habitat, farmland and other open spaces to
11 overdevelopment as the Commonwealth is able to conserve. The
12 state currently has 19,000 miles of streams that are
13 considered unsafe for fishing and swimming. 189,000 acres of
14 abandoned mine lands scar 44 Pennsylvania counties and are
15 responsible for 5,300 miles of dead streams. And more than
16 2,000 family farms remain on a statewide waiting list
17 requesting protection from encroaching development and to
18 continue Pennsylvania's rich legacy of family farming.

19 At the same time, Growing Greener has been
20 Pennsylvania's most effective tool to help communities protect
21 and restore many of the Commonwealth's most treasured places.
22 The report by LBFC showed that in just the past four years,
23 Growing Greener has helped to preserve more than 33,000 acres
24 of working family farms in Pennsylvania; conserved more than
25 42,000 acres of threatened natural areas and community

1 legislature to renew the Growing Greener program at a level of
2 \$200 million annually; come up with a dedicated and
3 sustainable funding source for Growing Greener. I believe
4 this should include but is not limited to dedicating at least
5 20 percent of the proposed natural gas severance tax to
6 Growing Greener. And to stop the diversion of funds from the
7 Environmental Stewardship Fund to pay off the debt service on
8 the Growing Greener II bond. Essentially this is robbing
9 Peter to pay Paul and only hurting the Commonwealth's efforts
10 to protect the most threatened parts of our natural heritage.
11 I am including a copy of the cosigners also with my testimony
12 today.

13 For all of these reasons, PennEnvironment
14 supports House Bill 2443. The need for dedicating funds to
15 the Growing Greener program is clear. And as I stated at the
16 beginning of my testimony, the Growing Greener program is
17 incredibly successful, it's essential and it's running out of
18 money and set to expire.

19 Again, I'd like to thank the members of
20 the Finance Committee for having me here today and everyone in
21 the audience for joining us. And I would especially like to
22 thank Chairman Levdansky for introducing this important piece
23 of legislation and being such a champion for Pennsylvania's
24 outdoors and great natural heritage. Thank you.

25 MR. GILCHRIST:

1 Good afternoon. My name is Drew
2 Gilchrist. I'm the director for the Center for Conservation
3 Land Owners for Natural Lands Trust. I'd also like to thank
4 Chairman Levdansky and the other members of the House Finance
5 Committee for giving me an opportunity to testify today.

6 Natural Lands Trust is a non-profit
7 land conservation organization serving Eastern Pennsylvania
8 and Southern New Jersey. Since founded in 1953, we've worked
9 to protect the forests, fields and wetlands that are essential
10 to the sustainability and quality of life in our region. We
11 apply comprehensive approach to conservation that includes
12 saving land, stewarding natural resources and creating
13 opportunity for people to connect with and learn from nature.

14 Today we own and manage a 20,000 acre
15 network of 41 nature preserves that stretch across 12 counties
16 and two states. These remarkable properties range in size
17 from a few acres to 8,000 acres. They are located in a
18 diversity of landscapes from the forests of the Pocono
19 Mountains to the rolling hills and former farms of
20 Southeastern Pennsylvania and the shores of Delaware Bay and
21 New Jersey.

22 In addition to these preserves, we build
23 conservation easements, voluntary binding agreements that
24 primarily limit each development on private land on 270
25 properties, totaling 19,000 acres. We have also helped

1 countless partners, municipalities, other non-profits and
2 landowners from all walks of life and even the Commonwealth
3 itself to preserve and care for thousands of acres more.

4 I'm here today to express Natural Lands
5 Trust's strong support for dedicating a significant portion of
6 proceeds from any future natural gas severance tax to the
7 Environmental Stewardship Fund. We thank Chairman Levdansky
8 for introducing legislation that would invest 22 percent of
9 the severance tax in protecting Pennsylvania's natural legacy
10 for generations to come.

11 My colleague here from PennEnvironment has
12 done an excellent job explaining the benefits of the state's
13 Growing Greener program that has provided around the state and
14 touched on its impact here in Monroe County. He has also
15 highlighted the threats imposed by Growing Greener's imminent
16 demise. It is clear that a dedicated source of funds is
17 needed to continue the very successful initiative.

18 Although Natural Lands Trust has been in
19 existence for almost 60 years, our capacity to preserve open
20 space has been transformed over the last decade. The number
21 of acres we have saved annually has increased fivefold. The
22 catalyst for this growth has been the advent of substantial
23 public investments in open space at the state, county and
24 local level. Public support of open space and Growing Greener
25 in particular has made it possible for landowners who could

1 never afford to donate their land or an easement to choose
2 conservation over development. As a result, communities and
3 conservation groups have been able to pursue their open space
4 goals more effectively than ever before. In just the past
5 five years, Natural Lands Trust has preserved over 8,000 acres
6 in the Pocono region. To put that in perspective, 8,000 acres
7 is an area more than one half times the size of Lake
8 Wallenpaupack.

9 Here in Monroe County, two Boy Scout camps
10 were placed under conservation easements to protect their
11 natural resources and ensure their lands remain viable for
12 scouting. These include the 4,000 acres Resica Falls Scout
13 Reservation and the 245 acre Camp Acahela. A third scout
14 camp, the 450 acre Goose Pond Reservation, was preserved in
15 Wayne County. In Luzerne County, we established a large
16 preserve in Pennsylvania, the 3,400 acre Bear Creek Preserve,
17 a spectacular landscape overlooking the Lehigh River. Support
18 from Growing Greener and the Department of Conservation and
19 Natural Resources was essential to all these successes. It is
20 not an exaggeration to say that none of these properties
21 would've been preserved without substantial state investment.

22 Growing Greener funds have also made the
23 Natural Lands Trust to partner with every municipality in
24 Monroe County to introduce alternatives to standard
25 development ordinances that too often lead to land consuming

1 sprawl. Through our Conservation by Design program, a ten-
2 year partnership with DCNR, we offer municipalities a set of
3 ordinances that preserve as much as 60 percent of the land in
4 new residential developments. Monroe County's leaders have
5 demonstrated remarkable vision by encouraging this countywide
6 approach.

7 Concurrent with the start of Growing
8 Greener, counties and local governments in Pennsylvania have
9 been establishing their own open space funds. To date, more
10 than 100 local ballot measures have passed, raising almost \$1
11 billion. This has resulted in a powerful formula in which the
12 state investments are matched by the county and local funds to
13 achieve far more than any one of these sources could do on
14 their own. This financial leverage created an approach ---
15 the financial leverage created by this approach is
16 significant. As just one example, Growing Greener grants the
17 Natural Lands Trust conservation efforts have leveraged more
18 than \$25 million in local, county and private grants since
19 2000, a ration of 2.5 local and private dollars to every
20 dollar invested by the state.

21 But as effective as this formula has been,
22 it is also fragile. According to the Legislative Budget and
23 Finance Committee's reports, all of the funds from Growing
24 Greener II are already spent or committed, and very soon, as
25 much as three quarters of Growing Greener I may be used to pay

1 the debt service on Growing Greener II. This means unless
2 action is taken soon, the state's ability to match county and
3 local open space investments will be seriously diminished. If
4 this happens, the formula that has enabled communities here in
5 the Poconos and across the Commonwealth to preserve their open
6 lands and thus the quality of life will begin to fall apart.

7 Saving open spaces like the ones I just
8 described have obvious well-known benefits to our environment.
9 Among other things, the forests and meadows provide habitat
10 for a wide array of native plants and animals, keeping our air
11 and water clean and even sequester carbon. Open space offers
12 many economic benefits as well. Research has proven time and
13 time again that communities that provide parks and other green
14 areas are more attractive to companies and workers they seek.
15 Homes next to protected lands have higher values.
16 Conservation has also proven to save community money since
17 preserved lands should not require infrastructure, schools and
18 other services that residential developments do, the costs
19 that are really made up in increased tax revenues.

20 But for me the most compelling benefits
21 are found in the stories of Pennsylvanians whose lives are
22 integrally connected to the land and water around them.
23 Whether it's a grandfather showing his granddaughter his
24 favorite trout fishing spot on opening day, the family that
25 connects with one another during a hike along the creek or the

1 child who delights in the discovery of bugs under a rock.
2 This is my story, too. I'm from Philadelphia. I came to
3 Resica Falls as a young scout and it was there I began to form
4 a bond with nature that led to a career in conservation and
5 the gift to being able to preserve that same camp more than 30
6 years later.

7 I suspect that Growing Greener and other
8 public investments in conservation have been popular with
9 state voters because so many of us have a similar story
10 because our mountains, rivers, forests, creeks and fields are
11 an essential part of our identity as Pennsylvanians. Growing
12 Greener has been an unqualified success in protecting these
13 resources, but there's more to be done. Prior to the
14 recession, Pennsylvania was consuming four acres of land for
15 every new resident. This is six times the national average.
16 It was especially heartfelt here in Monroe and Pike Counties.
17 When the Commonwealth fully recovers, we can expect the pace
18 to re-continue. Dedicating a significant portion of the
19 proceeds from natural gas severance tax to Growing Greener
20 will go a long way to ensuring that our communities continue
21 at the pace at which they preserve their open spaces and their
22 quality of life.

23 And if I just may for a moment put on my
24 volunteer hat, I am the vice chairman of the Montgomery County
25 Conservation District and I sit as the vice chair of the State

1 Association of Conservation Districts, PACD. To echo the
2 comments of the managers from Monroe and Pike County, as the
3 PACD supports a dedicated line of funding to assist with all
4 the delegated programs, the counties that were mentioned
5 before, the Monroe, Pike and Bradford Counties as well as
6 Lancaster County are shining examples of what can be done by
7 local conservation districts. And PACD would be happy to work
8 with the members of the Committee to shift oversight of
9 Marcellus Shale from DEP to the conservation districts. Be
10 happy to help you. Thank you for your time.

11 MS. HYDE:

12 My name is Ellie Hyde. I am the
13 chair of the South Branch Tunkhannock Creek Watershed
14 Coalition. I am also the Farmland Preservation administrator
15 for Lackawanna County, which works out of the Lackawanna
16 County Conservation District. The Watershed Coalition
17 supports House Bill 2443. A severance tax on the extraction
18 of natural gas is an absolute necessity. This bill must be
19 enacted to ensure that drillers rather than Pennsylvania
20 taxpayers shoulder the public costs that come with increased
21 gas drilling.

22 At least 22 percent of the tax revenues
23 should go into the Environmental Stewardship Fund. This would
24 help continue the Growing Greener grant program and fund local
25 governments in the cleanup of gas drilling activities.

1 Counties and municipalities with active drilling should
2 receive more funding, specifically for negative gas drilling
3 impacts. This bill will help fund entities such as
4 conservation districts, Fish and Boat Commission and the
5 Hazardous Site Cleanup Fund, all of which need funding in the
6 wake of gas drilling. And that's it.

7 CHAIRMAN:

8 Thank you. Any comments or
9 questions? Representative Scavello?

10 REPRESENTATIVE SCAVELLO:

11 Thank you, all three of you, for your
12 testimony. And I really appreciate that comment at the end
13 there to help convince the secretary that Chapter 102 and 105
14 should be reinstated and have the local conservation districts
15 take care of that issue. And I was wondering,
16 PennEnvironment, what's your stand? Did you take a stand on
17 that issue?

18 MR. MASUR:

19 Yeah. There's a whole network of
20 environmental groups, local, regional and statewide that came
21 out pretty vocally and voiced concern against DEP taking away
22 that control and some of the effects we've already seen the
23 problem with DEP permitting.

24 REPRESENTATIVE SCAVELLO:

25 Where do you think the secretary is?

1 Do you think we're going to have to do it by true legislation
2 or where do you think ---?

3 MR. MASUR:

4 I don't know. I think, as I said,
5 we've seen huge negative effects. The Chesapeake Bay
6 Foundation, as I'm sure you know, has actually I believe filed
7 litigation against the state because of the number of permits,
8 they were finding flaws once DEP took control. So I think the
9 track record is there that this isn't working and we would
10 hope that the secretary would see the common sense of giving
11 it back to the conservation districts. But I think that's a
12 question for Secretary Hanger.

13 REPRESENTATIVE SCAVELLO:

14 This is something that we really need
15 to address. Because especially locally we --- I think all of
16 us here and for the most part, most of the legislators feel
17 that who knows better, the local folks know better. They can
18 get there faster; they can address the issue much quicker than
19 waiting for somebody to come from the regional office when
20 there's a problem. Thank you.

21 CHAIRMAN:

22 Thank you. Representative Siptroth?

23 REPRESENTATIVE SIPTROTH:

24 I don't have a specific question.

25 However, I would like to point out some dissimilarities in the

1 bills. The three bills before us with the spreadsheet up on
2 the table, I would encourage you to take that. But
3 Representative Camille George, who is chair of the
4 Environmental Resource Committee, has a 60 percent return to
5 the general fund of all the taxes collected. Representative
6 Dwight Evans from Philadelphia and chair of the Appropriations
7 Committee has a 90 percent return to the general fund. And
8 Representative Levdansky has a 45 percent share return to the
9 general fund. So in saying that much, I would agree,
10 certainly, Representative Levdansky has more interest in
11 conservation and the needs of conservation in the state versus
12 the other two bills that I've previously mentioned.

13 And remember there's another party that's
14 throwing off this legislation, that being the governor. And
15 as many of you know, it wasn't too many years ago that the
16 governor wasn't too friendly regarding severance tax. And as
17 our revenue stream declines, as Representative Scavello
18 indicated just a little while ago, he now sees some
19 significant value, but unfortunately I think he wants to
20 capture the larger area. And I know that we did move the bill
21 out of appropriations, and I did have a conversation with the
22 Appropriations Chair and indicated that I particularly was not
23 in favor of that distribution that he had proposed with 90
24 percent of that to the general fund. And I offered that we
25 should take into consideration more distribution to

1 conservation groups, counties and municipalities.

2 So in saying that much, we still have a
3 lot of work ahead of us. We have to focus on this particular
4 bill, try to get this to the top of the agenda, and that will
5 be where I'll be looking to lend my support.

6 CHAIRMAN:

7 Thank you, Representative Siptroth.
8 I just want to thank the three panelists for your testimony.
9 You did a really good job of laying out the need to put
10 Growing Greener on a long-term sustainable funding source.
11 And I appreciate your help and your support throughout this
12 process and as we go forward. And Mr. Gilchrist, I just want
13 to follow up a second on the comment you made. I think you're
14 right. I think for people, your interest in the environment
15 largely stems from some personal experience, largely when we
16 were kids. I mean, yeah, I remember my dad taking me trout
17 fishing. And probably the reason why I care so passionately
18 about the state forests is because I enjoy hunting deer and
19 turkey and grouse and I've spent so many years of my life in
20 state forests. So it really is through that personal
21 connection. But Penn's Woods from all the way up here in the
22 Poconos to all the way down into the southwest is a very
23 diverse geography and topography. But boy, the wildlife and
24 the land throughout Pennsylvania, it's the beauty of
25 Pennsylvania. And I think you're right. The attraction that

1 all of us have comes from personal experience with the
2 environment that leads us to appreciate it and to fight so
3 hard for conservation. But I just want to thank all three of
4 you for the hard work you do to help protect our environment.
5 Thank you. There's a couple people asked to be added at the
6 end here, they wanted to testify, we'll call them up. Amy
7 Seidel with the Monroe County Planning Commission and Mr.
8 Chuck Gould, Chestnut Hill Township supervisor here in Monroe
9 County. Are they here? And a representative from the League
10 of Women Voters I believe as well.

11 MS. KENNEDY:

12 Brodhead Watershed Association. We
13 did send you an e-mail, but it seems to have gotten lost in
14 the ether.

15 MR. JONES:

16 Can I get on the list to testify
17 also?

18 CHAIRMAN:

19 Once we get these two done and then
20 we'll rotate the next two up.

21 MS. EDING:

22 I have a very brief statement to make
23 on behalf of the League of Women Voters. What we're standing
24 for as League members is philosophical, and you've covered it
25 all. We know all the good things that you want, we want. The

1 only one thing I don't think I heard mentioned was protection
2 of the property that is used after they're through using it,
3 make sure they protect and replace and refurbish all
4 properties that are used for the drilling. That's very
5 important. They sometimes walk away and leave a mess. And
6 the League of Women Voters is behind you in all of this.
7 Thank you. Virginia Eding, and I'm with the League of Women
8 Voters of Monroe County.

9 MS. SEIDEL:

10 Good afternoon. My name is Amy
11 Seidel; I'm the environmental planner for the Monroe County
12 Planning Commission. I'm here to present the Monroe County
13 Planning Commission in supporting House Bill 2443, which as
14 drafted will provide a source of funding for the Environmental
15 Stewardship Fund, a program that the county and municipalities
16 utilize for continued preservation of open space. The Fund is
17 an important source for matching funds to assist in the
18 continued preservation of our natural resources. This
19 severance tax will also provide benefits for communities
20 impacted by the Marcellus Shale natural gas development by
21 offsetting costs incurred to maintain local infrastructure.
22 Thank you.

23 MR. GOULD:

24 My name's Chuck Gould. I'm chairman
25 of the Chestnut Hill Township Board of Supervisors and I'm

1 here to read a support statement for House Bill 2443,
2 unanimous support by our Board.

3 The House Bill 2443 will allocate portions
4 of the collected fee to go to the Environmental Stewardship
5 Fund, the Hazardous Sites Cleanup Fund, local municipalities
6 and to the Game and Fish and Boat Commissions. A natural gas
7 impact fee must be enacted to ensure that the costs associated
8 with gas extraction are shouldered by the for-profit gas
9 companies, not the residential PA taxpayers. Of the top 15
10 natural gas producing states, Pennsylvania stands alone by not
11 having a fee to compensate for the loss of our natural
12 resources and help remediate the scars of extraction. All too
13 often in a down economy, the environmental side of things is
14 passed away in the name of job creation. We believe that the
15 passage of House Bill 2443 will demonstrate how economic
16 development via jobs created by natural resource extraction
17 and sound environmental stewardship can work hand in hand to
18 build a better Commonwealth. Mr. Chairman and distinguished
19 members, thank you for your opportunity to testify here.

20 CHAIRMAN:

21 Thank you for your input and your
22 support, both of you. Thank you. David Jones of Northern
23 Wayne Property Alliance, and ma'am, you as well. Could you
24 state your name?

25 MS. KENNEDY:

1 Patricia Kennedy. Brodhead Watershed
2 Association.

3 MR. JONES:

4 My name is David Jones and I am a
5 member of the Northern Wayne Property Owners Alliance, but
6 that's not who I'm representing today. I'm representing them
7 in a sense, but I am a property owner, I am a business owner
8 in the area. I love the outdoors and I want to see what's
9 done right for Pennsylvania. And I think I have some
10 solutions here, some ideas.

11 I will tell you that the Delaware River
12 Basin Commission for the Marcellus acres in the DRBC is at
13 risk of ever being developed unless this changes. Chesapeake
14 Energy is done in the DRBC. We have Hess, we have Newfield,
15 we have some other companies that still have leases, but by in
16 large the gas companies are not interested, they're walking
17 away. I have land in Mike's district near Homesale that no
18 one wants right on the Tennessee pipeline. Nobody even wants
19 to lease it. We are driving this business away, driving a lot
20 of revenue from the state away, hurting local property owners,
21 and I want to caution people with this proposed tax.

22 Because as great as the Marcellus is along
23 with the other formations besides the Marcellus, there are new
24 discoveries in this country today, and the gas companies are
25 migrating from the Marcellus to these other discoveries. I'm

1 not sure if you're aware of them, but like for example the
2 Eagleford Shale, very rich in oil and gas and condensate. The
3 Haynesville Shale with Bossier Shale above the Haynesville,
4 tremendous yield. The Granite Wash in Oklahoma and Texas.
5 The Balkan in Montana and North Dakota. I could go on and on.
6 These formations are actually going to produce more than the
7 Marcellus, be much more profitable.

8 We have to be real careful here. We're
9 going to kill the goose that lays the golden egg if we're not
10 careful. I think there's ways to actually increase the
11 state's revenue, including the local agencies that need this
12 money desperately to take care of our roads. I think there's
13 ways to do it, to actually increase revenue without this tax.

14 And I also want to remind everyone, this
15 gas is private property. It belongs to the landowner. The
16 landowner has made agreements and decided to lease and made a
17 private agreement with the gas company. Now when you put this
18 tax on, in my case I have some of my property already leased
19 with Hess Corporation. Some of my royalty money is going to
20 go to this tax. I won't get all of the royalty that I
21 originally signed up to because a percentage of that will go
22 toward this tax. So the landowners will actually have to pay
23 this. You're shaking your head no. Is that right, we're
24 exempt from the tax? The landowner?

25 CHAIRMAN:

1 No. The tax would be --- they call
2 it a severance tax because it's applied at the point of
3 severance. Once the gas leaves the property, then that's
4 where the tax is added on. So the tax is applied to the
5 driller, not to you. You still get your royalty. It's after
6 that. And as a matter of fact, we have included a section in
7 the bill to make that clear that it doesn't come up. So this
8 should not affect your royalty income. Your bonus bid and
9 your royalty income still goes to the landowner. But if you
10 put it in place on the driller, you see, then they negotiate
11 that severance fee into the price that they charge the
12 pipelines who build it into the price that they charge the
13 distribution network who then builds it into the price they
14 charge the end user. And most of the end users of this gas
15 are going to be people outside Pennsylvania.

16 This gas, our Pennsylvania gas is going to
17 be used not just for Pennsylvanians, but moreover to power the
18 entire Northeast Corridor in the United States. So in the
19 end, to the extent it gets passed on through the pipeline, no
20 pun intended, it will result in a small increase in gas
21 prices, but not to Pennsylvanians. Because we'll already be
22 paying the tax to Oklahoma and Texas and Wyoming and all those
23 other states that have it.

24 MR. JONES:

25 Okay. Well that would be great. But

1 if this tax does go through, I would hope that you would be
2 specific and make sure that all royalty money is exempt to
3 protect the landowners because they are burdened also. In my
4 case, I have purchased property specifically for gas
5 extraction. So you know, is Pennsylvania my partner now? Do
6 they want to chip in towards the purchase? You've answered my
7 question. As long as we're exempt.

8 But more importantly, I think we have an
9 opportunity to actually get a lot more revenue than this tax
10 will ever generate if we're smart about this. The fact that
11 other states do have a severance tax is a good thing. And
12 Pennsylvania should be smart and take advantage of that. And
13 maybe we can get some more revenue by actually being more
14 favorable without the tax. And what I'd recommend is be real
15 friendly to these drillers, let's have it done right, but
16 let's entice them to come and give them a reason to come. And
17 if you listen to the conference calls of these companies,
18 you'll understand that. And a lot of them are interested in
19 PA because there's no tax at this time. Let's not drive them
20 out of here. Let's encourage them.

21 I can tell you that there is a lot of
22 income that will come from this. There's a multiplier effect
23 also. You might not see it directly, but a lot of this money
24 is spent in the area, and this money does multiply. As you
25 know, a dollar can become five to seven dollars just from the

1 multiplier effect when it's spent locally. As far as the road
2 damage, I agree that the roads have to be paid for from the
3 damage from these trucks. But in a sense they are. It's just
4 that the money is not allocated. The trucks have to pay a
5 road tax. I have trucks. I have to pay miles and fuel tax.
6 That goes into the general fund. That needs to be allocated
7 back to the local areas where the damage has occurred. And
8 maybe not for mass transportation in Philadelphia, maybe for
9 our roads in our area. We need to channel this money to where
10 we need it.

11 Regarding the income tax of these workers,
12 maybe put some kind of a legislation in to give an incentive
13 for the gas companies to hire local people or at least PA
14 people instead of people from Oklahoma or Texas. I believe in
15 the future that PA stands to gain a lot of jobs from this.
16 And you know that carrot on a stick does a lot more than the
17 whip. And if you give them a carrot, maybe we could all win.
18 And I would suggest that. Try to incentivise jobs for PA.
19 Try to keep the money local. There are ways to do this
20 without giving us the same advantage as other states. Let's
21 give us an advantage over other states. Let's be smart.

22 Look what Delaware does with their
23 corporations. Why do a lot of people incorporate in the state
24 of Delaware? Let's become an area that attracts this and
25 builds this industry so that we can overcome our budget

1 problems. I believe that with all our public land in PA, the
2 potential is huge here to maybe fund most of our state's
3 budget off of this resource.

4 The other thing that I want to add, I'm
5 for open space, I'm for clean rivers and streams, I love to
6 trout fish. I get my livelihood from this Delaware River.
7 I'm one of the owners of Kittatinny Canoes. I grew up on this
8 river, I love this river, I love the environment, I love my
9 land. And I am for gas drilling because I believe in the end
10 it will help preserve open space. There are so many large land
11 owners that are going to be faced with a decision. What do we
12 do? We need money. Do we sell our property or do we keep it?

13 I know myself I have a lot of land and I'm
14 faced with that decision also. I am still approached by
15 developers even today. I know of a gentleman with a thousand
16 acres in Mike's district in Damascus Township who's
17 considering a huge development with essentially double the
18 population of that township when that goes through. He's now
19 coming around to possibly leasing his land and keeping his
20 land intact if he can get some gas wells. He will not develop
21 his land if he can get this revenue. He's saying I don't use
22 my land enough to justify keeping it. With the gas money, I
23 can keep my land.

24 So let's be smart about this because in
25 the end this can help preserve our open space and protect our

1 environment. I am concerned that this is going away in the
2 Delaware Basin, and because of our proximity to New York City
3 and Philly, the metropolitan areas and New Jersey, we are
4 going to see development pressures once this economy turns
5 around and developments start up again, which they will. The
6 natural gas could just help these large land owners keep their
7 land, help the family farms stay in business and actually
8 preserve open space.

9 I fear that a severance tax along with the
10 burden and the excess regulations on the DRBC could turn the
11 whole DRBC into not a gas producing region, but a development.
12 And I caution you before imposing this tax and look at the
13 benefits and look at the positive ways to get revenue. I am
14 not opposed to the local conservation districts to administer
15 the regulations on the gas drilling. I think that something
16 should be worked out so that there is one permit to make it
17 easy for the drillers so they don't have to get multiple
18 permits, so they can go to a one stop permit place, the DEP,
19 but then maybe the local conservation districts should be the
20 enforcing agency inspecting for the ENS plans and everything.
21 I think that can be worked out.

22 But let's think about the business people,
23 the drillers, these big corporations as you have mentioned.
24 They're motivated by profit. And there's nothing wrong with
25 that. That's the American way, the American dream. And the

1 shareholders are everyday people like us in this room. They
2 are mandated to serve their shareholders and to make a profit.
3 So they're going to go where the low-hanging fruit is, where
4 they can make the most money and allocate their resources
5 where their profit is maximized. It's simple, plain
6 economics. If they can make more money in Texas, that's where
7 they're going. If they can make more money in Montana, that's
8 where they're going.

9 Let's make PA the place where they can
10 make the most money and in turn let's have PA get the most
11 revenue and help the jobs and the housing. We heard from the
12 gentleman from Bradford County, the problem with the housing.
13 That's not a problem, I don't think. There's a lot of people
14 that would love to sell some houses. There's a lot of vacant
15 houses. There are a lot of carpenters out of work that would
16 love to build some new houses. And let's look at the good
17 that this brings, and it does bring good. It also brings bad.
18 The bad has to be paid for by the industry, but we have to be
19 smart about it. Let's protect the industry also, and let's
20 encourage them to come to PA. Thank you.

21 MS. KENNEDY:

22 That's sort of a hard act to follow.
23 My name is Patricia Kennedy. I'm an associate professor at
24 East Stroudsburg University in communication studies. I am an
25 environmental and political communicator, I'm also a lawyer.

1 I was a municipal attorney for ten years where I handled the
2 environmental issues from City of Ithaca. And I am here today
3 as president of the Brodhead Watershed Association.

4 I know my local representatives are
5 familiar with the BWA, as we call it, and that they've been
6 extremely supportive and we've been supportive of them as
7 well. BWA is an organization that's been around for 20 years.
8 We just celebrated our 20th anniversary last year. We have
9 more than 350 membership categories, so we actually have
10 somewhere between 1,000 and 5,000 people who are connected to
11 BWA either through our fishing club memberships, Synophie
12 Pasteur (phonetic), for example, is a member. We have
13 individuals, we have families, so there's a lot of people who
14 are BWA members and we support the idea of the severance tax.

15 But what I wanted to talk about mostly
16 today was what all of you know from your experience, that
17 government's like a big aircraft carrier. It's real hard to
18 turn that sucker. And industry is able to move a lot faster
19 often than we can. And that's why I know our local
20 representatives were supportive of the moratorium while we
21 tried to figure out how to move in response. And I think that
22 your bill is another one of those things where we try to
23 figure what's the appropriate response so that we don't kill
24 jobs and we also make sure that we're protecting the
25 environment as the money's being sucked out of Pennsylvania?

1 The position that Craig Todd and the
2 conservation districts took is one that we are supportive of,
3 and I have a personal story. I went to a conference in Lock
4 Haven, so I don't go as far over as Allegheny County any more
5 although I used to be at Clarion University. But at Lock
6 Haven there was a gentleman at the conference who was a
7 graduate student, she hadn't left Pennsylvania, her family had
8 a farm near Lock Haven. They had not sold their land to
9 Marcellus Shale, to the drillers. And she was pregnant with
10 her first child. And I heard talking and she was explaining
11 how her well at her family's farm which had been in the family
12 for a long time started tasting funny. And they paid to have
13 it tested. And it turned out that the fracking water had
14 gotten into their well and it was now unsafe for them to
15 drink. They complained to DEP, which took quite a long time
16 to respond, and then the response largely was that they would
17 get gallons of drinking water, but as we all know, that's
18 really not a solution. So they're engaged, here she is, she's
19 pregnant, they're engaged in litigation and it's because there
20 was no prompt or local enforcement when this fracking water
21 started leaking through the aquifers into personal family
22 wells.

23 And whatever we can do with this local
24 share of the money would be wonderful. Because DEP was
25 eviscerated in the recent budgets, they do not have the staff

1 to enforce. One of the things that BWA frequently does, we
2 have our own stream watchers who are out there testing the
3 waters. They've been doing it for 20 years. We report to DEP
4 when we find violations. We have aquatic biologists who work
5 with us. One of our aquatic biologists made a report on a
6 local waterway that was in trouble and it took DEP months, six
7 months to even get back to us to respond to the complaint let
8 alone enforcing, which is not happening at all. So they don't
9 have the money, they're spread too thin and we really need a
10 redistribution at a local enforcement level for this problem.
11 Thank you.

12 CHAIRMAN:

13 Thank you. Sir?

14 MR. GROSSMAN:

15 I didn't have an opportunity to sign
16 up. Can I make a short statement?

17 CHAIRMAN:

18 Sure. Go ahead.

19 MR. GROSSMAN:

20 Members of the Committee, my name is
21 Michael Grossman. I live in the state of New Jersey; I own
22 property in Susquehanna County. I also am a member of
23 Northern Wayne Property Association, but again, I'm not here
24 representing them. I just wanted to expand on a few other
25 notes that I had overheard during the course of this

1 testimony. And Representative Levdansky, he did an excellent
2 job of arguing some of the gas company points, so I won't go
3 ahead and repeat those.

4 CHAIRMAN:

5 Not that I believe them. But
6 somebody does.

7 MR. GROSSMAN:

8 I mean I just want to give you a
9 little bit of background before I pick up. I'm a former
10 representative from the National Wildlife Federation
11 representing the State of New Jersey. I'm a lifelong member
12 of that organization. I'm a lifelong member of the
13 Pennsylvania Federation of Sportsmen's Clubs as well as a
14 lifelong member of the New Jersey Federation of Sportsmen's
15 Clubs. I have a long history of conservation. I think that
16 the gas drilling that will occur in the Marcellus can be done
17 safely and it can be done with as minimum impact as we can
18 environmentally if it is done correctly. But to expand, you
19 also do need some encouragement for these companies.

20 I heard a statement here earlier that out-
21 of-state people are not contributing to your tax base. That
22 is as incorrect as it gets. I wish someone from your division
23 of revenue was available because I just sent them a check for
24 \$4,000 of earned income from my lease in Pennsylvania. Sixty-
25 two (62) percent of Susquehanna County are non-resident

1 owners. If they weren't entitled to my contribution, I'd like
2 it back. So out of state people are obligated to pay on
3 leased revenue and they're obligated to pay on royalty
4 revenue. That's a tremendous amount of tax revenue that will
5 be coming down on the horizon. True, you're not getting it in
6 a rush at the moment, but it will be coming in. Particularly
7 in the next year.

8 REPRESENTATIVE SCAVELLO:

9 Sir, we're well aware of what you
10 just stated. The point that I was making was the employees
11 there. Are they paying the local taxes? And that's what I
12 was trying to bring out.

13 MR. GROSSMAN:

14 I'm actually referring to one of the
15 people who made a statement that out-of-state people were not
16 contributing, not yourself.

17 REPRESENTATIVE SCAVELLO:

18 I brought that point up earlier but I
19 explained it's the local taxes. Because some of the comments
20 that were being made was that the local municipalities were
21 not receiving any dollars. And your dollars go to the state,
22 you understand? So the point when the municipalities were
23 here earlier, they're saying they were not receiving any local
24 dollars for the wear and tear on their roads and the offset.

25 MR. GROSSMAN:

1 But there will be local dollars
2 appropriated. I've been reassessed on my property, I've made
3 improvements, as have many other people who also had garnered
4 some of the lease money, have made improvements on their
5 property. All of these are going to transgress (sic) into
6 additional tax revenues. And I will just be very cautious.
7 All these leases are different. Some of them include cost to
8 the landowners. If the company incurs a cost, the landowner
9 will incur a cost. So in essence, if those particular people
10 are leased, I think that this will in effect add additional
11 taxes on the landowner, even though it may not be intended to.
12 I would be happy to give you more of my insight. I'm not a
13 member of any paid conservation district. I'm simply a
14 landowner here in the State of Pennsylvania.

15 I've also, and I have to be completely
16 fair about this, I've attended numerous meetings throughout
17 the state including quite a few of them held by the League of
18 Women Voters in this county and other various counties and
19 I've heard many negative comments from the conservation
20 district people about opposing gas drilling. And these are
21 the people who are also asking you tonight that they want to
22 be put back in charge. I just say that people who oppose the
23 drilling, are they the best people to encourage an industry
24 who might help out the state? Thank you very much.

25 CHAIRMAN:

1 Thank you. I think that concludes
2 this ---.

3 REPRESENTATIVE SIPTROTH:

4 I think you were talking about the
5 League of Women Voters workshop at the Hughes Library. Is
6 that the one you're talking about?

7 MR. GROSSMAN:

8 Correct. That's one of the four I
9 attended.

10 REPRESENTATIVE SIPTROTH:

11 I'd like to just clarify this.
12 There's obviously environmental concerns as they relate to
13 existing regulations and the administration of those. And
14 also the technology that exists to extract the gas and the
15 concerns that were raised.

16 MR. GROSSMAN:

17 They did have excellent cookers.

18 CHAIRMAN:

19 Thank you. That concludes this
20 hearing of the Finance Committee. I want to thank the members
21 for attending. I want to thank the people who testified and
22 the public for your attention and your interest as well.
23 Thank you very much.

24 REPRESENTATIVE SCAVELLO:

25 Thank you, Mr. Chairman.

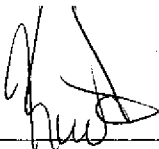
* * * * *

HEARING CONCLUDED AT 4:00 P.M.

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CERTIFICATE

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7 I hereby certify, as the stenographic
8 reporter, that the foregoing proceedings were taken
9 stenographically by me, and thereafter reduced to
10 typewriting by me or under my direction; and that this
11 transcript is a true and accurate record to the best
12 of my ability.

13
14
15 
16 _____
17 Court Reporter