Governor Wolf and the Honorable Members of the General Assembly,

On behalf of a diverse group of interests representing a broad array of businesses, industries and consumers throughout Pennsylvania, we are writing to express our unified opposition to the imposition of an additional tax on the state's natural gas industry.

The members of our various associations have seen tremendous gains in economic opportunities as a result of Marcellus shale development. Additional taxes will threaten the recovery of our state's economy. In addition to helping create more than 200,000 jobs, increased natural gas drilling in the state has added more than $2 billion to state tax collections since 2008. Royalty payments that have totaled more than $700 million have allowed many farms to stay in the family. Gas and electric bills across the state have been reduced, freeing up an average of more than $1,200 per household in annual consumer spending. Costs for energy intensive manufacturers, such as glass, steel, pulp, paper and petrochemical operations, have come down significantly. Demand for home construction, hotels and restaurants in many counties has increased substantially. These significant economic gains would be jeopardized by an increased severance tax.

The current revenue collection structure established by Act 13 of 2012 is appropriate and must be left unchanged. Under the Act, drillers are assessed a per-well impact tax that equates to a 3 to 4 percent severance tax rate, competitive with that of other states. To date, this has resulted in the collection of more than $630 million, nearly all of which has been distributed to local governments across the state for vital programs that, among many valuable uses, improve public safety, protect the environment and preserve farmland. These are long-term capital investments that will continue to benefit the public. While every county is receiving distributions from Act 13 collections, the majority of the funds are appropriately being directed to local governments where drilling is occurring.

We also write to highlight our concern with several specific components of Gov. Wolf's proposal. A recent economic analysis found that Gov. Wolf's severance tax proposal would cost Pennsylvania more than $20 billion in lost gross domestic product and up to 18,000 jobs over the next decade. More than 6,000 jobs would be lost as soon as 2016 – many of them well-paying supply chain and construction labor positions. Gov. Wolf's proposal to levy a five percent tax fee on a minimum artificial price floor of $2.97 per thousand cubic feet of gas (mcf) plus an additional 4.7 cent per thousand cubic feet will set the Commonwealth back instead of allowing the state to grow its economy, jobs and provide Pennsylvanians with lower energy bills. Further, with the state's credit rating repeatedly downgraded due to its inability to manage a $50 billion and mounting state pension crisis, we question the timing in adding $675 million to our debt load in a bond issue for alternative energy programs. Finally, Gov. Wolf's proposal would limit the amount of dollars distributed to local governments, and it remains unclear in which order the many spending promises the Governor has laid out would be paid for by the severance tax revenues.

In closing, we thank you for considering our position as budget negotiations continue and look forward to working with this administration and General Assembly in fostering policies that continue to retain and attract businesses and grow our state's economy.

Sincerely,

Gene Barr
President and CEO
Pennsylvania Chamber
of Business and Industry

Frank Macchiarola
Executive Vice President, Government Affairs
America's Natural Gas
Alliance

Robert E. Latham
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Stephanie Catarino Wissman
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Kevin Shivers
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Peter T. Vlahos
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Pennsylvania Aggregates and Concrete Association

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President
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Alex Baloga
Director of Government and Public Relations
Pennsylvania Food Merchants Association

Lou D'Amico
President and Executive Director
Pennsylvania
Independent Oil and Gas Association

John Longstreet
President & CEO
Pennsylvania Restaurant and Lodging Association

Dave Patti
President & CEO
Pennsylvania Business Council

Jeffrey Logan
President
Pennsylvania Chemical Industry Council

Paul Lyskava
Executive Director
Pennsylvania Forest Products Association

David N. Taylor
President
Pennsylvania Manufacturers Association