To:
County Commissioners Association of Pennsylvania
Pennsylvania Municipal League
Pennsylvania State Association of Boroughs
Pennsylvania State Association of Township Supervisors

Re: Opposition to Severance Tax Proposal

Date: Aug. 1, 2019

From:
Pennsylvania Chamber of Business and Industry
Associated Pennsylvania Constructors
Associated Petroleum Industries of PA
Consumer Energy Alliance
Manufacturer & Business Association
Marcellus Shale Coalition
National Federation of Independent Business
Pennsylvania Aggregates and Concrete Association
Pennsylvania Builders Association
Pennsylvania Chemical Industry Council
Pennsylvania Council of General Contractors
Pennsylvania Forest Products Association
Pennsylvania Independent Oil & Gas Association
Pennsylvania Manufacturers’ Association

On behalf of the membership of the state’s leading business and industrial groups, we write to you to express our concern with Gov. Tom Wolf’s “Restore PA” initiative. This proposal, which would float a $4.5 billion bond to be paid back over 20 years, would rely on the imposition of a severance tax on natural gas extraction. In addition to the deleterious effect this excessive borrowing would have on the state’s finances, the proposed tax would increase the cost of business and have an overall dampening effect on the economy. As such, we are collectively opposed to it.

We universally agree that infrastructure must be a priority for state government. However, it should be paid for through the enactment of pro-growth policies that will yield enhanced economic output and, by extension, increased tax collections. It is important to note that many of the types of community-based projects the “Restore PA” initiative seeks to fund are already being funded by existing state programs, including, the impact fee assessed on natural gas wells that was implemented as part of Act 13 of 2012. The natural gas impact fee collected a record $252 million in 2018 and has generated nearly $1.7 billion since its creation in 2012, and, critically, will continue to generate revenue on an annual basis for years to come, the majority of which will go to communities across all 67 Pennsylvania counties. Conversely, the “Restore PA” initiative only funds a few years’ worth of projects, only to then saddle Pennsylvania with billions more in new debt to be paid off by future generations.

The effective tax rate of the existing impact fee is competitive with that of other states’ severance tax rates. When combined with the impact fee, the governor’s severance tax proposal would make Pennsylvania’s the highest severance tax rate in the country. When layered on top of every other business tax in the state, another tax on this industry will only diminish the economic potential that this state can realize.

The entire state is benefitting from both direct investment into shale development as well as realizing ancillary economic gains across the supply chain, with increased hiring and opportunity for the manufacturing sector and significantly lower electric and gas utility bills. In addition, various economic reports highlight additional economic potential at hand. These include the state Department of
Community and Economic Development’s petrochemical facility potential analysis and the Forge the Future report, which forecasts the potential for an additional 100,000 new jobs in Pennsylvania, a 6 to 9 percent increase in annual GDP, and $2 to 3 billion in increased state revenues if the natural gas industry is encouraged to thrive through the adoption of pro-growth policies. As businesses make investment decisions on where they choose to deploy capital, we must not put up unnecessary barriers to growth simply because some officials are advocating for more spending.

Finally, many promises are being made by the Wolf administration as the campaign to enact “Restore PA” unfolds. But it is imperative for local government leaders to recognize that the proposed legislation to institute this program leaves the spending in the hands of a select committee made up of just a few legislative and gubernatorial appointees. Conversely, the impact fee is structured to empower local leaders like you – rather than Harrisburg politicians – with the ability to determine which projects to fund, including flood mitigation, road and bridge improvement, park and trail upgrades and first responder services.

In closing, we would encourage you to join us in calling for Governor Wolf to meet his desire for increased revenue by advancing pro-growth policies in the Commonwealth, like leveraging our energy assets. Doing so will create even greater opportunities in Pennsylvania, rather than stifle our economy with higher energy taxes – the antithesis of growth.

Thank you for your time and consideration of our coalition’s position.