

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE RESOLUTION

No. 131 Session of 2023

INTRODUCED BY STEELE, HILL-EVANS, MADDEN, KHAN, WARREN, SANCHEZ, PROBST, FRIEL, MALAGARI, BOROWSKI, PIELLI, SCOTT, VITALI, KENYATTA, HOHENSTEIN, SHUSTERMAN, TAKAC, D. WILLIAMS, SALISBURY, DONAHUE, SAPPEY, CEPEDA-FREYTIZ, KRAJEWSKI, CIRESI, MAYES, GREEN AND WEBSTER, MAY 31, 2023

AS AMENDED, HOUSE OF REPRESENTATIVES, JUNE 29, 2023

A RESOLUTION

1 ~~Directing the Legislative Budget and Finance Committee to~~ <--
2 ~~conduct a study to determine the amount of revenue that~~
3 ~~Pennsylvania may have collected since the enactment of Act 13~~
4 ~~of 2012 if the Commonwealth implemented a severance tax.~~

5 DIRECTING THE LEGISLATIVE BUDGET AND FINANCE COMMITTEE TO <--
6 CONDUCT A STUDY TO COMPARE IMPACT FEES AND SEVERANCE TAXES IN
7 THE LARGEST NATURAL GAS PRODUCING STATES AND EXAMINE THE
8 COMPETITIVE BUSINESS CLIMATE FOR THE INDUSTRY IN THOSE
9 STATES.

10 WHEREAS, A large portion of the Marcellus Shale Basin, a
11 stretch of sedimentary rock several thousand feet underground,
12 over 400 million years old and containing a huge source of
13 natural gas and oil, sits within Pennsylvania's borders; and

14 WHEREAS, The Marcellus Shale is stretched amongst several
15 states, including New York, the western region of Maryland and
16 West Virginia, as well as the far eastern regions of Ohio,
17 Kentucky and Tennessee; and

18 ~~WHEREAS, Since the early 1800s, Pennsylvania has been home to~~ <--
19 ~~nearly 40,000 active natural gas wells while approximately 4,000~~
20 ~~new wells are drilled each year; and~~

1 WHEREAS, On February 14, 2012, the Pennsylvania Legislature
2 passed Act 13 of 2012 to establish impact fees for oil and gas
3 drilling in the State; and

4 ~~WHEREAS, Impact fees are collected from oil and gas drilling <--~~
5 ~~companies based on the number of new wells drilled, whereas~~
6 ~~severance taxes are based on the amount of natural gas extracted~~
7 ~~from wells; and~~

8 WHEREAS, IMPACT FEES ARE COLLECTED FROM OIL AND GAS DRILLING <--
9 COMPANIES BASED ON THE TOTAL NUMBER OF NEW WELLS A PRODUCER
10 OWNS, THE AGE OF THE WELL AND THE AVERAGE PRICE OF NATURAL GAS
11 FOR THE PRECEDING YEAR, AS CALCULATED BY THE PENNSYLVANIA PUBLIC
12 UTILITY COMMISSION UTILIZING THE SETTLED NATURAL GAS PRICE OF
13 THE NEW YORK MERCANTILE EXCHANGE (NYMEX), WHEREAS SEVERANCE
14 TAXES ARE BASED ON THE PRICE OF NATURAL GAS AND THE AMOUNT OF
15 NATURAL GAS PRODUCED FROM WELLS; AND

16 WHEREAS, Second only to Texas in production, Pennsylvania is
17 the largest natural-gas-producing State in the United States
18 that ~~does not impose a severance tax on new or current <--~~
19 ~~unconventional gas wells~~ IMPOSES AN IMPACT FEE ON PRODUCERS; and <--

20 WHEREAS, In 2022, Pennsylvania accounted for 19% of marketed
21 natural gas production in the United States; and

22 WHEREAS, Pennsylvania's marketed natural gas production was
23 at an annual high of 20.9 billion cubic feet per day (Bcf/d) in
24 2021 and averaged 20.5 Bcf/d in 2022; and

25 WHEREAS, Although the number of horizontal wells increased
26 from 4,022 in 2011 to 11,164 in 2022, and the amount of gas
27 produced increased from 1,066 billion cubic feet in 2011 to an
28 estimated 7,600 in 2022, the revenue income ~~to the State did not <--~~
29 ~~increase; and~~ REMAINED RELATIVELY STABLE, FLUCTUATING BETWEEN <--
30 \$146 MILLION AND \$279 MILLION; THEREFORE BE IT

1 ~~WHEREAS, Impact fee revenue has hovered between \$146 million <--~~
2 ~~and \$274 million per year and has not steadily increased in the~~
3 ~~same way gas production has increased since 2011; therefore be~~
4 ~~it~~

5 ~~RESOLVED, That the House of Representatives direct the~~
6 ~~Legislative Budget and Finance Committee to conduct a study to~~
7 ~~determine the amount of revenue Pennsylvania may have collected~~
8 ~~since the enactment of Act 13 of 2012 if the Commonwealth~~
9 ~~implemented a severance tax and submit a report with its~~
10 ~~findings to the General Assembly within one year of the adoption~~
11 ~~of this resolution; and be it further~~

12 ~~RESOLVED, That, at a minimum, the report include all of the~~
13 ~~following information:~~

14 ~~(1) The severance tax rates imposed and the years~~
15 ~~imposed in other states.~~

16 ~~(2) The amount of natural gas and derivatives of natural~~
17 ~~gas extracted from Pennsylvania since the enactment of Act 13~~
18 ~~of 2012.~~

19 ~~(3) The amount of revenue generated by the impact fee,~~
20 ~~per year, and the total, since the enactment of Act 13 of~~
21 ~~2012.~~

22 ~~(4) An estimate, with the calculation method, of the~~
23 ~~amount of revenue Pennsylvania may have generated if the~~
24 ~~Commonwealth had implemented a severance tax in 2012.~~

25 ~~RESOLVED, THAT THE HOUSE OF REPRESENTATIVES DIRECT THE <--~~
26 ~~LEGISLATIVE BUDGET AND FINANCE COMMITTEE TO CONDUCT A STUDY TO~~
27 ~~EXAMINE TAX STRUCTURES THAT EXIST AS OF JUNE 30, 2023, WITHIN~~
28 ~~THE TOP FIVE NATURAL GAS PRODUCING STATES IN THE UNITED STATES~~
29 ~~AND SUBMIT A REPORT WITH ITS FINDINGS TO THE GENERAL ASSEMBLY~~
30 ~~WITHIN ONE YEAR OF THE ADOPTION OF THIS RESOLUTION; AND BE IT~~

1 FURTHER

2 RESOLVED, THAT, AT A MINIMUM, THE REPORT INCLUDE ALL OF THE
3 FOLLOWING INFORMATION:

4 (1) THE STRUCTURE OF ANY SEVERANCE TAX OR IMPACT FEE
5 IMPOSED WITHIN EACH OF THE TOP FIVE STATES.

6 (2) THE FACTORS THAT IMPACT THE CALCULATION OF THE TAX
7 OR FEE IN EACH STATE UNDER PARAGRAPH (1), INCLUDING ANY
8 REDUCED INTRODUCTORY TAX RATE, CAPITAL INVESTMENT RECOVERY OR
9 OFFSETS OF THE TAX OR FEE AGAINST OTHER TAXES OR COSTS BORNE
10 BY THE PRODUCER.

11 (3) OTHER TAXES IMPOSED BY EACH STATE UNDER PARAGRAPH
12 (1) UPON NATURAL GAS PRODUCERS AND HOW THEY ARE SHARED WITH
13 ROYALTY OWNERS;

14 AND BE IT FURTHER

15 RESOLVED, THAT THE REPORT ALSO EXAMINE AND SEEK TO IDENTIFY
16 UNIQUE FACTORS WITHIN EACH OF THE TOP FIVE STATES THAT IMPACT
17 THE COMPETITIVE BUSINESS CLIMATE WITHIN EACH STATE, INCLUDING,
18 BUT NOT LIMITED TO, THE FOLLOWING FACTORS:

19 (1) PERMITTING REQUIREMENTS, TIMELINES AND ASSOCIATED
20 COSTS IN PREPARING AND OBTAINING NECESSARY OPERATING PERMITS.

21 (2) GEOLOGICAL CONDITIONS, INCLUDING DEPTH, THICKNESS,
22 IRREGULARITIES IN FORMATION AND OTHER FACTORS THAT MAY IMPACT
23 ACCESS TO THE RESOURCE.

24 (3) GEOGRAPHIC CONDITIONS THAT IMPACT OPERATIONAL COSTS,
25 INCLUDING TERRAIN, MILES OF WATERWAYS AND THE AMOUNT OF
26 FEDERAL AND STATE LANDS EXCLUDED FROM DEVELOPMENT.

27 (4) CLIMATE CONDITIONS THAT IMPACT OPERATIONS, INCLUDING
28 SEASONAL TEMPERATURE FACTORS, OTHER WEATHER CONDITIONS AND
29 RELATED REGULATORY OPERATIONAL RESTRICTIONS.

30 (5) AVAILABILITY AND ACCESS TO SUFFICIENT GATHERING,

1 PROCESSING AND TRANSPORTATION INFRASTRUCTURE WITHIN THE STATE
2 TO ACCESS MARKETS.

3 (6) HISTORICAL NATURAL GAS MARKET PRICE DIFFERENCES
4 WITHIN THE STATES AND HOW EACH STATE'S PRICES HAVE COMPARED
5 TO THE NEW YORK MERCANTILE EXCHANGE (NYMEX) INDEX PRICE FOR
6 NATURAL GAS OVER THE LAST DECADE.