

MARCELLUS MONEY

AND THE PENNSYLVANIA LEGISLATURE

An analysis of the most recent Pennsylvania campaign finance reports, lobbying reports and ethics statements relating to natural gas drilling in our state.

By Greg Vitali

State Representative, 166th Legislative District of Pennsylvania

February 10th, 2017

(Revised 7/25/2017)

“People who give money to politicians are not philanthropists.”



- Clarence Bell, former
Pennsylvania State Senator

Purpose of Presentation

- To show large amounts of money spent by natural gas drilling industry on the Pennsylvania Legislature
- To discuss policy consequences of this undue influence
- To point out shortcomings in current campaign and finance and lobbying laws
- To recommend changes

SCOPE OF RESEARCH

STARTING POINT

- Common Cause/Conservation Voters of PA Marcellus Money Report¹

CAMPAIGN FINANCE

- 2016 campaign finance reports of 42 natural gas industry PAC's²

Campaignfinance.state.pa.us

LOBBYING

- Lobbying Financial Disclosure Quarterly Expense Reports for 2015, 2016, 2017
- Lobbying Registration Statements for 42 Gas Industry Companies³

palobbyingservices.state.us

STATEMENTS OF FINANCIAL INTEREST

- 2015, 2016 statements from all Representatives and Senators in the PA General Assembly

Ethicsrulings.state.pa.us

CAMPAIGN FINANCE – KEY FINDINGS

- Total Contributions to PA Legislature from Gas Industry in 2016: at least **\$883,181**⁵

TOP TEN 2016 GAS CONTRIBUTORS

Contributor	Amount
Consol	\$136,200
PPL	\$117,545
EQT	\$96,855
Range	\$82,000
Marathon	\$62,700
NiSource	\$51,042
UGI	\$45,075
Exelon	\$44,800
National Fuel	\$35,425
Chesapeake	\$28,900

CAMPAIGN FINANCE – KEY FINDINGS

Top 10 Recipients of 2016 Gas Industry Contributions

Recipient	Amount
Speaker Mike Turzai	\$78,700
House Republican Campaign Committee	\$56,800
Senator Joseph Scarnati	\$51,500
Senate Republican Campaign Committee	\$39,600
Senator Jake Corman/Build PA PAC	\$33,700
House Majority Leader Dave Reed	\$29,850
Representative John Maher	\$20,750
Representative Pam Snyder	\$15,900
Senator Kim Ward	\$14,000

- Most money went to Republicans

CAMPAIGN FINANCE – KEY FINDINGS

2016 Contributions from Gas Industry – Speaker Mike Turzai

Michael Turzai, Speaker of the House	Amount
Total	\$78,200
Cabot	\$5,000
Chesapeake	\$3,000
Chevron	\$7,500
Columbia	\$2,500
Consol	\$20,000
Dominion	\$2,000
EQT	\$10,000
Exelon	\$2,500
Marathon	\$7,000
MarkWest	\$500
National Fuel	\$3,000
NiSource	\$1,500
NRG	\$2,500
PPL	\$1,000
Range	\$6,000
UGI	\$1,700
Williams	\$2,500

CAMPAIGN FINANCE – KEY FINDINGS

2016 Contributions from Gas Industry

HOUSE AND SENATE REPUBLICAN CAMPAIGN COMMITTEES

House Republican Campaign Committee	Amount
Total	\$56,800
Consol	\$21,000
Exelon	\$1,000
NiSource	\$2,000
PPL	\$14,000
Range	\$15,800
Spectra	\$2,500
UGI	\$500

Senate Republican Campaign Committee	Amount
Total	\$39,600
Columbia	\$6,000
Consol	\$6,000
EQT	\$10,000
Exelon	\$1,000
Marathon	\$500
National Fuel	\$4,000
NiSource	\$2,500
PPL	\$4,400
Range	\$2,500
Spectra	\$2,500
UGI	\$200

CAMPAIGN FINANCE – KEY FINDINGS

2016 Contributions from Gas Industry

SENATOR JOSEPH SCARNATI

President Pro Temp., Joseph Scarnati	Amount
Total	\$51,500
Baker Gas	\$1,000
Chesapeake	\$4,500
Consol	\$5,000
Dominion	\$2,000
EQT	\$4,500
Marathon	\$7,500
MarkWest	\$2,000
National Fuel	\$1,000
NiSource	\$1,000
NRG	\$2,500
POMPAC	\$2,500
PPL	\$4,100
Range	\$6,150
SouthWestern	\$3,000
UGI	\$1,750
Williams	\$3,000

CAMPAIGN FINANCE – KEY FINDINGS

SENATOR JAKE CORMAN,⁶
Senate Majority Leader

2016 Contributions from Gas Industry

Senator Jake Corman/Build PA PAC	Amount
Total	\$33,700
Chesapeake	\$1,000
Dominion	\$2,000
EQT	\$6,500
Marathon	\$4,000
MarkWest	\$2,000
NRG	\$2,500
PPL	\$3,250
Range	\$6,500
Williams	\$2,500
Consol	\$1,200
National Fuel	\$1,000
NiSource	\$1,000
UGI	\$250

CAMPAIGN FINANCE – KEY FINDINGS

**Rep. John Maher,
Chairman of House Environmental
Resources and Energy Committee**

Year	Amount	Position
2014	\$1,750	Agriculture Committee Chairman
2015	\$23,500	Environmental Resources and Energy Chairman
2016	\$20,750	Environmental Resources and Energy Chairman

- SB 279 (Act 52 of 2016) which canceled conventional drilling regulations moved through the ERE committee

2016 Contributions from Gas Industry

House ERE Chairman Rep. John Maher	Amount
Total	\$20,750
Alpha	\$250
Consol	\$6,000
Energy Independence PAC	\$1,000
EQT	\$5,000
Exelon	\$1,000
First Energy PAC	\$1,500
Marathon	\$1,500
National Fuel	\$500
NiSource	\$500
PPL	\$1,500
Range	\$1,000
UGI	\$1,000

LOBBYING – KEY FINDINGS

There are currently **203** lobbyists working on behalf of the gas industry in PA⁷

Total Lobbying Expenses by Natural Gas Industry in 2016: **\$7,382,657**⁸

Total Lobbying Expenses by Oil and Gas since 2007: **\$64,917,097**⁸

LOBBYING – KEY FINDINGS

Marcellus Shale Coalition 2015 Lobbying Expenses

Quarter 1	\$942,289
Quarter 2	\$943,365
Quarter 3	\$935,550
Quarter 4	\$931,074

The Marcellus Shale Coalition is the drilling industry's top trade group in Pennsylvania. Members are energy companies and companies with ancillary ties to drilling industry.

LOBBYING DISCLOSURE QUARTERLY EXPENSE REPORT

FILER'S INFORMATION:

Filer's Name: Chesapeake Appalachia, LLC
Registration No.: P07593
Filing Period: **Quarter:** Jan - Mar **Year:** 2017

PERMANENT BUSINESS ADDRESS:

Address: 300 North 2nd Street
City: Harrisburg **State:** PA **Zip:** 17101

CONTACT INFORMATION OF FILER:

Phone: 717-230-8620 Ext.82403
Email Address: barb.sexton@chk.com

IDENTIFICATION OF INDIVIDUAL FILING REPORT:

Last Name: Sexton **First Name:** Barbara **MI:** A **Suffix:**

IDENTIFICATION OF LOBBYIST(S)/LOBBYING FIRM(S) LOBBYING ON PRINCIPAL'S BEHALF:

Registration Name	Related to RegistrationNum	Affirmation Status
K&L GATES LLP	F01644	Completed
Barbara Ann Sexton	L22215	Completed
Terrence Murphy	L17387	Awaiting Affirmation
PETER GLEASON	L01487	Awaiting Affirmation
Matt Sheppard	L42204	Completed
Rene Diehl	L42672	Awaiting Affirmation
Nancy L. Harder	L43543	Awaiting Affirmation

TOTAL LOBBYING EXPENSES DURING THE REPORTING PERIOD:

TOTAL EXPENDITURES FOR GIFTS, HOSPITALITY, TRANSPORTATION, AND LODGING FOR STATE OFFICIALS OR EMPLOYEES OR THEIR IMMEDIATE FAMILIES :

\$44.00

TOTAL COSTS FOR DIRECT COMMUNICATION: \$67,471.00

TOTAL COSTS FOR INDIRECT COMMUNICATION: \$144,087.00

+

TOTAL COSTS OF ALL LOBBYING FOR THE PERIOD: \$211,602.00

SUBJECT(S) OF LOBBYING:

Energy, Environment

GIFT RECIPIENTS:

None.

PAYMENTS/REIMBURSEMENTS

None.

SOURCE OF CONTRIBUTIONS

None.

FILER AFFIRMATION:

By signing my name below, I acknowledge that I have actual knowledge of the contents of this form except to the extent noted on the "Lobbyist or Lobbying Firm Statement of Limited Knowledge," if any, and that I have received, read and understand the requirements of Act 134 of 2006 relating to lobbying disclosure. I also consent to receive service of notices, other official mailings or process at the address, email or facsimile listed on this form. To the best of my knowledge at all times relevant to the above reporting period, I have been in compliance with 65 Pa. C.S § 1307-A(d) (relating to conflicts of interest). I affirm that the information set forth above and in all attachments is true, correct and complete to the best of my knowledge, information and belief, and that affirmation is being made subject to 18 Pa.C.S. § 4904(unsworn falsification to authorities).

First Name: Barbara **MI:** A
Last Name: Sexton **Suffix:**
Title: Government Relations

Business name of Preparer:

Phone Number:

Email Address:

Date: 04/25/2017

LOBBYING FIRM/LOBBYIST NOT ASSOCIATED WITH A LOBBYING FIRM AFFIRMATION:

By signing my name below, I acknowledge that I have actual knowledge of the contents of this form except to the extent noted on the enclosed "Lobbyist or Lobbying Firm Statement of Limited Knowledge," if any, and that I have received, read and understand the requirements of Act 134 of 2006 relating to lobbying disclosure. I also consent to receive service of notices, other official mailings or process at the address, email or facsimile listed on this form. To the best of my knowledge, at all times relevant to the above reporting period, I have been in compliance with 65 Pa. C.S § 1307-A(d)(relating to conflicts of interest). I affirm that the information set forth above and in all attachments is true, correct and complete to the best of my knowledge, information and belief, and that this affirmation is being made subject to 18 Pa.C.S. § 4904(unsworn falsification to authorities).

Name: Peter A Gleason **Registration No:** F01644

Entire Chesapeake Appalachia Lobbying Disclosure Quarterly Expense Report, Jan-March 2017

LOBBYING – KEY FINDINGS

Marcellus Shale Coalition 2016 Lobbying Expenses (Amended Late January 2017)

Time Period	Original Expenses	Amended Expenses
Quarter 1	\$933,285	\$167,013
Quarter 2	\$934,039	\$178,657
Quarter 3	\$933,152	\$178,936
Quarter 4	\$191,294	N/A

WHY THE CHANGE?

LOBBYING – KEY FINDINGS

- In 2016, the total amount natural gas companies spent on gifts, hospitality, transportation and lodging:

\$87,073⁹

- No legislators were listed on lobbying reports as recipients of gifts, hospitality transportation and lodging in 2016.
- No bill numbers or specific issues appeared any lobbyist disclosure expense report in 2016.
- In the first two quarters of 2017, **\$27,659** has been spent on gifts – no recipients have been identified on disclosure forms

- Threshold reporting requirements:
 - **Gifts:** for each source **\$250** the aggregate for each reporting year
 - **Transportation, lodging and hospitality:** for each source **\$650** in the aggregate for each reporting year.

Threshold reporting requirements are too high.

Statements of Financial Interest– Key Findings

- Need to be filed annually by elected officials and must disclose all financial ties, including gifts received
- Of 253 legislators, only 4 reported receiving gifts, hospitality transportation and lodging from the drilling industry on their statements of financial interest in 2016, totaling \$2,500 for the year.
 - \$87,073 reported on lobbying reports for gifts, hospitality, transportation and lodging by drilling industry in 2016.¹³

Caveat: drilling industry gave gifts to non-legislators also

Website: www.ethicsrulings.state.pa.us/

2016 Statement of Financial Interest, Senate Majority Leader Joe Scarnati

- No gifts, transportation, hospitality or lodging reported.

38-SN1

COMMONWEALTH OF PENNSYLVANIA
SEC-1 REV. 01/17

STATEMENT OF FINANCIAL INTERESTS
PLEASE PRINT NEATLY

PENNSYLVANIA STATE ETHICS COMMISSION
(717) 783-1610 • TOLL FREE 1-800-932-0936

01 LAST NAME: Scarnati III FIRST NAME: Joseph MI: B SUFFIX:

02 ADDRESS office (business or governmental) or home: 292 Main Capital City: Harrisburg State: PA Zip Code: 17120 Area Code: 717 Phone: 787-7084

NOTE: IF YOU ARE INCLUDING ATTACHMENTS, DO NOT INCLUDE ANYTHING THAT BEARS YOUR SOCIAL SECURITY NUMBER OR FINANCIAL ACCOUNT NUMBERS.

03 STATUS Check applicable block or blocks, more than one block may be marked. (See instructions on page 2)

A Candidate (including write-in) C Public Official (Current) D Public Employee (Current) E Check this block if you are filing as a solicitor Check this block if you are amending an original filing

B Nominee C Public Official (Former) D Public Employee (Former)

04 PUBLIC POSITION OR PUBLIC OFFICE (administrator, member, Commissioner, job title, etc.) seeking hold held

A PA Senator seeking hold held

B

05 GOVERNMENTAL ENTITY in which you are/were an Official, Employee, Candidate or Nominee (e.g., dept, agency, authority, borough, board, commission, county, school district, twp, etc.)

A See attached

B

06 OCCUPATION OR PROFESSION (This may be the same as block 4) PA Senator 07 YEAR SEE INSTRUCTIONS. Information in Blocks 8 -15 represents disclosure for the calendar year listed here: 2016

08 REAL ESTATE INTERESTS (See instructions on page 2) If NONE, check this box.

09 CREDITORS (See instructions on page 2). Creditor (Name and Address) If NONE, check this box.

Name: See attached Address: Interest Rate:

10 DIRECT OR INDIRECT SOURCES OF INCOME including (but not limited to) all employment. (See instructions on pg. 2) ONLY IF NONE, check this block.

Name: See attached Address: (OFFICIAL USE ONLY)

11 GIFTS (See instructions on page 2) If NONE, check this box.

Source of Gift: Value of Gift:

Address of Source of Gift: Circumstances (including description) of Gift:

12 TRANSPORTATION, LODGING, HOSPITALITY (See instructions on page 2) If NONE, check this box.

Source (Name and Address): Value:

13 OFFICE, DIRECTORSHIP, OR EMPLOYMENT IN ANY BUSINESS (See instructions on page 2) If NONE, check this box.

Business Entity (Name and Address): See attached Address: Position Held (i.e., officer, director, employee, etc.):

14 FINANCIAL INTEREST IN ANY LEGAL ENTITY IN BUSINESS FOR PROFIT (See instructions on page 2) If NONE, check this box.

Name and Address of Business: See attached Interest Held (i.e., 5%, 10%, etc.):

15 BUSINESS INTERESTS TRANSFERRED TO IMMEDIATE FAMILY MEMBER (See instructions on page 2) If NONE, check this box.

Business (Name and Address): Interest Held Relationship Date Transferred:

Transferor (Name and Address):

The undersigned hereby affirms that the foregoing information is true and correct to the best of said person's knowledge, information and belief; said affirmation being made subject to the penalties prescribed by 18 Pa.C.S. §4004 (unsworn falsification to authorities) and the Public Official and Employee Ethics Act, 65 Pa.C.S. §1109(b).

Signature: John Scarnati Enter Current Date: 5/1/17

THIS FORM IS CONSIDERED DEFICIENT IF ANY BLOCK ABOVE IS NOT COMPLETED. MAKE A COPY FOR YOUR RECORDS.

(3 of 4)

2017 MAY 1 PM 1 50 STATE ETHICS COMMISSION

Consequences of Marcellus Money Influence on PA Legislature

- **Severance Tax**
 - PA will lose approximately **\$153.4 million** in 2016-17 by not having a severance tax, according to the Department of Revenue¹⁰
 - PA has lost well over **\$1 billion** in revenue due to the lack of a severance tax since FY 11/12, according to the PA Budget and Policy Center¹¹
 - Governor Wolf proposed a 6.5% severance tax in February

PA remains the only major gas-producing state not to have a severance tax. Severance tax was first proposed in 2009.

Consequences of Marcellus Money Influence on PA Legislature

Conventional Drilling Regulations

- Blocked by the legislature
- 5 years in the making, overwhelming public support
- IRRC found them to be in the public interest
- These regulations would protect public health and safety
 - Predrilling review for abandoned and operating wells
 - Restoration of water supplies to Safe Drinking Water Act standards
 - Spill reporting and cleanup requirements

Consequences of Marcellus Money Influence on PA Legislature

- **Renewable Energy**
 - Inability to expand AEPS
 - Only 4.4% of the electricity generated in PA in 2015 came from renewable sources.¹²
 - PA ranks 38th in the U.S. for renewable energy production.¹²

Consequences of Marcellus Money Influence on PA Legislature

- **Royalties Protection Bill**
 - Requires minimum royalty payment of 12.5% value of gas to landowners
 - Has been introduced for the last 3 terms
 - current HB 557, former HB 1391, HB 1684

WHAT NEEDS TO CHANGE?

■ Campaign Finance Reform

■ Contribution limits for individuals and PAC's

- PA is one of just 11 states that has no limits on campaign contributions
- SB 11 (Costa) would establish campaign contribution limits
- SB 290 (Leach) would create a public financing option for state political campaigns
- *Both bills have been referred to the Senate State Government Committee*

■ Improve PA Dep. of State Campaign Finance search site

- The ability to cross-search reports is limited, prone to error
 - For example, to find out how much Consol Energy had given to Speaker Turzai over the past 5 election cycles you would need to search 35 different reports (7 standard filing cycles in each campaign year); the website's cross-search ability often misses donations and does not load properly
- Technology is out of date
- HB 859 (M.K. Keller), SB 346 (Browne) would require campaign finance reports to be filed electronically
- *Both bills have been referred to the respective House and Senate State Government Committees*

WHAT NEEDS TO CHANGE?

■ Lobbyist Disclosure

- Total gift ban
 - HB 39 (Saccone), HB 568 (Davis), HB 570 (Davis), SB 132 (Eichelberger) total gift ban (all have been referred to State Government Committees)
- First penny disclosure of any gift received
- **Require reports to disclose**
 1. **Which lobbyist is giving**
 2. **What gift**
 3. **To what legislator**
 4. **For what bill**

Current law (enacted in 2006) has not changed lobbying culture in Harrisburg.

Lobbyists should be providers of information, not friends of legislators.

PA is only one of 10 states not limiting gifts from lobbyists to public officials.⁸

QUESTIONS?

Contact Information

State Representative Greg Vitali

1001 E, Darby Rd.

Havertown, Pa 19083

610-789-3900

greg@gregvitali.com

Acknowledgments

Research by Robert James DeNault

Information regarding PA Severance Tax by Olivia Straka

Disclaimer: The information in this report is believed to be true, but the original sources should be checked to verify accuracy

Footnotes

- 1. Common Cause Report/Conservation Voters of PA: Marcellus Money. Published Oct. 3, 2016 and June 20, 2016. www.marcellusmoney.org
- 2. Our research was based on campaign finance disclosure reports from 42 different principals in the natural gas industry. We relied on Common Cause Reports for 2016 Cycles 1-4, and our own office's findings on Cycles 5-7. For cycles 5-7, we could only examine Natural Gas PAC donations to PA candidates, and were unable to attribute individual donations. Industry interests (principals) were identified using 1) the Pennsylvania Department of Environmental Protection's Oil & Gas Reporting database, which names the entities that operate current and completed Marcellus shale wells in the state, 2) the U.S. Department of Transportation's National Pipeline Mapping System and 3) extensive newspaper and business journal research about who holds Pennsylvania Marcellus shale acreage. Additionally, the trade groups Marcellus Shale Coalition and Pennsylvania Independent Oil and Gas Association are included because of their stated interests and efforts

Websites used: www.campaignfinance.state.pa.us, www.palobbyingservices.pa.gov, www.ethicsrulings.state.pa.us

- 3. We relied on the use of the same 42 principals we had used for our campaign finance research. We analyzed all lobbying reports from each principal for 2015 and 2016. We were helped by the findings in Common Cause's analyses of lobbying reports in Quarters 1 and 2. We also analyzed all lobbying gift expenses in 2015 and 2016 lobbying reports filed by natural gas principals.

Footnotes

5. This number was derived from the latest Common Cause Marcellus Money Report, released in October 2016 which contained 2016 Reporting Cycles 1-4, and campaign finance disclosure records from the 43 natural gas companies mentioned in that report from Reporting Cycles 5-7. There are no individual donations included from Cycles 5-7, and therefore this number is lower than it will be in Common Cause's next Marcellus Money Report, which will include individual donations.

Contributor	Amount
Consol	\$136,200
PPL	\$117,545
EQT	\$96,855
Range	\$82,000
Marathon	\$62,700
NiSource	\$51,042
UGI	\$45,075
Exelon	\$44,800
National Fuel	\$35,425
Chesapeake	\$28,900
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Spectra	\$12,700
Peoples	\$12,500
Chevron	\$11,750
MarkWest	\$10,750
Baker Gas	\$10,350
Talen	\$9,400
Alpha	\$9,350
Columbia	\$8,750
Cabot	\$8,000
Shipley	\$6,500
Penn Virginia	\$4,864
SouthWestern	\$4,320
Patriot	\$4,000
POMPAC	\$2,500
Exxon	\$2,000
NextEra	\$2,000
Snyder	\$1,680
First Energy PAC	\$1,500
Energy Independence PAC	\$1,000
PA Independent Oil and Gas PAC	\$600
Penneco	\$500
Exco	\$300
IOGA	\$300
Grand Total	\$883,181

Footnotes

⁶ The totals for Sen. Jake Corman were combined with the totals from a separate PAC, Build PA PAC, due to the fact that the Chairman and Treasurer of Build PA PAC were also the Chairman and Treasurer of Sen. Corman's candidate PAC, and that donations to Build PA PAC were also attributed to Sen. Corman on campaign finance expense reports from natural gas PACs.

⁷ The total list of lobbyists was derived from all the lobbyists currently listed as registered to principals we used in our research. This information was found on the lobbying disclosure records website.

⁸ The totals for natural gas industry lobbying were found via public lobbying disclosure records and through Common Cause's analysis of those records.

⁹ The 2016 gift totals were derived from the "gifts, transportation, lodging and hospitality" sections of principals' lobbying disclosure reports for 2016.

¹⁰ Department of Revenue Estimates that a 6.5% severance tax would have yielded \$350.9 million in the 2016-17 fiscal year. The impact fee levied in its stead will yield approximately \$197.5 million.

Footnotes

- ¹¹ Had a severance tax been in place since FY 2011/12, PA could have raised an additional \$1.2 billion over its impact fee collections, according to PA Budget and Policy Center (Natural Gas Severance Tax Report, Dec. 10, 2014).
- ¹² Pennsylvania's Renewable Energy statistics were found via publications from the Energy Information Administration (EIA) online database.
- ¹³ The PA Legislators listed were Rep. Mark Mustio, Rep. Ryan Warner, Rep. Brian Ellis, Rep. Stan Saylor, and Rep. Bill Kortz