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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

HOUSE DEMOCRATIC POLICY COMMITTEE HEARING
Topic: Marcellus Shale Severance Tax
Wilkes University – Wilkes-Barre, PA
May 1, 2017

AGENDA

2:00 p.m. Welcome and Opening Remarks

2:10 p.m. Panel of State Officials:
- Dennis Davin
  Secretary
  Pennsylvania Department of Community and Economic Development
- Scott Perry
  Deputy Secretary for Oil and Gas
  Pennsylvania Department of Environmental Protection

2:30 p.m. Questions from Committee Members

2:45 p.m. Frank Joanlanne
President
Borton Lawson Engineering

2:55 p.m. Questions from Committee Members

3:10 p.m. Marleen Troy
Professor of Environmental Engineering
Wilkes University

3:20 p.m. Questions from Committee Members

3:35 p.m. Marc Stier
Director
Pennsylvania Budget and Policy Center

3:45 p.m. Questions from Committee Members

4:00 p.m. Closing Remarks

5/1/17 House Democratic Policy Committee
Wilkes University, Henry Student Center Ballroom, 84 West South Street, Wilkes-Barre
Public hearing with Rep. Eddie Day Pashinski on Marcellus Shale severance tax

Good morning Representative Pashinski and members of the House Democratic Policy Committee.

My name is Dennis Davin and I am the Secretary of the Department of Community and Economic Development (DCED). I want to introduce Scott Perry, Deputy Secretary for Oil and Gas, Pennsylvania Department of Environmental Protection, who will assist me in answering questions after my remarks.

I appreciate the opportunity to provide testimony today concerning a Marcellus Shale severance tax.

A fair severance tax is a core component of responsible shale development – and it is as important to the long-term growth of the natural gas industry as pipeline networks and downstream economic development like cracker plants and manufacturing facilities.

A fair severance tax dedicated to a specific and politically important set of public goods will ensure that long term benefits to Pennsylvanians are realized.

We are at a critical inflection point with the Marcellus and Utica shale resource. It is a massive resource – the third largest natural gas basin in the world behind Qatar and Russia - and the eyes of the world are on ***US***. Why? Because others – both domestically and globally – are trying to figure out how to pipe our natural gas and natural gas liquids to other places to utilize the resources for their own benefit.

This production is prolific. Most of the natural gas and natural gas liquids that will be transported via several large pipeline projects currently being planned bypass the commonwealth entirely and will transport our resources to other domestic and international markets with much larger buying power.

We estimate that by 2025, **75%** of natural gas from these basins will be **exported from our borders.** Pennsylvania will be a net exporter of natural gas. The Marcellus will be the main source of new U.S. gas supply and we will help to fuel the nation. Beyond that, we will then likely help to fuel the world.

For example, Williams' Atlantic Sunrise pipeline project will deliver natural gas to the southeastern United States and to international markets. Sunoco Logistics' Mariner East 1 pipeline project is currently delivering ethane to Norway.

Is it sufficient for Pennsylvania's massive role in a national and global energy economy to be supported only through the imposition of an impact fee, when the reality is that companies make economic gains by providing other states and countries with our natural resources because they do not have them within their own borders?

Do we want or expect Pennsylvanian's to make that sacrifice for the approximately $200 million per year we collect in impact fees?

If Pennsylvanian's are truly to benefit from that profound role, we should have a fair severance tax.

Contracting with end-use markets that have high demand is necessary to develop and fund large pipeline infrastructure projects. However, we cannot ignore the fact that as producers are inking lucrative contracts for the sale of natural gas and natural gas liquids sourced from the Keystone State to markets outside of our borders, they also vigorously oppose a severance tax on the resource.

Nowhere is this situation more profound than ExxonMobil's recent announcement of $20 billion in investment in petrochemical facilities along the Gulf Coast. This investment comes along with an estimated 120,000 jobs in Texas using Pennsylvania's natural gas liquids.

The Wolf administration understands that the current low cost of natural gas has created a difficult economic environment for producers of Marcellus Shale natural gas and natural gas liquids. Prolific Marcellus wells have been bottlenecked for several years due to lack of pipeline infrastructure but in a relatively short time frame, new transmission line projects will be constructed to relieve capacity issues. There are currently more than $12 billion in transmission pipeline projects proposed for the Marcellus Shale that will transport our state's resource to national and international markets.

We believe this will ultimately result in higher realized gas prices for Marcellus shale producers. Their low-cost environment – which substantiates a critical and important basis for opposition – will very soon be an argument of the past.

Recent Energy Information Agency (EIA) statistics support our argument that there is a short-term issue with regard to natural gas prices:

- Pennsylvania and Ohio had the two largest annual natural gas production increases from 2015 to 2016, up 1.2 billion cubic feet per day each, reflecting higher production from the Utica and Marcellus shale plays, which have accounted for 85% of the U.S. shale gas production growth since 2012.

- The increased productivity of natural gas wells in the Marcellus Shale and Utica Shale is a result of ongoing improvements in precision and efficiency of horizontal drilling and hydraulic fracturing occurring in these regions.

- Production in Pennsylvania and Ohio has accounted for an increasing share of total U.S. natural gas production in recent years, growing from less than 2% in 2006 to 24% in 2016.

- Pennsylvania surpassed Louisiana in 2013 to become the second-highest natural gas producing state, behind Texas.

- EIA's *Short-Term Energy Outlook* projects that total U.S. natural gas production will increase in both 2017 and 2018 as natural gas prices rise, resulting in higher rig activity.

A recent IHS Markit report released by the Team Pennsylvania Foundation forecasts that through 2030, natural-gas production in Pennsylvania will rise to approximately 25 billion cubic feet per day and natural gas liquids production will rise to at least 200,000 barrels per day.

Industry's argument against a severance tax centers largely on its potential effect on producers' competitiveness in a low-cost pricing environment and the replication of a current "impact fee" that was levied in 2012.

In the context that the Marcellus and Utica shale basins collectively represent the third largest natural gas basin in the world – behind only Qatar and Russia - **means that we are sitting on the largest natural gas basin in North America.**

According to IHS Markit, current and future upstream producer's activity in the Marcellus and Utica shale plays are underpinned by superior upstream economics and IHS Markit expects upstream producers to continue to explore, develop, and produce the significant natural gas and NGL resource base in the basins with the best economics—the Marcellus and Utica Shales. **They represent the "new order" of shale drilling in the US.**

For those that argue that we have a severance tax through the imposition of an impact fee, I want to draw your attention to the following statistic: From 2008-2016, the state of Texas received over **$12.7 billion** in natural gas severance taxes, compared to Pennsylvania's **$1 billion** in impact fees.

Interestingly, in Texas, depending on the contract between producer and purchaser, both parties can agree that a **purchaser** will pay the natural gas taxes. If other states and nations are competing for our natural gas supply, it is possible that costs associated with the use of Marcellus natural gas can be borne in any number of ways.

To those organizations, entities, and people that present valid and reasonable arguments about focusing our efforts on the downstream opportunities that come along with this resource, we agree. And we have been doing that.

The sheer abundance of our natural resources – both fuel and feedstock - can usher manufacturing development within our own state's borders - but it is not guaranteed.

Last year, we announced that Shell decided to build a major petrochemical complex in Beaver County. Pennsylvania is the first state in Appalachia to attract an ethane cracker. We did that by working side-by-side with the company, trade organizations, local and state governments, economic development partners, and community stakeholders to take the project from prospect to a final investment decision over the course of five years.

This project will create 6,000 full-time construction jobs at peak and 600 full-time permanent positions when complete. When the ribbon is cut at the facility, Pennsylvania will have the experience of attracting, site developing, permitting, and building the first ethane cracker in the Northeast. Shell will generate what an export pipeline cannot: a job multiplier effect of 5 to 7 times with additional indirect and induced jobs and follow-on investment in Pennsylvania to further support the industry.

Until this plant is built, however, Pennsylvania will continue to export 100% of our ethane to the Gulf Coast, Canada, and Norway.

If most our natural resources are, and will continue to be exported, there can be no stronger argument for a dual strategy that includes establishing a fair severance tax and maximizing opportunities for in-state use of our own natural gas and natural gas liquids to stimulate workforce and economic development right here in Pennsylvania.

We are maximizing economic development opportunity by encouraging the expansion of existing companies and the attraction of new facilities that are large consumers of natural gas for energy and/or natural gas liquids and their derivatives as raw materials in their manufacturing processes.

DCED is working to attract natural gas and natural gas liquids end users nationally and internationally.

We are developing a coordinated marketing strategy to encourage and promote Pennsylvania as a strategic location.

We have been engaging in cross border collaborations with Ohio and West Virginia to cooperate in marketing efforts to attract new businesses, strengthen workforce development programs, spur investments in expanding infrastructure and delivery of natural gas and liquids, and encourage our academic institutions to expand and collaborate on research related to natural gas uses and opportunities.

We are also working to expand end-use through the Pipeline Investment Program, which allows for natural-gas pipelines to be extended to residents and businesses to lower their energy costs by utilizing Pennsylvania's abundant and low-cost natural gas.

Currently, Pennsylvania is at the epicenter of an energy revolution. We can shape our own destiny by ensuring that our natural resources are taxed fairly and appropriately, and used to support Keystone job creation and growth, accomplished through in-state use and/or manufacture of the natural gas and natural gas liquids.

As large volumes of natural gas and natural gas liquids position Pennsylvania as a global leader, we will continue our strong focus on ensuring that Pennsylvanians benefit both through the enactment of a fair severance tax and through the development of new ways to use our resources for our own good.

We do not want Pennsylvania to miss out on the opportunity to receive the full benefits of a globally relevant and economically prosperous shale play that is taking place within our borders.

We can do that with a fair severance tax.

Thank you very much. Deputy Secretary Perry and I look forward to answering any questions you may have.

Reference ONLY: Texas Natural Gas Severance Tax vs. Pennsylvania Impact Fee

Year	Texas Severance Tax (75%)	PA Impact Fee
2008	$2,684,648,000	$0
2009	$1,407,739,000	$0
2010	$725,538,000	$0
2011	$1,109,718,000	$0
2012	$1,534,630,000	$204,200,000
2013	$1,495,203,000	$202,500,000
2014	$1,899,582,000	$225,800,000
2015	$1,280,410,000	$223,500,000
2016	$578,799,000	$187,700,000
TOTAL	$12,716,267,000	$1,043,700,000

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Testimony of Frank Joanlanne President, Borton-Lawson Engineering before House Democratic Policy Committee

Borton-Lawson is a Top 500 engineering firm, headquartered in Luzerne County, Pennsylvania, serving the transportation, electric utilities, land planning & design, buildings, industrial and Oil & Gas sectors. In 2008 at the start of the Marcellus Shale boom, Borton-Lawson expanded its service offering to the oil & gas industry. Since, Borton-Lawson has grown its employee base, opened additional offices, and began servicing Oil & Gas accounts in West Virginia, Ohio, Wyoming and Texas.

I would like nothing more than to continue telling of limitless opportunity for Borton-Lawson since the start of the Marcellus Shale, but the reality is much different.

The oil and gas industry has suffered over last two years, resulting in job loss across the country, including thousands of PA workers, Lack of pipeline infrastructure to move gas to market has further stressed the industry in Pennsylvania.

The strains of this downturn took its toll on not only operators who scaled back investment or diverted to other, more profitable shale plays but on the entire network of industries that support natural gas development in Pennsylvania, including Borton-Lawson.

Over the last few years, we have curtailed our hiring and are waiting to see where the producers will decide to make their next significant investments.

As the industry is starting to see recovery on the national stage, Pennsylvania continues to experience depressed market prices. This situation is influencing the investment decisions of many of our industry clients. These companies have diverted investment capital to parts of the country where the return on investment is more reliable.

My goal is to grow opportunity for our company and our employees. Raising taxes on the industry that provides that opportunity in a state already largely viewed as uncompetitive is not the way to do it. It is a threat to all of the businesses working directly and indirectly for the oil & gas industry.

Let me take a moment to remind you, this industry already pays substantial tax dollars to the Commonwealth – like every other company operating here – and on top of that, the industry pays a special tax levied on no other industry in Pennsylvania, the Impact Fee.

Since 2012, the Impact Fee has resulted in over $1 Billion to local governments and statewide programs. I must emphasize, all 67 counties benefit from this Impact Fee. Moreover, after doing some research, I can highlight Luzerne County, where this hearing is held today, has received $1.4 Million directly and over $7 Million in Commonwealth Financing Authority projects, all of which were funded by the Marcellus Legacy Fund. No other industry that I am aware of has made these kinds of contributions in the Commonwealth.

The oil and gas industry has sustained so much over the last few years, and yet it is still here. Singling it out for higher taxes seems not only ill-timed but counterproductive, especially for a firm like Borton-Lawson, ideally positioned to service the needs of the industry and grow its payroll with Pennsylvania citizens.

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In conclusion, I must emphasize again: Pennsylvania is not the only state – and the U.S. is not the only country – with abundant shale resources, and competition for limited capital is real. I encourage each of you here today; to change the conversation from higher taxes to how to make our state competitive, nationally and globally. We have the opportunity to keep generations of Pennsylvanians working here, paying taxes here and growing businesses – like mine – here. We can bring manufacturing to all corners of the Commonwealth and especially northeast Pennsylvania where the supply is in our back yard. Therefore, I would urge you to work with the industry on policies that will make Pennsylvania a more attractive, more competitive state to ensure Pennsylvania – not just the Gulf – is a beneficiary of the full potential that can be brought to bear if hard-working legislators like you put economic growth and job creation first. Prosperity through taxation simply does not work.

5-1-17

Frank Joanlanne
President, Borton-Lawson

May 1, 2017

Marleen A. Troy, Ph.D., P.E.
Professor of Environmental Engineering
Department of Environmental Engineering & Earth Sciences
Wilkes University
Wilkes-Barre, PA 18766

Thank you for the opportunity to contribute to the efforts to raise more awareness about Marcellus Shale issues and especially the impact of a severance tax.

I would like to offer this perspective based on my academic training and professional experience which is focused on hazardous waste site remediation. I witnessed and worked on far too many sites where good intentions and at that time current best practices led to future contamination problems. This was primarily due to a lack of planning and a lack of understanding about the consequences of actions such as an underground tank unknowingly leaking or the thought that burying a waste underground where it was out of site and out of mind was a safe way (and at the time the accepted way) to dispose of it. While working on these sites and projects it always concerned me that we were set in the mode of dealing with hazardous waste problems "after-the-fact" without the consideration of what could we have or should have done to prevent them or minimize them in the first-place. Waste generation and subsequent disposal were considered a cost of doing the business of manufacturing a product and no connections were made to the possibility that these waste materials that were "disposed of" could cause future problems. Even today we are still dealing with the consequences of these past practices; however, we are also evolving to utilize better management and operational practices. We are looking at and using new processes and procedures that allow us to look at approaches or alternate materials so we are not generating hazardous wastes that have to be disposed of. This systems approach or "big-picture" thinking is breaking down silos and looking at the interconnection between all phases of an operation (and not just the end-product) – and is referred to as performing an environmental life cycle analysis. Environmental life cycle analysis is a systematic tool for assessing the environmental impacts associated with a specific product or service. It allows all the impacts to be looked at, is a mechanisms to promote product improvement, allows "what if" scenarios, bench-marking and both internal and external operational considerations. The benefits of a life cycle analysis are that it is a mechanism to address complex environmental issues can help understand trade-offs and identify where in the life cycle the greatest impact occurs. Although this approach is logical and is being embraced by many organizations, there are many challenges for its implementation, primarily the availability and quality of data. Is using the life-cycle analysis approach relevant for the management of the extraction of Marcellus Shale gas? It is my opinion that it is and would foster better management of the entire process and not just the end-product. Water use and disposal practices, methane emissions, other air emissions, distribution and transportation needs and components would be examples of the parameters that should be considered and be part of the decision making and policy process. It would foster thinking about current issues as well as consideration and planning for future energy needs.

In the 2017 edition of the American Society of Civil Engineers Infrastructure Report Card – the United States received a D+ for Energy. One of the recommendations that they made to raise this grade is to adopt a federal energy policy that carefully assesses needed changes, including alternative energy sources such as renewables and distributed generation, to provide clear direction for meeting current and future demands.

I understand the need to balance the budget and to provide for important programs such as education, which is being proposed as a potential use of the severance tax. However, it is my opinion that collected monies should be used for environmental management (where we can obtain the necessary information for decision making) for restoration programs (where we can address current issues) and to plan for future energy needs and demands.

To recap:

- Natural gas needs to be safely and responsibly extracted and distributed
    - Resources need to be in-place to effectively oversee and monitor all phases of these processes
- Best practices need to be uniformly adapted for use
    - Particularly to safeguard water supplies and minimize methane leaks
- Natural gas needs to be viewed as a temporary bridge and not a permanent substitute
- We need to continue to increase our renewable energy capacity as well as continue to refine our future energy strategy

To quote Albert Einstein "*We can't solve problems by using the same kind of thinking we used to create them.*"

Thank you.

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May 1, 2017

Testimony of Marc Stier, Director, Pennsylvania Budget and Policy Committee
House Democratic Policy Committee

Mr. Chairman and members of the committee.

Thank you for inviting me to testify about the role a severance tax should play in Pennsylvania.

This is a topic that, as you know, has been subject to substantial debate over the years. There is very little new that can be said on the subject. The Pennsylvania Budget and Policy Center has been calling for a severance tax for years. This weekend I had an opportunity to re-read a substantial paper written in 2008 by my predecessor Sharon Ward and our former policy analyst, Michael Wood, and was struck by two things.

The first is how little has changed with regard to the arguments for and against a severance tax, simply on the grounds of economic equity and efficiency. There was an overwhelming case to be made for instituting a severance tax in 2008. And there is such a case to be made today.

The second is how the political and fiscal context in which we are talking about the tax makes the case the need for a severance tax even stronger today than it was in 2008. So that is where I am going to begin.

The Two Pennsylvania Deficits

Since the beginning of the Great Recession, we rarely use the words "Pennsylvania budget" apart from the word "deficit." The structural budget deficit— the persistent lack of revenues to meet on-going expenses— has been the defining feature of state politics since 2009. Yet, despite this incessant focus on the deficit, too few Pennsylvanians understand why we have a budget deficit and what the deficit means for the state.

As persistent as the budget deficit is the notion that out of control state spending is responsible for it. Nothing could be further from the truth. As Table 1 shows, as a percent of the state's Gross Domestic Product, state expenditures and revenues have both declined substantially in the years since 2011.[1]

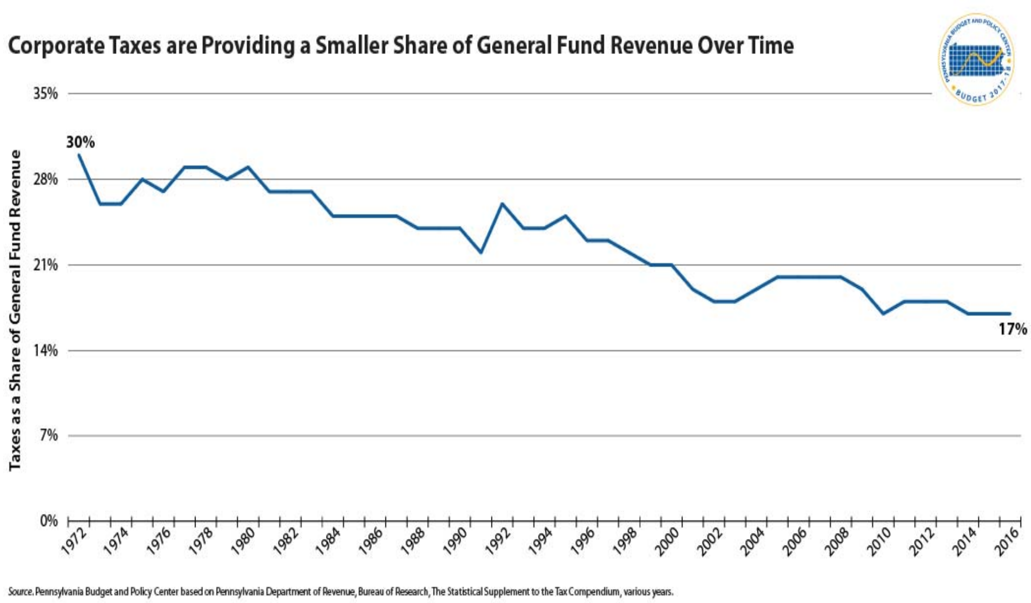
[1] Careful readers will note that in all three periods under consideration, revenues exceed expenditures as a percent of GDP. So why has the state not been accumulating surpluses? The answer is that revenues each year must exceed expenditures to provide a reserve for tax refunds to those whose withheld tax payments exceed their tax obligation. The refund reserve is typically 4% of expenditures or .18% of state GDP.

Table 1

Pennsylvania General Fund Expenditures and Revenues as a Percent of GDP (nominal figures in millions)		
Fiscal year ending	Expenditures / GDP	Revenues / GDP
Average 1994 to 2011	4.71%	4.89%
Average 2012 to 2015	4.37%	4.49%
Average 2016 to 2017	4.32%	4.33%
Proposed 2018	4.29%	4.47%

The problem, however, is that revenues have declined faster than expenditures. This was not the result of happenstance. It was a product of repeated cuts to corporate taxes in the state. Figure 2 shows that corporate taxes bring in a substantially lower share of all state taxes now than in the past. If corporate taxes brought in the same percentage of state revenues as they did in 2003-2004, total revenues would $2.3 billion more per year than they are today. We would be talking about how to invest our surplus rather than how to close a structural budget deficit.

Figure 1



That our budget deficit is a product of reductions in revenues rather than an expansion in state spending points to a second importance context in which we are discussing the severance tax today. The budget deficit is not the only deficit this state faces. We also face a substantial investment deficit, a failure to invest in the common goods that are necessary to make our communities thrive.

This is not the place to give details about that deficit, to which we have pointed in our recent analysis of the Governor's proposed budget. But the basic elements of the investment deficit are broadly known: Pennsylvania

- continues to have the most unequally funded public schools in the country;
- is fourth from the bottom of all states in spending on higher education and 35th in the percentage of adults with college degrees;
- is near the top of the list of states with the most structurally deficient bridges;
- and spends about a one-third on the Department of Environmental Protection compared 2008 despite the greater burden placed on the department by the growth of natural gas fracking.

Given both our budget and investment deficits, Pennsylvania must secure new recurring revenues. Yet, at a time when wages are stagnant, it should not do so by increasing taxes on working people and the middle class. Instead it should turn to taxes that fall more on businesses and people outside the state.

Why the Severance Tax Makes Sense

In this context, the severance tax continues to be good public policy for Pennsylvania, just as it was when first proposed years ago. Indeed, in light of our recurring budget problems, it is should be a matter of both astonishment and regret that we have not put in place such a tax years ago.

First, the severance tax will bring in substantial new revenues on a recurring basis. Even at current, relatively low natural gas prices, a modest tax would bring in $200 to $300 million per year. And that amount is expected to double and triple over the next few years as natural gas prices rise.

Second, the severance tax will not fall on working and middle class people in the state. There is some dispute about the incidence of the tax. But on any of the reasonable assumptions about who ultimately pays the tax, it falls lightly on the people who can least afford to pay it.

The Independent Fiscal Office (IFO) believes that most of the tax is passed on to consumers.[2] That would concern us except for a salient fact: much of the natural gas produced in the state is consumed outside the state. Pennsylvania residential consumers of natural gas are already paying the severance taxes imposed by other states and would not be burdened by a Pennsylvania severance tax. Indeed, the IFO estimates that only 18.9% of severance tax revenues would be paid by consumers inside the state and only 7% of severance tax revenues would be paid by residential consumers in Pennsylvania.

Some critics of previous IFO projections have held that a larger portion of the natural gas severance tax would be paid by natural gas producers and by those who own the land leased by those producers. Given that the market for natural gas is fairly competitive, while landowners have fewer opportunities to secure the high returns they get from leasing the right to drill for natural gas on their land, it is not implausible that a larger portion of the tax will be paid by these landowners, in the form of lower royalties.

If this were to take place, some Pennsylvanians will secure less income. But most of the tax burden will fall on those with higher incomes. Thus even if the tax is not all passed on to out of state consumers, a severance tax is far preferable to an increase in the personal income tax or sales tax as a means, both of which fall more on low- and moderate- income Pennsylvanians. Indeed, one of the great advantages of a severance tax from the point of view of equity is that it taxes some of the windfall received by those whose land has become far more valuable due to unforeseen changes in technology.

Third, there is no reason to think that a severance tax would have any dramatic impact on the amount of natural gas produced in the state. As a general rule, we tend to over-estimate the impact of taxes on economic activity, mainly because those who pay taxes speak up loudly against them. And that is certainly

[2] Independent Fiscal Office. Analysis of Revenue Proposals, FY 2017-2018 Budget, April 2017.

true in this case. A modest severance tax would be a relatively small part of the costs of producing natural gas in Pennsylvania. Every other state with substantial unconventional natural gas production already has a severance tax in place. The cost of producing natural gas in Pennsylvania is not higher than in other states. And the costs of distributing natural gas from Pennsylvania to the states in the Northeast and Midwest that are the largest consumers of natural is substantially lower than of doing so from most competitors.[3]

Some opponents of a severance tax say that natural gas producers already pay our corporate net income tax which is, on its face, one of the highest in the country. But, as we have pointed out in the past, corporate taxes from producers of natural gas in Pennsylvania have fallen since an initial rise in 2010. Natural gas producers can take advantage of federal tax incentives to reduce both federal and state taxes and have established subsidiaries that can take advantage of the Delaware loophole to reduce their corporate tax payments to Pennsylvania or that allow them to pay the low personal income tax rate rather than the corporate tax rates.

Indeed, when a severance tax was initially considered in the state, natural gas producers fully expected to pay it. One spokesperson from Chesapeake Energy Corporation said in 2009 that "we gladly pay a severance tax in every state where we're active, except New York and Pennsylvania."[4]

Conclusion

The United States is rich in many resources including natural ones. And, wherever and whenever a state has substantial natural resources, it has taxed them with some kind of special tax above and beyond the normal business or corporate profit tax. That's true when state governments have been run by Democrats or Republicans, liberals or conservatives, progressives or reactionaries. The two states richest in natural resources Alaska and Texas instituted large taxes on oil production when they were run by Democrats. They maintain and increased those taxes when they were run by Republicans—including when the governor of Alaska was a well-known conservative Republican named Sarah Palin.

So why is Pennsylvania the outlier? I think the answer can only be one thing: the entrepreneurial energy of Pennsylvanians who have seen an opportunity in blocking a severance tax and taken it. And I don't mean the entrepreneurial energy of natural gas producers who, as we have seen, are willing to pay the tax. I mean the entrepreneurial energy of politicians who have seen an opportunity to secure over $9 million in campaign contributions, not just from those producers but from organizations that oppose taxation and government spending in general, in return for blocking a severance tax in our state.

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[3] Distribution costs make up about 48% of the price of consumer natural gas. See, U.S. Energy Information Administration, *Residential Gas Prices: What Every Consumer Should Know*, December 2008, http://www.eia.doe.gov/neic/brochure/oil_gas/rngp/index.html.

[4] Jay Gallagher, "Gas-drilling tax proposal stirs protest in Albany," *Elmira Star-Gazette*, March 26, 2009 http://www.stargazette.com/article/20090326/NEWS01/903260391&referrer=FRONTPAGECAROUSEL