

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 3/23/2018)

*“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

- 2007-2017 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 from 2007 to 2017: at least **\$7,985,500**⁴

TOP TEN DRILLING CONTRIBUTORS

Contributor	Amount
Exxon Mobil	\$1,000,216
EQT	\$886,379
Chevron	\$614,830
Consol	\$544,500
Range Resources	\$451,193
Nisource	\$426,900
Chesapeake	\$374,140
Dominion	\$272,473
Energy Transfer	\$240,150
Alpha Natural Resources	\$145,920

CAMPAIGN FINANCE – KEY FINDINGS

Top 10 Recipients of Gas Industry Contributions (2007-2017)

Recipient	Amount
President Pro Tempore Joe Scarnati	\$490,220
House Republican Campaign Committee	\$315,075
Senate Republican Campaign Committee	\$281,800
Speaker Mike Turzai	\$371,300
House Maj. Leader Dave Reed	\$213,750
Senate Maj. Leader Jake Corman (Build PA PAC)	\$168,800
Representative Jeff Pyle	\$98,663
Representative Jay Costa	\$98,650
Senator/Gov. Candidate Scott Wagner	\$91,560

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- Most money went to Republicans

CAMPAIGN FINANCE – KEY FINDINGS

- Total Campaign Contributions to PA Legislature from Gas Industry in 2016 and 2017: at least **\$1,167,181**

TOP TEN 2016 GAS CONTRIBUTORS

Contributor	Amount
Consol	\$227,700
PPL	\$168,695
Range Resources	\$158,750
EQT	\$106,855
UGI	\$75,125
NiSource	\$64,492
Marathon	\$62,700
National Fuel	\$56,375
Exelon	\$52,500
Chesapeake	\$39,450

CAMPAIGN FINANCE – KEY FINDINGS

Top 10 Recipients of 2017 Gas Industry Contributions

Recipient	Amount
Speaker Mike Turzai	\$70,000
House Republican Campaign Committee	\$28,650
Senate Republican Campaign Committee	\$28,200
Senator Joseph Scarnati	\$9,000
Senator Jake Corman/Build PA PAC	\$15,000
House Majority Leader Dave Reed	\$5,000
Representative John Maher	\$16,500
Representative Pam Snyder	\$4,450
Senator Kim Ward	\$5,000

- Most money went to Republicans

LOBBYING – KEY FINDINGS

There are currently **203** lobbyists working on behalf of the gas industry in PA⁶

Total Lobbying Expenses by Natural Gas Industry in 2017:
\$5,221,292⁷

Total Lobbying Expenses 2007-2017: **\$67,784,376⁸**

LOBBYING – KEY FINDINGS

- In 2017, the total amount natural gas companies spent on gifts, hospitality, transportation and lodging:

\$113,307⁹

- No legislators were listed on lobbying reports as recipients of gifts, hospitality transportation and lodging in 2017.
- No bill numbers or specific issues appeared any lobbyist disclosure expense report in 2017.

- 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.

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

- No bill numbers
- No legislators' names

- No sources of contributions

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

\$211,602 spent – no details given

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 5** 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.¹⁰
 - **\$87,073** reported on lobbying reports for gifts, hospitality, transportation and lodging by drilling industry in 2016.

Caveat: drilling industry gave gifts to non-legislators also

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

2016 Statement of Financial Interest, Senate President Pro Tempore 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 FIRST NAME MI SUFFIX
S c a r n a t i I I I J o s e p h B

02 ADDRESS office (business or governmental) or home City State Zip Code Area Code Phone
292 Main Capitol Harrisburg PA 17120 (717) 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 P A S e n a t o r ☐ 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 S e e a t t a c h e d
B

06 OCCUPATION OR PROFESSION (This may be the same as block 4) 07 YEAR SEE INSTRUCTIONS.
PA Senator Information in Blocks 8-15 represents disclosure for the calendar year listed here: 2 0 1 6

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: S e e a t t a c h e d 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. ☐ (OFFICIAL USE ONLY)
Name: S e e a t t a c h e d Address:

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) Position Held (i.e., officer, director, employee, etc.)
Name: S e e a t t a c h e d Address:

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 Interest Held (i.e., 5%, 10%, etc.)
S e e a t t a c h e d

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
Transferee (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 17 P.S. § 4904 (unsworn falsification to authorities) and the Public Official and Employee Ethics Act, 65 Pa.C.S. § 1109(b).

Signature Date 5/1/17

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

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2017 MAY 1 PM 1 50
STATE ETHICS COMMISSION

Consequences of Marcellus Money Influence on PA Legislature

- **Severance Tax**
 - PA was expected to lose approximately **\$153.4 million** in 2016-17 by not having a severance¹¹ tax, according to the Department of Revenue
 - PA has lost well over **\$1 billion** in revenue due to the lack of a severance tax since FY 11/12,¹² according to the PA Budget and Policy Center
 - Governor Wolf proposed a 6.5% severance tax

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

Methane Reduction Strategy

- January 2016 - Governor Wolf announced a methane reduction strategy for gas drilling.
- Methane is a greenhouse gas 25 times more potent than CO₂.
- Strategy: new regulations for existing sources, revised permits, GP-5 and GP-5A for new sources
- To date, no new regulations have been issued and no permits have been finalized.
 - Proposed severance tax deal would block permit revisions.

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

Consequences of Marcellus Money Influence on PA Legislature

- **Renewable Energy**
 - Inability to expand AEPS
 - Only 4% of the electricity generated in PA in 2016 came from renewable sources, compared to US average of 14%.¹³
 - PA ranks 41st in the U.S. for renewable energy production.¹³

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) and HB 1332 (Dermody) 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.¹⁴

QUESTIONS?

Contact Information

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Havertown, Pa 19083

610-789-3900

greg@gregvitali.com

Acknowledgments

Research and findings by Robert James DeNault

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 and all cycles reported in 2017. 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, 2016, and 2017. 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, 2016 and 2017 lobbying reports filed by natural gas principals.

Footnotes

⁴ This number was derived from the latest Common Cause Marcellus Money Report, released in October 2016 which contained 2007-2016 campaign finance records (only Reporting Cycles 1-4 in 2016), combined with campaign finance disclosure records from the 43 natural gas companies mentioned in in that report from Reporting Cycles 5-7 2016 and all records from 2017.

⁵ 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.

⁶ 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.

⁷ The 2017 lobbying totals were derived from the principal's lobbying disclosure reports for 2017.

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 2017 gift totals were derived from the "gifts, transportation, lodging and hospitality" sections of principal's lobbying disclosure reports for 2017.

¹⁰ The PA Legislators listed were Rep. Mark Mustio, Rep. Ryan Warner, Rep. Brian Ellis, Rep. Stan Saylor, and Rep. Bill Kortz

Footnotes

- ¹¹ Department of Revenue estimated in spring 2017 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.
- ¹² 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).
- ¹³ Pennsylvania's Renewable Energy statistics were found via publications from the Energy Information Administration (EIA) online database.
- ¹⁴ Data extrapolated from the National Conference of State Legislatures (<http://www.ncsl.org/research/ethics/50-state-table-gift-laws.aspx>)