



VIEWS & VISIONS

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Growing the Natural Gas Industry's Community Impact

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Gene Barr is the president and CEO of the Pennsylvania Chamber of Business and Industry, the state's largest broad-based business advocacy association. He oversees all operations of the Pennsylvania Chamber and its for-profit subsidiary, Pennsylvania Chamber Insurance.

Mr. Barr joined the Pennsylvania Chamber in February 2003. He served for more than eight years as Vice President of Government and Public Affairs before being elected President in October 2011. During his tenure, Barr has worked on a large number of significant legislative and regulatory efforts critical to Pennsylvania's business climate.

Barr has more than 40 years of experience in various facets of government, political and public affairs activity, as well as business operations. He worked for BP America (the U.S. subsidiary of British Petroleum) for more than 12 years, with assignments in refining, tail marketing and in state government affairs.

Between 1992 and 2000, he served as Associate Director and then Executive Director of the Associated Petroleum Industries of Pennsylvania, the state office of the American Petroleum Institute, which is responsible for all legislative, regulatory and media activity affecting the major oil companies.

Mr. Barr graduated from St. Joseph's University in 1977 with a bachelor's degree in Political Science.

The emergence of the natural gas industry in Pennsylvania has had an enormous impact on the state's overall economy and its future prospects for business investment and job growth. Natural gas helped Pennsylvanians weather the storm of the 2009 recession, has created tens of thousands of jobs in core and ancillary industries and breathed new life into regions that had seen years of economic decline following the departure of the steel industry. That isn't to say that the industry hasn't experienced challenges – the abundance of natural gas and the current lack of infrastructure to get it to market have resulted in significant price declines and in less drilling activity. It's critical in the coming months and years to make sure that pipeline projects get approved so that this clean-burning, affordable source of energy can reach consumers across the nation and beyond.

The Pennsylvania Chamber has been an ardent supporter of the industry's responsible growth since day one. Understanding that environmental protection and economic development don't have to be mutually exclusive goals, our organization played a key role in developing Act 13 of 2012 – the state's comprehensive Marcellus Shale oversight law. And we're committed to continuing our work with industry leaders and environmental experts to ensure that the gas is being extracted in the safest way possible and that Pennsylvania is better off with the industry's presence here.

A great example of how natural gas drillers are building better communities is through the impact tax that was



included in Act 13 and ensures that revenue from natural gas drilling is sent right back into Pennsylvania's local communities. In fact, every one of our state's 67 counties benefits financially from impact tax revenue, although the money is primarily being sent into areas where drilling is occurring. Impact tax money has helped local governments fund bridge and road reconstruction projects, build new fire stations, boost their budgets to improve parks and recreational facilities and more. The latest revenue distribution from the impact tax shows that more than \$850 million has flowed into communities statewide since the tax took effect. And that's just the tip of the iceberg – natural gas companies have added \$2 billion to state tax collections in the few short years that they've been in Pennsylvania.

If we keep our impact tax at its current, competitive rate (between three and four percent) and keep that





money in local communities, we can be certain that natural gas companies will want to remain here and continue to provide a critical component of Pennsylvania's diverse energy mix. However, some elected officials are targeting the industry in order to increase state spending. Gov. Tom Wolf is relying on another natural gas tax to help pay for \$5 billion in new state spending. He says he wants the money for basic education, even though nowhere in his proposal is there a guarantee that even a dollar would be spent on education. In fact, the only money that's really been set aside from a proposed severance tax would go toward alternative energy projects.

The reality is that Pennsylvania isn't suffering from a lack of education money – we're ninth in the nation in terms of per-pupil spending and allocate \$27 billion a year toward education when combining federal, state and local dollars. As we see it, the question shouldn't be how much more the state should spend, but how they can ensure that those dollars reach the classroom.

The Governor says his severance tax proposal is based on a West Virginia

severance tax model, but doesn't account for the fact that Pennsylvania's overall tax climate is more burdensome than other states with shale drilling (for instance, our Corporate Net Income Tax rate is the nation's highest effective rate). In addition, the Wolf administration proposed that a nearly \$3 price floor be placed on a natural gas extraction tax, ignoring what the market dictates. Since natural gas is overabundant and currently priced at an all-time low, the price floor would amount to a 17 percent effective tax rate on the industry – the highest effective rate in the nation.

Naturally, investment that could have come to Pennsylvania would go to other states in the shale play if a tax of this magnitude is signed into law. That's why the Pennsylvania Chamber has been leading a diverse coalition of stakeholders who have experienced first-hand the benefits of the natural gas industry and realize that keeping the industry here is critical – not only to preserve thousands of good-paying, family-sustaining jobs, but to grow our state's natural gas infrastructure and secure our future as an energy hub. ▽

To read more about how we're working to educate the public on the economic opportunities that have been realized through the Marcellus Shale and how we're combatting proposed additional taxes on the natural gas industry, visit www.stopnewenergytaxes.com.