For Immediate Release

Contact: Chris Lilienthal, Communications Director 717-255-7156 or 717-829-4823 | lilienthal@pennbpc.org

Severance Tax Delay Costs Pennsylvania

Pa. Budget and Policy Center introduces an online ticker tracking lost severance tax dollars. Revenue could fund education, health care, infrastructure, environment.

HARRISBURG, PA (June 3, 2010) - By not having a natural gas severance tax, Pennsylvania has lost more than $54 million since last October that could have funded vital state services including education and health care, as well as drilling-related environmental and local costs.

And that number is growing every day, as more energy companies flock to Pennsylvania to tap into the rich gas reserves in the Marcellus Shale.

Today, the Pennsylvania Budget and Policy Center introduced an online **Severance Tax Ticker**, providing a real-time estimate of the total revenue lost by the Commonwealth since October 1, 2009 by not having a severance tax in place. View it online: www.pennbpc.org/severance-tax-ticker.

"Every hour, the natural gas industry gets an $11,000 tax break because lawmakers won't enact a severance tax," said Sharon Ward, Director of the Pennsylvania Budget and Policy Center.

"Pennsylvania is one of the only energy-producing states in the nation without a severance tax," she added. "We shouldn't be giving away this precious resource without asking companies like Exxon Mobil, Shell and Range Resources to chip in for the public costs of their activities."

Across the country, 96% of natural gas is produced in states that have severance taxes. Severance taxes provide a stable source of revenue in many energy-producing states for critical services like education and health care. In 2010, Montana and North Dakota were among the only states to avoid budget shortfalls thanks in large part to energy taxes, including severance taxes.

While some policymakers in Pennsylvania worry about the impact of a severance tax, studies in Wyoming, Utah and other states have shown that tax rates have little effect on natural gas production. Rather, drilling decisions are made based on the location of reserves and the expected price of natural gas.

In Pennsylvania, the $54 million in uncollected severance tax revenue to date could be used to prevent cuts to education, hospitals and services for people affected by the recession, as well as for the environmental and local costs of increased drilling.

In the 2009-10 budget, environmental protection and conservation were cut by $79 million. Some of the severance tax revenue could have offset cuts to state parks, environmental management and clean water programs.

A severance tax also could offset public safety costs and road repair in heavy drilling parts of the Commonwealth. State officials have documented road damage in Bradford and Tioga counties caused by drilling-related truck traffic. State police officials have shown increased policing costs due to the influx of out-of-state drilling crews. Local police are also having trouble with enforcing truck weight limits.

"Every dollar that scrolls across this Severance Tax Ticker is coming out of the pockets of Pennsylvania taxpayers in one way or another," Ward said. "Rather than drillers paying for the services they use, we are. It's time to end this tax break for a profitable industry."

Check out the **Severance Tax Ticker** online: www.pennbpc.org/severance-tax-ticker. The Ticker can be embedded on other web sites by copying the "Embed Code" from the upper-right-hand corner of the Ticker. View the methodology used to create the Ticker: www.pennbpc.org/severance-tax-ticker-methodology.

The Pennsylvania Budget and Policy Center is a non-partisan policy research project that provides independent, credible analysis on state tax, budget and related policy matters, with attention to the impact of current or proposed policies on working families.