

June 15, 2011

To: All Members of the House of Representatives

From: Representative Brian Ellis

Subject: Legislation Co-sponsorship

I plan to soon introduce legislation enabling Counties to establish an impact fee on each unconventional natural gas well within this Commonwealth. I believe it is important to ensure that while Pennsylvania benefits from the economic engine that the Marcellus Shale natural gas industry has become, the challenges faced by our local governments, and our efforts to protect the environment, are not negatively impacted.

The impact fee will be placed on each completed unconventional natural gas well, based upon the following schedule: Years 1 and 2 - \$25,000; Years 3 through 10 - \$10,000. These annual payments would cease once the well is taken out of production or in the 11th year after the well has been constructed. The legislation I am proposing would allow counties with unconventional wells to collect the fee and to distribute the proceeds, and would prohibit the **well impact fee costs from being passed on to the property owner or the leaseholder**. I believe this is important to provide a level of local control over the manner in which the revenues are collected and dispersed considering the local impacts associated with this activity.

In my proposal, the impact fee would be disbursed in the following manner: A total of 30 percent of the revenue would be retained by the county and used to fund watershed protection, flood control and flood plain management projects. A total of 30 percent of the funds shall be provided to municipalities in which unconventional gas wells are located to be used for the construction and maintenance of infrastructure within the municipality.

Another 20 percent of the revenues would be allocated to municipalities in which there are no unconventional wells located but the local government is within a county which hosts unconventional wells. A municipality in this category will be permitted to use these revenues for the construction and maintenance of infrastructure. **Each municipal government will also be required to demonstrate that the infrastructure projects have a direct and justifiable relationship to any degradation caused by the development of unconventional wells.** A total of 15 percent of the revenues derived from the well impact fee would be provided to school districts within a county hosting unconventional well sites and 5 percent provided to the county conservation district. Under the legislation I am proposing, in the instance where the fund received exceeds the municipal budget by 2 times or higher, the additional funds may only be to provide local tax relief and must be approved by the governing body of that municipality.

Counties and municipalities receiving funds under this program would be required to submit a report to the Governor and the General Assembly which details the revenues received and expenditures associated with these funds. The Department of Community and Economic Development may audit a county or municipalities records relating to the expenditure of these funds. Finally, this legislation would require the Pennsylvania Public Utility Commission to

prepare a model municipal zoning ordinance regarding the development of oil and gas within their locality. It is my hope that this will provide a measure of reasonable consistency in zoning and other municipal regulations.

I believe this is a common sense approach to addressing the variety of issues now being faced by our local governments, and the pressures on our infrastructure and environment while enabling the natural gas development within the Commonwealth to continue. If you are interested in joining me as a co-sponsor of this legislation please contact: Bethann Gebhart at bgebhart@pahousegop.com or call 717-787-7686