MEMORANDUM

To: All House Members

From: Representative Jesse White

Date: June 19, 2012

Subject: Legislation Establishing an Energy Employment Legacy Fund to make any potential Resource Manufacturing Tax Credits revenue neutral

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In the near future, I plan to introduce legislation that would establish an Energy Employment Legacy Fund for a period of 25 years. This fund would provide a dedicated funding stream for a Resource Manufacturing Tax Credit, which would provide incentives to industries that use ethane in manufacturing processes. The result would be the ability to deliver the proposed $1.6 billion tax credit as part of the ethane cracker economic development, while ensuring no taxpayer money is used to fund the credits.

This legislation would impose a surtax on the production of natural gas and provide a dedicated revenue stream for the funding of tax credits. The surtax would be applied to all Marcellus Shale natural gas producers who currently pay the per-well fee under Act 13 of 2012. Revenues collected under this legislation would be deposited into the Energy Employment Legacy Fund, which would provide $66 million annually for the Resource Manufacturing Tax Credit. This tax credit would be available to any manufacturer that purchases natural gas containing ethane as raw material for production. To calculate the surtax, the allocated amount of $66 million would be divided by the number of producing wells. That sum would then be collected from each natural gas producer to which this applies.

According to the Pennsylvania Department of Environmental Protection, 5,593 wells have been spud since 2000 and are subject to the natural gas impact fee under Act 13. Based upon the calculation listed above, a surtax amount of $11,800.46 would be placed on each of those 5,593 wells. The effective tax rate on the production of natural gas under Act 13 is about 1%; the added surtax would keep that overall effective rate below 1.25%.

In a June 14 letter to legislators, Marcellus Shale Coalition President Kathryn Klaber said:

> "In a low gas price environment with fierce competition among shale-producing states, it becomes more critical to encourage continued rig activity. Furthermore, the ability to sell or utilize ethane in the basin creates a more sustainable competitive advantage for businesses in the Marcellus and Utica shale states. The right tax credit aimed at leveling the competitive field would address a key investment risk by supporting a stable local ethane supply that would be available over the long term and which is competitive with export options to locations like the U.S. Gulf Coast. And it would create employment opportunities to Pennsylvanians when they need them most."

I agree with the sentiment 100%, and I also feel this shared benefit should be a shared responsibility. The taxpayers of Pennsylvania have already created a tax-free Keystone

Opportunity Zone for the proposed site of the ethane cracker, so the private sector producers who will greatly benefit from an increased customer base and a shorter supply chain should also do their part.

This common sense approach is a perfect way to demonstrate to the people of Pennsylvania that we strongly support the concept of the ethane cracker and its impact on job creation while adopting a fiscally responsible approach that avoids passing $1,600,000,000.00 in debt on future generations.

If you would like to co-sponsor this measure, please contact Dominic Lemmon at (717)-783-6437 or dlemmon@pahouse.net.