

SEVERANCE TAX PROPOSAL:	5.0%	<i>Tax Rate on the value of the natural gas produced at the wellhead</i>	<i>Effective July 1, 2015</i>
	0.0	<i>Cents per Mcf produced</i>	

Assumptions:			
¹ Market Price		Source:	<i>June 1, 2015, testimony of Matthew Knittel, IFO Director, before the Senate Environmental Resources and Energy / Finance Committees</i>
² Deduction for post production costs.	\$0.77	Source:	<i>\$0.77 average gathering and transportation costs (IFO March 2014 report on Natural Gas Extraction: An Interstate Tax Comparison).</i>
³ Deduction for royalty payments to landowner.	15%	Source:	<i>12% minimum royalty percentage per Act 60 of 1979, Section 1.3.</i>
# Months Payment due after Reporting Period	2	Source:	<i>LRB Draft 2015D05800</i>

Estimated Production and Market Price Analysis of Current Proposal			
Calendar Year	MCF Production	Growth in Production	Market Price ¹
2015	4,915,000,000	9.2%	\$1.66
2016	4,978,200,000	1.3%	\$1.89
2017	5,065,300,000	1.7%	\$2.59
2018	5,114,000,000	1.0%	\$3.51
2019	5,186,200,000	1.4%	\$4.10
2020	5,265,500,000	1.5%	\$4.34

Actual Reported Production Amounts <i>Department of Environmental Protection Well Reports</i>				Estimated Production and Market Price <i>Governor Wolf Budget Proposal</i>				
Calendar Year	MCF Production	Growth in Production	Act 13 Impact Fee	Calendar Year	MCF Production	Growth in Production	Act 13 Impact Fee	Market Price ¹
2009	273,869,000			2015	4,915,000,000	9.2%	\$225,000,000	\$2.97
2010	572,902,000	109.2%		2016	4,978,200,000	1.3%		\$3.25
2011	1,310,592,000	128.8%	\$204,210,000	2017	5,065,300,000	1.7%		\$3.42
2012	2,256,696,000	72.2%	\$202,472,000	2018	5,114,000,000	1.0%		\$3.75
2013	3,259,042,000	44.4%	\$225,752,000	2019	5,186,200,000	1.4%		\$3.95
2014	4,500,300,000	38.1%	\$223,500,000	2020	5,265,500,000	1.5%		\$4.20

A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
				<i>B * D</i>	<i>B * cost per Mcf</i>	<i>E - F</i>	<i>B * D * (Royalty%)</i>	<i>G - H</i>	<i>I * Tax Rate</i>	<i>J / E</i>	<i>B * Cents per MCF</i>	<i>L / E</i>	<i>J + L</i>	<i>N / E</i>
Calendar Year	Governor Wolf Assumed MCF Production	Growth in Production	Assumed Market Price ¹	Market Value at the Wellhead	Deduction for Production Costs ²	Value at the Wellhead Less Production Costs	Deduction for Landowner Royalty Payments ³	Taxable Value at the Wellhead	Tax on Taxable Value	Effective Rate	Tax on cents per MCF	Effective Rate	TOTAL SEVERANCE TAX	TOTAL Effective Rate (Severance Tax / Market Value at the Wellhead)
2015	4,915,000,000	9.2%	\$1.66	\$8,158,900,000	\$3,784,550,000	\$4,374,350,000	\$1,223,835,000	\$3,150,515,000	\$157,525,750	1.93%	\$0	0.00%	\$157,525,750	1.93%
2016	4,978,200,000	1.3%	\$1.89	\$9,408,798,000	\$3,833,214,000	\$5,575,584,000	\$1,411,319,700	\$4,164,264,300	\$208,213,215	2.21%	\$0	0.00%	\$208,213,215	2.21%
2017	5,065,300,000	1.7%	\$2.59	\$13,119,127,000	\$3,900,281,000	\$9,218,846,000	\$1,967,869,050	\$7,250,976,950	\$362,548,848	2.76%	\$0	0.00%	\$362,548,848	2.76%
2018	5,114,000,000	1.0%	\$3.51	\$17,950,140,000	\$3,937,780,000	\$14,012,360,000	\$2,692,521,000	\$11,319,839,000	\$565,991,950	3.15%	\$0	0.00%	\$565,991,950	3.15%
2019	5,186,200,000	1.4%	\$4.10	\$21,263,420,000	\$3,993,374,000	\$17,270,046,000	\$3,189,513,000	\$14,080,533,000	\$704,026,650	3.31%	\$0	0.00%	\$704,026,650	3.31%
2020	5,265,500,000	1.5%	\$4.34	\$22,852,270,000	\$4,054,435,000	\$18,797,835,000	\$3,427,840,500	\$15,369,994,500	\$768,499,725	3.36%	\$0	0.00%	\$768,499,725	3.36%

Cash Flow Analysis

Fiscal Year	Severance Tax Collections	Transfer to Unconventional Gas Well Fund	Transfer to Marcellus Legacy Fund	Payments to Conservation Districts	PUC Administration Costs	Fish and Boat Commission	DEP	PEMA	Fire Commissioner	PennDOT Rail Freight Assistance	Health	Net Severance Tax Revenues	General Fund Portion	Gas Well Fund and Legacy Fund
2012-13														
2013-14														
2014-15														
2015-16	\$148,167,280	(\$60,000,000)	(\$40,000,000)	(\$7,500,000)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$40,667,280	\$38,633,916	\$2,033,364
2016-17	\$259,658,426	(\$120,000,000)	(\$80,000,000)	(\$7,631,300)	(\$1,000,000)	(\$1,000,000)	(\$6,000,000)	(\$750,000)	(\$750,000)	(\$1,000,000)	(\$1,000,000)	\$40,527,126	\$36,474,413	\$4,052,713
2017-18	\$430,363,215	(\$120,000,000)	(\$80,000,000)	(\$7,764,800)	(\$1,000,000)	(\$1,000,000)	(\$6,000,000)	(\$750,000)	(\$750,000)	(\$1,000,000)	(\$1,000,000)	\$211,098,415	\$189,988,574	\$21,109,842
2018-19	\$612,003,517	(\$120,000,000)	(\$80,000,000)	(\$7,900,700)	(\$1,000,000)	(\$1,000,000)	(\$6,000,000)	(\$750,000)	(\$750,000)	(\$1,000,000)	(\$1,000,000)	\$392,602,817	\$353,342,535	\$39,260,282
2019-20	\$725,517,675	(\$120,000,000)	(\$80,000,000)	(\$8,039,000)	(\$1,000,000)	(\$1,000,000)	(\$6,000,000)	(\$750,000)	(\$750,000)	(\$1,000,000)	(\$1,000,000)	\$505,978,675	\$455,380,808	\$50,597,868