

TESTIMONY
OF
RICHARD W. BLOOMINGDALE, PRESIDENT
PENNSYLVANIA AFL-CIO
ON
MARCELLUS SHALE INDUSTRY
FOR
HOUSE LABOR RELATIONS COMMITTEE
CHAIRMAN ROBERT E. BELFANTI, JR.
CHAIRMAN GENE DIGIROLAMO

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SCRANTON, PA

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**Marcellus Shale Industry
For the House Labor Relations Committee
Submitted by the
Pennsylvania AFL-CIO
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Good afternoon, Chairman Belfanti, Chairman DiGirolamo, Committee Members and Committee Staff. This testimony is being submitted on behalf of Richard Bloomingdale, the President of the Pennsylvania AFL-CIO. I thank you and State Representative Kevin Murphy for his role in assisting to bring this hearing into fruition.

Today you will hear from various unions regarding their experiences and involvement with Marcellus Shale. On behalf of the 900,000 workers represented by the Pennsylvania AFL-CIO, we respectfully submit our testimony and views regarding the Marcellus Shale Industry in Pennsylvania at this hearing before the Pennsylvania House Labor Relations Committee.

The Marcellus Shale Formation extends beneath 60 percent of Pennsylvania's land mass. Pennsylvania's geographic location enables it to efficiently distribute natural gas throughout the northeastern United States. Pennsylvania is the only mineral rich state without a natural gas severance tax, causing it since October 2009 to forfeit more than \$86 million of valuable revenue. Energy companies continue to exploit corporate tax loopholes and deprive the Commonwealth of millions of dollars of revenues annually. Thus, the Pennsylvania AFL-CIO urges the General Assembly to enact an equitable severance tax that will generate desperately needed revenue for our state. The severance tax is an important source of state revenue that will support our state's core services such as education, health care, and environmental protection.

The Pennsylvania AFL-CIO supports enactment of a natural gas severance tax that embodies the following principles:

A REASONABLE TAX RATE - Whether the severance tax is levied as a percentage of the sales price or at a fixed rate, the rate must be equitable and fair. It makes sense to use West Virginia's tax rate of five percent on the sale price, plus 4.7 cents on each thousand cubic feet removed.

HIRE PENNSYLVANIA WORKERS - The Marcellus Shale is a Pennsylvania resource, and out of state gas companies should be compelled to hire Pennsylvania workers first.

ELIMINATE LOOPHOLES AND UNWARRANTED DEDUCTIONS - Labor opposes the industry-backed proposal for a three tier well tax, exemptions and phase-ins. It is unfair to taxpayers to adopt a severance tax rife with loopholes and giveaways which will result in less than one-third of natural gas production being subject

to a state severance tax. An equitable natural gas severance tax will ensure gas companies that profit from Pennsylvania's natural resources, not taxpayers, incur the environmental and public costs associated with drilling.

The Pennsylvania AFL-CIO firmly believes jobs created by the Marcellus Shale industry in Pennsylvania should go first to Pennsylvania workers. Language in proposed legislation promotes hiring Pennsylvania workers first by offering companies a tax credit for hiring Pennsylvania workers. Additional revenue from the severance tax must be invested in establishing and sustaining occupational safety and health training programs for workers in the natural gas drilling industry. This training will benefit workers directly involved with drilling and first responders to emergencies. First responders must be trained to practice the safest and most effective procedures to address possible emergencies associated with the drilling industry.

Pennsylvania's unions have a large pool of potential workers suitable for jobs within the drilling phase of the natural gas extraction. Hiring Pennsylvania workers in local communities offers natural gas companies a reliable business model. Local workers are entitled to an industry operating in their backyard. Our state needs to invest in proactively training workers in these communities to secure Pennsylvania jobs. Workers need qualifications for labor intensive jobs and gas well production management. In this scenario the community will be stewards for their own environment.

The Pennsylvania AFL-CIO firmly supports regulatory oversight of gas transmission lines associated with Marcellus Shale by the Public Utility Commission. The PUC will act in the interest of the consumer by ensuring safe distribution. The Gas Safety Division of the PUC enforces safety by frequent inspections of pipelines and investigations of any incidents. Inspectors from the Gas Safety Division help identify and recognize preventable problems to reduce safety hazards or accidents.

The Pennsylvania AFL-CIO urges the General Assembly to act now to set a reasonable tax rate, eliminate tax loopholes and unwarranted deductions, and empower and support the working men and women of Pennsylvania. By taking action now we can assure an equitable severance tax and prosperity for the Commonwealth of Pennsylvania.

Thank you.

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