

Severance Tax Fact Sheet

Conservation districts lead local conservation efforts to sustain, protect and restore the natural resources for the Commonwealth of Pennsylvania. The Pennsylvania Association of Conservation Districts (PACD) is seeking dedicated sources of funding to provide 50% cost share for conservation district basic staff positions and cost-of-living increases as recommended by a 2005 Legislative Budget and Finance Committee report. One possible source of dedicated funding for all conservation districts is through a severance tax in Pennsylvania for extraction of Marcellus Shale gas deposits. Although Pennsylvania has never initiated a severance tax, many other states in the country have established this type of tax to fund various budgetary items. For instance, Oklahoma has a gross production tax on oil, a small portion of which is earmarked for natural resource protection. Wyoming has a severance tax that subsidizes their state's general fund, thus indirectly partially funding conservation district activities.

Below is the Pennsylvania Association of Conservation Districts (PACD) policy position on a severance tax:

“The Pennsylvania Association of Conservation Districts (PACD) supports the adoption of a severance tax in Pennsylvania that includes a percentage of the proceeds dedicated toward natural resource protection activities and dedicated funding for conservation districts, and that some portion of that percentage be dedicated to the conservation district in the county in which it originated.” (2009)

The Governor is proposing a Marcellus Shale natural gas severance tax of 5% on the value of the natural gas at the wellhead, plus 4.7 cents per 1,000 cubic feet of natural gas taken from the ground. Using those figures, \$178.6 million would be generated in the 2010-2011 fiscal year and increase to \$475.6 million by 2014-2015. PACD firmly believes that a small, predictable portion of any state mandated severance tax should be allocated directly to the Conservation District Fund to help all conservation districts across the state maintain their environmental protection programs. We recommend 3% of the severance tax, or approximately \$5.358 million in the 2010-2011 fiscal year, be dedicated to the Conservation District Fund. By the 2014-2015 fiscal year as the severance tax revenue grows, approximately \$14.3 million would be generated for the Conservation District Fund. Obviously this type of dedicated funding would resolve many of the financial challenges our conservation districts collectively face on a daily basis.

It is undisputed that conservation districts provide much needed services to Commonwealth citizens to help them identify and resolve critical natural resource concerns. Conservation districts deliver essential services that protect our soil, water and air for a reasonable cost. Since there is a direct link between the removal of natural resources and natural resource protection activities, it makes sense to consider advocating a portion of a severance tax for natural resource protection activities.