



Senate Environmental Resources and Energy Committee

Senator Mary Jo White
Chairman

Patrick Henderson, Executive Director

Room 169 • State Capitol Building
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To: All Senators

From: Senator Mary Jo White, Chairman
Senate Environmental Resources & Energy Committee

Date: September 17, 2009

Re: Environmental Budget/PennEnvironment

Your offices recently received the attached email from PennEnvironment, referring to the proposed budget agreement as the “*worst budget for Pennsylvania’s environment in more than a decade*”.

You may wish to consider the following in response to PennEnvironment’s claims:

- 1) The prevailing market price for large tracts of contiguous land, such as state forests, suggests that the revenue projections in the current budget framework are more than defensible. In the past two weeks, at least three large lease offerings to private landowners in Pennsylvania have included up-front bonus payments of \$5,000 per acre or more. The assertion that 400,000 acres would be offered for lease in the next nine months is unfounded speculation. Moreover, no state parks are being considered for natural gas leasing – only state forest land.

Leases by the Department of Conservation & Natural Resources (DCNR) are held to strict environmental standards. Special protection areas are excluded from drilling activities. Moreover, the footprint of a completed Marcellus well is relatively small – perhaps only 2% of the leased land is actually disturbed. Individual wells must still be permitted by the Department of Environmental Protection (DEP), and are required to meet what are regarded as perhaps the strictest environmental standards in the nation.

- 2) Governor Rendell has publicly stated that a severance tax at this time would discourage investment within the Commonwealth. Marcellus drilling activity, however, in addition to creating jobs, results in increased revenue from existing taxes, such as income, sales, and corporate taxes.
- 3) While DEP, like many agencies, may be facing a reduction in its appropriation, the agency is promulgating numerous fee packages, totaling nearly \$15-\$20 million a year in new revenue, which will be used by specific environmental programs to review permits and enforce environmental laws. Unlike many state agencies, DEP derives a significant amount of its revenue from off-budget fees from the regulated community.
- 4) The budget framework proposes to transfer \$143 million out of the Oil and Gas Lease Fund to the General Fund. This revenue is from the lease payments received by the state from the September 2008 lease offering of 74,000 acres of state forest land. PennEnvironment’s

memo fails to mention that the budget proposal leaves \$25 million in the Oil and Gas Lease Fund.

Typically, this fund generates approximately \$5 - \$6 million annually; no one reasonably expected all this money to stay within DCNR. The net result is that the Oil and Gas Lease Fund is actually seeing an increase of \$25 million – an increase that hardly constitutes the “*single largest raid on environmental funding in Pennsylvania history*”.

If you have any questions or require additional information, please do not hesitate to contact me.

From: David Masur [davidmasur@pennenvironment.org]
Sent: Wednesday, September 16, 2009 1:41 PM
To: 'David Masur'
Subject: PennEnvironment: Worst Budget for PA's Environment in a Decade



1420 Walnut Street, Suite 650, Philadelphia, PA 19102
ph: 215.732.5897, fax: 215.732.4599
www.pennenvironment.org

September 16, 2009

Dear Senator,

On behalf of PennEnvironment's citizen members I am writing in opposition to the current budget proposal announced last week.

The budget agreement set by three of the four legislative caucuses late last week is arguably the worst budget for Pennsylvania's environment in more than a decade.

At first glance this anti-environmental agreement includes:

- Relying on \$100 million in revenue *over the next nine months* from natural gas drilling on state lands like Pennsylvania's state forests and parks. Based upon prevailing leasing rates, the PA Department of Conservation and Natural Resources (**DCNR**) **would have to lease somewhere between 200,000 and 400,000 acres of state forestlands and parklands** over the next nine months to natural gas companies.
- The current budget **does not** implement the revenue source being advocated for by the environmental community—as well as CCAP, PSATs and PSEA—which is a statewide severance tax on natural gas drilling in Pennsylvania. Currently, **Pennsylvania is the only major natural gas drilling state in the nation that doesn't have a severance tax or conservation fee for the removal of this valuable resource from underneath our land.**
- **The current budget proposal slashes funding for the Pennsylvania Department of Environmental Protection (DEP) by nearly 25%.** This would cripple the state's ability to enforce mandatory state and federal environmental laws, properly and quickly review required environmental permits, and threaten public health and our environment.
- The legislation raids approximately \$143 million from the Oil and Gas Fund, which uses the revenue from oil and gas leases on state lands to fund environmental programs in our state parks and forests. This is the first time that this environmental funding has been raided since the program's inception in 1955. It is also believed to be **the single largest raid on environmental funding in Pennsylvania state history.**

PennEnvironment and other environmental groups have made it clear from the beginning of this budget debate that we realize funding for environmental and conservation programs would take some hit. But this crosses the line and then some. No other program or issue area is receiving the financial cuts and raids to the tune of environmental programs like this. To make matters worse, at this point it also looks like no pro-environmental freestanding bills are expected to be included in the final budget deal.

For these reasons, I think it's clear why PennEnvironment is vociferously opposing the current FY10 state budget proposal.

If you have questions on PennEnvironment's opposition to the proposed budget, please do not hesitate to reach me on my cell phone (267-303-8292), at the PennEnvironment office (215-732-5897) or by email (DMasur@PennEnvironment.org).

Sincerely,

David Masur, Director
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