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Can Pa.'s record impact fee receipts be sustained?

By Colin McNickle

Pennsylvania collected the highest total impact fees ever in 2018, fueled in part by a court ruling but paced largely by increased demand for shale gas, concludes a review of state data by the Allegheny Institute for Public Policy.

Act 13 of 2012 (with collections retroactive to 2011) instituted the impact fee, a tax by any other name, on unconventional gas wells, namely those drilled via hydraulic fracturing, better known as fracking. The average annual trading price of natural gas determines the tax, with the fee declining as the wells age and production falls.

The money is distributed to counties, in part, based on the number of wells hosted; it is to be spent on 13 designated impacted categories (though questions have abounded for years about the appropriateness of some of that spending).

But counties without shale gas wells also share in the spoils (the money earmarked for environmental matters with no required accounting), as do a potpourri of state agencies.

The impact fee generated just under $243 million last year, the highest amount since the fee was instituted. The previous highest collection came in 2013, with just under $226 million. Collections for 2018 topped 2017's fees ($209.55 million) by nearly 16 percent.

Data from the Pennsylvania Public Utility Commission (PUC) credits last year's $33.4 million growth to a 12.23 percent increase in the number of operating wells – up by 1,042 for a total well count of 9,560 – and a 3.37 percent increase in spot prices. (That said, the number of wells for which ground was broken dropped by 4.07 percent.)

An additional $8.86 million was generated with the Pennsylvania Supreme Court's resolution of a lawsuit that challenged how impact fees on "stripper wells" were assessed. The court sided with the PUC; that boosted total 2018 impact fee collections to $251.83 million.

“Even without the additional money arising from the court decision, 2018’s impact fee collection produced the largest distribution to date and caused total impact fee revenue collected since 2011 to surge to almost $1.7 billion,” say Hannah Bowser, a research assistant at the Pittsburgh think tank, and Frank Gamrat, the executive director (in *Policy Brief Vol. 19, No. 28*).

According to PUC data, there were 2,974 wells in the seven-county Pittsburgh Metropolitan Statistical Area (MSA), accounting for about $18.5 billion of total impact fee disbursements in 2018.

Washington County paced not merely the MSA but the state with 1,165 non-conventional shale gas wells, garnering $8.43 million. Allegheny County, with just 130 operating wells, received $1.97 million.

Armstrong County, with 112 shale gas wells, received $1.50 million; Beaver County’s 113 wells generated nearly $727,000; Butler County was paid $3.11 million for its 500 wells; Fayette County’s 224 wells led to a $1.24 million payment while 240 wells in Westmoreland County resulted in a 2018 allocation of $1.56 million.

“Bear in mind that the impact fee was created as a tax on natural gas producers who drill unconventional wells,” the researchers reiterate. “Due to the demanding nature of the extracting method, the impact fee revenue was designed in part to ‘reimburse’ local areas for the wear and tear on infrastructure.”

But while the 2018 data indicated a growing demand for natural gas resources, 2019 could be a different story, what with national forecasts of reduced drilling fueled by falling prices and reconstituted efforts by the Wolf administration to impose a severance tax on top of the impact fee in Pennsylvania.

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