

Pennsylvania's Impact Fee

Benefiting Communities All Across the Commonwealth



What is the Impact Fee?

In 2012, the Pennsylvania General Assembly enacted [Act 13](#), which included comprehensive and significant enhancements to Pennsylvania's environmental laws overseeing shale gas development. The Act also provided local uniformity across Pennsylvania and authorized county governments to impose an Impact Fee paid annually by unconventional natural gas producers for each well they spud, or start to drill, each calendar year.

Why is Pennsylvania's Impact Fee Unique?

Pennsylvania is the only state in the nation that levies an Impact Fee on unconventional natural gas operators.

The Pennsylvania legislature chose a unique path in assessing their version of a severance tax that allocates revenue to every county in the Commonwealth, particularly to counties and municipalities where unconventional natural gas development is occurring.

Communities are able to use Impact Fee revenues for any of the 13 [approved uses](#) outlined in Act 13. Examples include public infrastructure improvements, emergency preparedness and response, environmental protection, social services, records management and tax reduction.

How Much Revenue Has the Impact Fee Generated for Pennsylvania Communities?

Since 2012, the Impact Fee has generated nearly \$1.5 billion in new revenue, above and beyond the \$2.1 billion in other tax revenues generated by oil and gas-related activities over the past eight years.

Year Distributed	Amount
2012	\$204.2 M
2013	\$202.5 M
2014	\$225.8 M
2015	\$223.5 M
2016	\$187.7 M
2017	\$173.3 M
2018	\$209.6 M
TOTAL	\$1.427 B

Who Administers the Impact Fee?

The Pennsylvania Public Utility Commission (PA PUC) is charged by law with assessing, collecting and distributing the Impact Fee. Information regarding the collection, distribution and use of the Impact Fee can be found on the PA PUC Act 13 Impact Fee [website](#).

How is the Impact Fee Assessed on Operators?

The Impact Fee is assessed annually. The exact amount of the Impact Fee is based on two factors: the average natural gas sales price as determined each January by the PA PUC and the age of the well. Each unconventional natural gas well is subject to an impact fee for a period of at 15 years. The Impact Fee can range from \$60,000 in the well's first year to \$5,000 in the well's 15th year. An average unconventional natural gas well will pay at least \$310,000 in Impact Fees over 15 years.

Natural Gas Price Average

Year (Well)	\$0-2.25	\$2.26-2.99	\$3.00-4.99	\$5-5.99	\$6 or higher
1	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000
2	\$30,000	\$35,000	\$40,000	\$45,000	\$55,000
3	\$25,000	\$30,000	\$30,000	\$40,000	\$50,000
4	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
5	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
6	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
7	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
8	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
9	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
10	\$10,000	\$15,000	\$20,000	\$20,000	\$20,000
11	\$5,000	\$5,000	\$10,000	\$10,000	\$10,000
12	\$5,000	\$5,000	\$10,000	\$10,000	\$10,000
13	\$5,000	\$5,000	\$10,000	\$10,000	\$10,000
14	\$5,000	\$5,000	\$10,000	\$10,000	\$10,000
15	\$5,000	\$5,000	\$10,000	\$10,000	\$10,000

When is the Money Collected and Distributed?

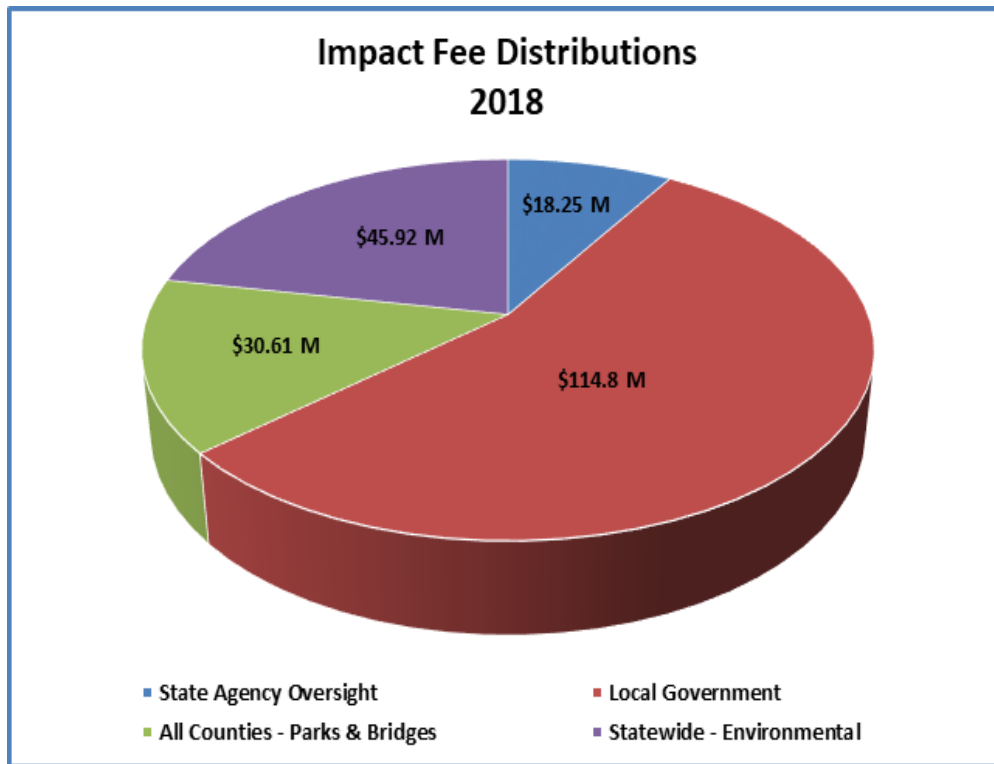
Operators must pay their Impact Fee assessment no later than April 1 of each year. The revenue collected is then distributed to local communities and state agencies no later than July 1 of each year based on the formula outlined in Act 13.

How is the Money Spent?

Revenues are broadly distributed in four main categories:

- County and municipal governments where shale gas development occurs.
- State agencies, such as the Pennsylvania Department of Environmental Protection (PA DEP), PA PUC, Fish & Boat Commission, Pennsylvania Emergency Management Agency (PEMA) and the Office of State Fire Commissioner which serve a role in overseeing shale gas development.
- All 67 counties for conservation, recreation and bridge repairs, including county soil and water conservation districts.
- Statewide environmental grant programs, such as Growing Greener, the Marcellus Legacy Fund, and water and sewer infrastructure.

The pie chart below shows how funds were allocated in calendar year 2018 from revenues collected for drilling activity in calendar year 2017:



What Other Taxes do Pennsylvania's Natural Gas Companies Pay?

Natural gas operators in Pennsylvania pay every other tax that is levied on other businesses, including:

- Corporate or personal income
- Capital stock and franchise
- Sales and use
- Liquid fuels
- Other business taxes

According to the Pennsylvania Department of Revenue, these taxes have generated more than \$2.1 billion in revenue for the Commonwealth of Pennsylvania over the last eight years, above and beyond the \$1.427 billion generated by the Impact Fee.