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Showdown looms in Harrisburg.

A gush of lobbying over Marcellus tax

By John P. Martin

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Over coffee and cantaloupe in Horsham on Thursday, an environmentalist beseeched three dozen people to support a tax on natural-gas drillers.

"I can't stress strongly enough how important it is for you to reach out to your legislators and make sure this happens," said Jan Jarrett, president of the group PennFuture.

At the far end of the state, Matt Pitzarella, spokesman for the Texas driller Range Resources Inc., began another day of media interviews.

"There are very few things that you can compare to the hysteria or frenzy, or whatever you want to call it," Pitzarella said later, "around all things Marcellus."

Time and again, officials have heralded the natural gas in the Marcellus Shale as the state's most promising source of revenue in a generation. Pennsylvania's Gold Rush, they say.

But with three weeks left for legislators to reach a deal on taxing the gas, a furious scrap has ensued over how big the nuggets will be - and who will receive them.

Through rallies, visits, e-mail, phone calls, closed-door meetings, and campaign contributions, an array of activists and lobbyists are vying to shape a tax that could be worth billions of dollars in Pennsylvania's future.

It's not just industry and environmentalists. Unions plan a Capitol rally. School boards statewide are pressing their legislators to set aside some of the tax for education. County commissioners chart how drilling operations have stressed their already ragged roads, bridges, and emergency services.

"We're in a recession. Revenues are down, needs are up, and everybody sees a pot of

money, so they're sort of glomming on to it," said State Rep. Kate Harper (R., Montgomery), who said she was getting a dozen e-mails daily on the topic.

The glomming is sure to intensify this week, when the House's Democratic majority offers its gas-tax proposal and the GOP-controlled Senate returns for its final session of the year.

Democrats want a tax that would amount to about 5 percent of gas sales - a rate they say would bring at least \$200 million a year into state and local treasuries.

Republicans say that rate could impede the industry's attempt to take root and drive away commerce and jobs. They seek a 1.5 percent rate that climbs to 5 percent in five years, plus other provisions backed by the industry. Gov. Rendell says he will veto any bill that he considers watered-down or that strays far from the Democrats' proposal. The lame-duck governor says the stakes are huge - and the politics perilous for legislators who, unlike him, are on the Nov. 2 ballot.

"It's a bigger deal in the sense that it's going to play out weeks before the election," Rendell said Friday. "And I think the Republicans have to be very wary of appearing to be toadies for the industry."

Dozens of gas-tax proposals are floating around the Capitol, hawked by an army of advocates.

Andrew Heath, head of Renew Growing Greener, a coalition fighting to replenish the state's depleted environmental-stewardship funding, hopes to talk with at least two dozen legislators or staffers in the coming weeks, but knows he may have to get in line.

"It's a feeding frenzy in some aspects because there's not been revenue available like this in some time," Heath said.

Take Tuesday: In the morning, hundreds of environmental advocates will descend on Harrisburg to lobby for a gas tax, pausing for a noon rally.

That evening, former Gov. Tom Ridge, whose lobbying firm is being paid \$900,000 by the natural-gas industry, will host an open house for legislators in his Harrisburg office. (Ridge said the event wasn't for his client, the Marcellus Shale Coalition, though some of its members are likely to attend.)

In between, at least seven legislators have campaign fund-raisers planned, with tickets ranging from \$250 to \$750. One Harrisburg insider said lobbyists would scoop up most of the tickets, noting that voters weren't likely to drive to Harrisburg on a Tuesday morning to support their candidate.

Last week, Common Cause launched a searchable database (www.marcellusmoney.org) that showed gas-drilling interests have spent more than \$5 million lobbying in Pennsylvania since 2007 and donated more than \$3 million to state political campaigns in the last decade.

Most went to Republicans - GOP gubernatorial nominee Tom Corbett, who opposes any new taxes, dwarfed all others with \$372,000, Common Cause said.

But Democrats also made the group's list. Rendell, who last fall abruptly scuttled plans for a

tax, received \$84,000 in contributions from gas-drilling interests. The campaign of the Democrat running to succeed him, Allegheny County Executive Dan Onorato, has collected \$74,000.

The Marcellus Shale Coalition, nearly 125 companies with drilling-related interests, reported spending \$406,000 on lobbying Pennsylvania officials in the first six months of this year.

Its most prominent lobbyist, Ridge, described his role as an adviser to industry executives, rather than someone crafting bills in back rooms.

"The one thing I'm not doing, I'm not banging on doors," he said in an interview. "There are other people who are going to be banging on doors."

Also registered as shale coalition lobbyists are some of Ridge's top aides, including former gubernatorial chiefs of staff Mark Holman and Mark Campbell and onetime Environmental Protection Secretary James Seif.

The industry has enlisted Democrats, too. Three of Rendell's top aides, including executive deputy chief of staff K. Scott Roy, who was Rendell's liaison to the gas drillers, have left their posts for jobs with drilling companies since the fall.

The gas companies have kept up their six-figure lobbying campaign in recent months, reports show. Range Resources, for example, has two dozen lobbyists and reported spending \$81,891 on lobbying between April and July.

In March, Equitable Gas Co., whose parent company, EQT, is a major driller, invited State Reps. David Levdansky (D., Washington) and Marc Gergely (D., Allegheny) and their sons to its Civic Arena luxury suite to watch the Pittsburgh Penguins play the Tampa Bay Lightning.

The costs were \$183 for each ticket plus an average food-and-drink bill of \$73, Equitable Gas spokesman Scott Waitlevertch said. Two other Allegheny County legislators also attended as the company's guests, he said.

Gergely and Levdansky said that they did not recall discussing the severance tax at the game, a 2-0 Penguins loss, and that such freebies would not have shaped their decisions. Both support the House Democrats' proposal, which the industry opposes. Levdansky is a prime sponsor of the bill.

"Have I got contributions from the industry? Yes," said Levdansky, who, according to Common Cause, has accepted \$8,850 in campaign money from gas or drilling-related companies since 2001. "Does it affect my thinking? Obviously not."

But he acknowledged that the company had a purpose in inviting him: "I think they know that I'm a legislator and I'm very involved in the Marcellus issue."

Gergely said the company was probably more interested in networking with him because he sits on the House Consumer Affairs Committee. The company also treated him and a half-dozen other legislators to a Pittsburgh Pirates baseball game in May.

"It's a communication vehicle," spokesman Waitlevertch said. "There is no expectation of anything in return."

Gergely said that he also had let a representative of Chief Oil & Gas take him to dinner one night in Harrisburg, and that he had attended another dinner presentation by the Marcellus Shale Coalition. In April, Gergely's campaign accepted \$1,000 from the political action committee of another drilling company, Chesapeake Energy Corp., records show.

Three months later, he and a Republican counterpart from Lycoming County, State Rep. Garth Everett, drafted legislation to allow "forced pooling," a controversial provision that would allow the industry to extract gas from a landowner's property - and pay for it - if a majority of his or her neighbors agreed to allow drilling in their area.

Gergely said he had supported the idea before discussing it with the gas companies - in part because it would keep landowners from stifling the industry and hurting one another by trying to hold out for the most money.

"They didn't bring it to me," Gergely said of the pooling proposal. "I went to them and said, 'This is something that needs to be done.' "

Other interested groups have spent money on lobbying, too, though in lesser amounts. Jarrett's group, PennFuture, reported nearly \$60,000 in lobbying costs for the first six months of this year. The state School Boards Association said it had spent \$46,000, the Sierra Club \$14,000.

Those groups say they rely more on grassroots efforts such as Jarrett's breakfast in Horsham.

"While the industry has a lot of money to be throwing around, they don't have the people," said Jeff Schmidt, head of the state chapter of the Sierra Club, who plans to take part in so-called Lobby Day on Tuesday. "We've got the people."

Pitzarella, the Range Resources spokesman, said he wished he had "one one-hundredth" of Jarrett's organization. He said that with time, the industry might marshal tens of thousands of workers and landowners who support it.

Instead, he said, there are a team of lobbyists working in Harrisburg, a conference call every few days with key coalition members, regular e-mail alerts to legislators - and people like him, who aim to educate a wider audience through interviews and appearances.

Ridge said the industry's importance to the state's future could not be overstated. "It is not just another source of revenue," the former governor said. "This is a sector - not a company - that can contribute millions and millions of tax revenues, corporate and personal, for the next several decades."

Senate Majority Leader Dominic Pileggi (R., Delaware) agreed that the tax issue was a priority. But the veteran legislator said the lobbying activity was not unusual in light of what is at stake.

Said Pileggi: "That occurs any time you create a new fund."

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